

**ARRANGEMENTS TO FACILITATE EARLIER CONNECTION OF GENERATION –
PROPOSED INTERIM APPROACH - OPEN LETTER 19 MARCH 2009**

1. SP Energy Networks ('SPEN') welcomes the opportunity to respond to the open letter issued on 19 March 2009. SPEN, which has responsibility for the three licensed network businesses SP Distribution Ltd, SP Manweb plc and SP Transmission Ltd, has an interest in facilitating the connection of renewable generation in its licensed areas. Our networks operate in some of the most renewable resource rich areas of the UK and more than 1/3rd of the UK's renewable generation capacity is connected to our networks¹.
2. SPEN supports Ofgem's proposal for all parties to be treated on a non-discriminatory and consistent basis for the interim period, irrespective of the timing of a connection application or whether a new connection is to the transmission or distribution system. Essentially this "connect and manage" approach is what we have advocated since the outset of TAR.
3. We have complied with our Connection and Use of System Code (CUSC) obligations by applying the statement of works process as set out in the CUSC for managing distribution connections. We will continue to apply this process, pending the outcome of Ofgem's decision on the CUSC CAP167 amendment. Our concerns regarding the treatment of distribution generation connections and the delays imposed upon consented projects have previously been expressed to Ofgem². We therefore see this interim arrangement as a pragmatic and welcome development.
4. As a transmission licensee, we have worked with the other transmission licensees on the GB Queue arrangements. From a transmission licensee perspective, we also welcome and support this proposal.
5. Ofgem's use of the terminology "over-selling of transmission capacity" implies that the system operator has mistakenly oversold transmission capacity. From our perspective, this is not about over-selling capacity but simply a consequence of moving to the BETTA arrangements. Ofgem were very focussed on delivering BETTA and believed that the benefit of a GB-wide market outweighed the potential increase in constraint costs across boundary B6. If the pre-BETTA arrangements had continued, new generation connecting in Scotland would not have increased constraint costs. On the other hand, market access for the host generators would have been impeded.

¹ Renewable generators connected to SPEN networks at April 08 as a percentage of portfolio quoted in Digest of UK Energy Statistics (DUKES), 31 July 08

² Letter from Scott Mathieson to Stuart Cook "Advancement under GB Queue Management Process – Small Embedded Power Stations Connecting to the SP Distribution (SPD) Distribution Network", dated 29th January 2009.

6. Since the need to connect a significant amount of renewable generation was first recognised many years ago, we have consistently stressed that the solution to transmission access is to build sufficient network capacity.
7. The ENSG work undertaken by the transmission licensees again highlights the need for further reinforcement of the GB transmission system. In order to deliver this grid capacity as quickly as possible, a regulatory investment framework is required which provides the right risk/reward balance for the transmission companies.
8. There are locations on our transmission network where there is insufficient network capacity in remote areas where windfarms look to connect. We suggest that it would help to provide clarity over what is meant by “local connection works” to ensure that any new local transmission infrastructure is not confused with “reinforcement of the wider transmission system”.
9. Finally, we note that NGET has submitted a charging modification, which proposes to introduce a locational element to BSUoS charges. This potentially may impact on the distribution licensees and their charging arrangements. As a distribution licensee, we shall therefore ensure, as Ofgem recommends, that we engage in the charging modification consultation process. It may be necessary for the DPCR5 settlement to recognise the potential implications of these developments. It is also possible that changes will be needed to DNOs’ charging methodologies and statements, which may need to be considered by the Structure of Charges project or via the new common governance arrangements.