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3 September 2002

Dear Simon,

Access & Allocation Code

Under clause 14.4 of the Use of Interconnector Agreement 1991, SP Transmission Ltd (SPTL) is required to seek the Authority's approval to revisions to the Access & Allocation Code.

In December 2001¹ Ofgem consulted on interconnector access arrangements to apply until 31 March 2004 and following responses published a next steps paper in March 2002². Subsequently, on 20 August 2002 SPTL submitted a revised Code for approval. On 23 August 2002 Ofgem published a consultation letter summarising the access arrangements proposed by SPTL and separately by Scottish Hydro Electric Transmission Ltd. Ofgem noted that it was minded to approve these arrangements to apply from 1 October 2002 until 31 March 2004.

Ofgem received four responses to its consultation letter. Two respondents supported the proposed arrangements as providing stability and welcomed Ofgem's decision to approve the Codes. One respondent outlined a number of concerns with the proposed arrangements including what it considered the anti-competitive implications of locking capacity for six month periods, the limiting effect of "fixing" uncommitted generation and the inadequacy of rules on availability of unused capacity. The same respondent also considered the lack of a reopening clause as rendering the criteria as potentially unresponsive to changing market conditions and highlighted as unacceptable the fact that SPTL's Code is not on its website. A fourth respondent raised the issue of how interconnector access arrangements might affect parties awarded contracts under the NFFO scheme in England & Wales who wish to locate in Scotland.

¹ Scotland-England Interconnector: Access & Charging Principles to 31 March 2002 and Access Principles to 31 March 2004 – Ofgem, December 2001

² Scotland-England Interconnector: Access Criteria to 31 March 2004, Summary of responses and next steps – Ofgem, March 2002

In Ofgem's view, no significant additional issues have been raised that have not previously been raised in response to Ofgem's December 2001 consultation. These issues were subject to a full consultation process and Ofgem presented its conclusions against these areas in its March 2002 decision paper³. In relation to the unavailability of SPTL's Code on its website Ofgem agrees with the respondent that this should have been available on its website before now and reiterates its request to SPTL to make its Code available in this format on the basis outlined below.

In light of the comments received, on behalf of the Authority, and in accordance with clause 14.4 of the Use of Interconnector Agreement 1991, I hereby approve SPTL's Code as submitted electronically on 3 September 2002 to apply for the period 1 October 2002 until 31 March 2004, subject to all statistical and other administrative information being kept as up to date as reasonably possible over this period. Ofgem is concerned from the perspective of openness and transparency that SPTL's Code is not presently published on its website as it is in the case of Scottish Hydro Electric Transmission Ltd. On this basis Ofgem formally requests that SPTL publish this version of the Code on its website with immediate effect.

For the purpose of providing transparency to parties seeking interconnector capacity this letter has today been published on Ofgem's website.

Yours sincerely

David Halldearn
Director – Scotland & Europe

cc: Jim Sutherland
Alan Michie

³ Scotland-England Interconnector: Access Criteria to 31 March 2004, Summary of responses and next steps – Ofgem, March 2002