

Why wasn't Scotland included in the original NETA reforms?

The wholesale markets in England and Wales and in Scotland are separate.

NETA was aimed at reforming the Electricity Pool - which represented the wholesale electricity market for England and Wales only. Arrangements for Scotland were administered which meant that Scottish prices were set at the same level as Pool prices.

To create a British wholesale electricity market at a time of major reform to the arrangements in England and Wales would have taken considerable resource and would, almost certainly, have delayed NETA.

Scottish generation prices are still administered and are now linked to NETA prices.

If Scottish generation prices are linked to NETA, they must be the same - so why bother with reform?

While Scottish generation prices are linked to NETA prices nothing else in the Scottish market has changed.

BETTA will enable:

- more competitors to enter the Scottish wholesale and retail markets which will put even more pressure on prices to the benefit of consumers and businesses
- new transmission arrangements will allow Scottish electricity generators to have better access to a wider British market to sell their electricity
- renewable generators will have a greater choice of suppliers and a wider market in which to sell their electricity.

For more information you can contact:

Colin Sausman colin.sausman@ofgem.gov.uk 020 7901 7339

The Betta way forward

What is BETTA?

The British Electricity Trading and Transmission Arrangements (BETTA) will create, for the first time, a fully-competitive British-wide market for the trading of electricity generation (the wholesale market).

BETTA will be achieved by:

- extending to the Scottish market, the New Electricity Trading Arrangements (NETA) which were successfully introduced in England and Wales more than a year ago
- creating a single body to operate the high-voltage electricity transmission system. This is currently run in England and Wales by the National Grid Company (NGC). In Scotland, a separate system is run by ScottishPower and Scottish and Southern Electricity. The two systems are joined by an England/Scotland Interconnector, and
- reforming the way that generators and suppliers plug into the transmission system to ensure they have open and fair access to the network. These new arrangements will, for the first time, create a British-wide transmission network

The ofgem logo is located in the bottom right corner of the page. It consists of the word "ofgem" in a white, lowercase, sans-serif font, set against a red, rounded rectangular background.

Promoting choice and value for all gas and electricity customers

Why are these reforms needed?

More competitive prices

Scottish customers are not benefiting from the competition which is now established in the wholesale market in England and Wales, where prices are around 40 per cent lower than they were since the NETA reforms were proposed in 1998. **This is important because wholesale costs make up around half of all domestic customers' bills.**

While competition in the Scottish retail market is established, more competition in the wholesale market will put an even greater pressure on prices.

Lower energy costs help tackle fuel poverty which affects 1 in every 3 Scottish households and 1 in 7 households in England and Wales.

A wider market for electricity

The current arrangements make it more difficult for Scottish generators to sell their electricity to the wider British market. This is important as Scotland produces 70 per cent more electricity than it needs - and

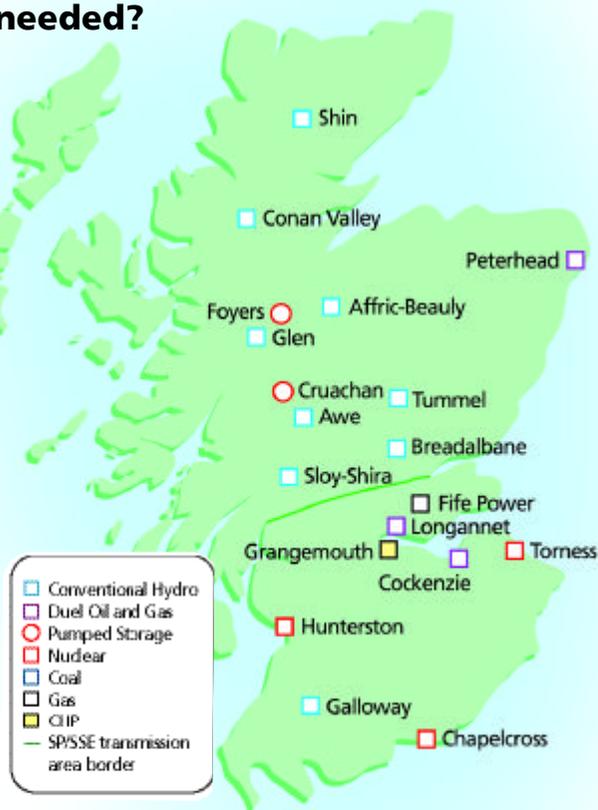
that electricity needs a market. The reforms will create this market for both traditional and renewable forms of Scottish electricity generation.

What effect will these reforms have on Scottish renewable generators?

Because there is no competitive wholesale market, renewable generators find it difficult to sell their electricity other than to the two Scottish companies.

Under BETTA, renewable generators would be able to sell their electricity into a much wider market with ease. They will also have

better access to the Anglo-French interconnector, making it easier to sell their electricity in continental Europe.



When will these reforms be implemented?

The scope of these reforms means they need Government legislation to implement. The Department of Trade and Industry announced in April that it will bring forward legislation as soon as Parliamentary time allows.

Implementation is planned for April 2004. This is dependent on legislation being passed during the 2002-2003 Parliamentary session.

How much will these reforms cost?

Much of the work to introduce BETTA was carried out during the implementation of NETA. On first estimate, the central costs of implementing BETTA will be in the region of £8 million.

These costs should be set against the significant customer savings which competition can bring - British customers have saved about £750 million a year since competition in the retail market began in May 1999.

Why are the arrangements in Scotland different from the rest of the country?

The administered arrangements for the Scottish wholesale (generation) market date from electricity privatisation in 1990. They mean that ScottishPower, British Energy and Scottish and Southern Energy are responsible for the generation, transmission, distribution and supply of electricity.

These arrangements have changed little since privatisation. By contrast, the English

and Welsh market has developed significantly.

Today there are 36 generating companies in England and Wales, compared to four in 1990. In Scotland, only two generating companies own or contract 98 per cent of generation capacity - the same as at privatisation.

Reforms will benefit Scotland by:

- bringing more competitive electricity prices
- helping to tackle fuel poverty
- improving the competitiveness of Scottish businesses, and
- providing a larger market for Scottish electricity