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Dear James

Re: Extending competition in electricity transmission: proposed arrangements to introduce onshore tenders

On behalf of Electricity North West Limited, I would like to thank you for the opportunity to comment on your latest proposals with regard to the extension of competition to onshore electricity transmission within Great Britain (GB). We welcome the development of further competition within the industry where it delivers benefits to customers.

Whilst we appreciate this is part of a longer-term piece of work by Ofgem, it is our view that these proposals will impact on a wide range of stakeholders, extending beyond the System Operator (SO), Transmission Owners (TOs) and potential new entrants. However, to date, the engagement appears to have focussed on these parties and has not considered the impact on other industry participants, including ourselves as a Distribution Network Operator (DNO). We appreciated the opportunity to participate in the December workshop but believe further engagement is required to ensure there are no unintended consequences from your proposals as they are developed.

Similarly, for those unfamiliar with the subject matter, the consultation document is high-level, with limited detail on the implications of the proposals being put forward. We believe it will be the detail of how these proposals are implemented that will determine the level of benefits that are realised and the full impacts on all parties. For example, we would like to understand more fully the benefits to customers that Ofgem anticipates these proposals delivering, and particularly how these split between the different models discussed. We also believe that further detail is required on the detailed framework and how that impacts on different stakeholders.

At this stage, our primary concern is to understand the potential impact on our customers and the steps that will be taken to minimise any unnecessary confusion or disruption. The transmission network in GB has historically delivered high levels of performance, which we rely on to ensure that we are able to meet our customers' expectations in terms of the service we provide.

We are incentivised through the Interruptions Incentive Scheme (IIS) to minimise both the number and the duration of planned and unplanned interruptions on our network. The targets we have agreed for the RIIO-ED1 period are challenging but achievable, with a continual stretch to ensure ongoing improvements in our performance. Significant interruptions on the transmission network will impact on our ability to meet our targets, with

consequential detrimental impacts to the customers we serve in the North West of England, as well as to our incentive performance. We believe it is essential that any mechanisms introduced for the CATOs reflect the potential consequential impact of interruptions on the transmission network for distribution operators and the customers we serve during construction and ongoing operation of assets.

To this end, we believe it is essential that the incentive package for the Competitively Appointed Transmission Owners (CATOs) aligns with those of the existing TOs and the DNOs. This will help to ensure that the service that customers receive, directly or indirectly, as a consequence of the introduction of CATOs is not reduced and that other industry participants are not unduly impacted by the actions of these parties. We are particularly concerned with any potential implications for our performance in relation to interruptions and customer service, where the actions of third parties (ie TOs or CATOs) could directly impact on our performance and the subsequent service received by our customers.

We are also keen to understand how Ofgem's proposals will operate when there is a close interaction with distribution assets and/or proposed solutions. We note for example your comments regarding asset transfer and assume that this solely relates to potential transfer of transmission assets between a TO and a potential CATO. As you are aware, electricity distribution is subject to a separate price control. The proposals for the introduction of competition to onshore transmission, and any consequential impacts to the distribution network, have not been incorporated into our investment considerations for our well-justified Business Plan for the RIIO-ED1 period. Confirmation that these proposals are not intended to impact on the arrangements as concluded for the RIIO-ED1 price control period would be appreciated.

We note that these proposals will have an impact on the enduring role of the Transmission System Operator and also note that the National Infrastructure Commission (NIC) is also considering whether any changes are required to this role. In the evidence we are submitting to the NIC we note that the TSO role has been established for some time and is clearly distinct from the role of TOs. In addition to the three major transmission owners of NGET, SSE and SP, there are now multiple owners of offshore transmission assets and this initiative is looking to increase competition in the ownership of onshore transmission assets. In this context it does not seem appropriate that the role of the TSO should be in the same ownership structure as the dominant transmission asset owner. We would therefore support the role of TSO being independent. We also note that in terms of distribution networks, the role of the Distribution System Operator is not fully defined, particularly as in GB, DNOs currently have no system balancing duties. This may change as more distributed sources of generation and storage are deployed on networks, however, the DSO role should be developed within the existing DNOs for the foreseeable future until its role and obligations are in a more mature state, as is with the case of transmission.

We hope that this response will assist in your work. If you do have any queries, please feel free to contact myself (details above) or Jen Carter (email: jen.carter@enwl.co.uk or tel: 07342 062371). We would appreciate the opportunity to meet with you at a mutually convenient time to explore more fully what these proposals might mean for us and we will be in touch shortly to set something up.

Yours sincerely



Sarah Walls
Head of Economic Regulation