

Mr Chris Dent
University of Durham
(by e-mail)

Ref: Durham-Fundrev-1

4th October 2010

Dear Chris,

**NETS SQSS – Fundamental Review Update and Consultation Report;
– also Intermittent Generation Consultation Report**

Thank you for your responses to the above two consultations, sent in the name of Durham and Edinburgh universities in June and July 2010. Because of the strong overlap in your comments, we reply jointly to both responses.

We are pleased that you agree with our two-part standard, and that the majority of 'Wind Integration' reinforcements will be driven by economics rather than by security.

Within the demand security criterion, you make an interesting suggestion that the treatment of Wind could be informed by 'capacity credit' calculation for Wind; however, our proposals of 0% or 5% are intended to represent a 'Low Wind' condition, and we do not think it necessary within this essentially arbitrary decision to bring in such statistical derivations of wind contribution.

Within the issue of use of CBA for the Wind Integration criterion, we note your preference for a formal CBA optimisation, but we share your reservations on the computational practicality of a workable model. It is for this reason that we propose the pseudo- CBA hybrid approach.

We are pleased that you agree with us, that for various reasons it is not practicable to perform demand security studies by cost-benefit methods. It is useful for us, to see this view confirmed by an experienced academic source.

We note your views on the importance of high quality statistical models of wind resource, both onshore and offshore. We look forward to continuing discussions with you on this topic.

Thank you for your detailed replies to a number of the questions from the Intermittent Generation Consultation. We will consider these in conjunction with all other replies. We

note your views on our 'Uncertainty regions', in particular the relative risks of under-building vs over-building transmission. We note your query on a 'single boundary' approach, which has thus far been used in our justifications. We have unpublished results that multi-boundary optimisation yields results very little different from single-boundary, and we will present these in our final report to Ofgem.

In accordance with the NETS SQSS governance procedure, which is currently a voluntary arrangement, we will undertake a consultation, starting later this week, on the text intended to implement the proposed changes. As well as providing an opportunity for comment on the text proposals, we believe that this will help clarify which of the proposals we will recommend for implementation now, and which we believe require further development. We will be submitting a report to Ofgem following this consultation. This report will discuss the proposals taken to consultation and the industry comments, and it will make recommendations on NETS SQSS amendments and future work.

Once again, thank you for your comments. Please contact me (mark.perry@uk.ngrid.com – 01926 655468) should you wish to discuss any issues further. I look forward to working with you on the next phase of the review.

Yours sincerely

Mark Perry