

PLANNING AND OPERATING STANDARDS UNDER BETTA

OFGEM/DTI CONSULTATION – MARCH 2003

SCOTTISHPOWER RESPONSE

SUMMARY

ScottishPower welcomes the opportunity to comment on this paper. Our views on the issues for consultation are set out below. However, this paper is part of an overall consultation on transmission and trading arrangements, and our views are therefore dependent on progress in other related areas. We continue to support BETTA as part of a package that includes satisfactory proposals for transmission charging and losses in a GB market, treatment of the restructuring contracts set up in Scotland as part of the privatisation arrangements, and division of responsibilities between the GBSO and the Transmission Owners (TOs).

The three GB transmission licensees have been actively contributing to the BETTA debate and participating in the BETTA STEG meetings. We are pleased that in this consultation Ofgem/DTI have accepted many of the views of the transmission licensees.

- **Transmission network investment should remain the responsibility of the TO and any incentivisation should take place within a system which continues to be based largely on security standards and central planning.**
- **The consultation document recognises that the standards applied by all three companies are considered appropriate for the characteristics and risks associated with the networks to which they are applied.**
- **ScottishPower believes that it is not practical or necessary to carry out a fundamental review of either of the Planning or Operating Standards as part of BETTA, and there should be no significant change in the standard of service delivered to transmission customers. Any change from the current standards should be subject to rigorous cost-benefit analysis. The need for a review of standards for the 132kV system can be considered when the outcome of the debate on its status is known.**
- **The three transmission licensees should review the existing standards and harmonise the terminology and definitions within the existing Operating Standards for BETTA Go Live. This will lay the groundwork for any future work on harmonisation and provide a framework for the assessment of implications for transmission charging.**
- **The planning and operating standards should be kept under review as network characteristics change, and any review should be conducted jointly by the transmission licensees.**
- **ScottishPower supports the principle that transmission charging should take account of differences in standards.**

1. TRANSMISSION NETWORK INVESTMENT

1.1 In the background to this Planning and Operating Standards consultation, Ofgem makes reference to other consultations where it has proposed the need to provide adequate signals for NGC to undertake appropriate system investment in light of market conditions.

1.2 While Ofgem has yet to consult about incentivisation under BETTA, it has proposed in the Regulatory Framework Consultation that the Transmission Owners will have the responsibility for planning and developing their respective transmission systems and that it is anticipated that the obligation to meet planning standards will apply to the transmission owners.

1.3 ScottishPower agrees with Ofgem that transmission network investment should remain the responsibility of the TOs and any incentivisation should take place within a system which continues to be based largely on security standards and central planning.

2. EXISTING STANDARDS

2.1 The consultation paper summarises the existing planning and operational standards, and highlights the differences in the existing standards between the three transmission licensees. Where there are different standards on either side of an interface then the BGSA states that the more onerous standard shall apply and thus double circuit standards are applied to the Anglo-Scottish Interconnector.

2.2 ScottishPower agrees with the statement in STEG's paper that "the standards applied by all three companies are considered appropriate for the characteristics and risks associated with the networks to which they are applied", and believes, in particular, that the Scottish planning and operational standards are appropriate for the Scottish network and have indeed served their customer base with an economic and reliable network for many years. ScottishPower welcomes the view taken by Ofgem/DTI that it does not foresee significant investment in order to conform standards, nor will there be any significant change in the security and quality of supply offered to customers post BETTA. ScottishPower does not support harmonisation for harmonisation's sake, and believes it is important to recognise that changing the standards may lead to additional network investment, which has cost implications for transmission businesses, transmission users and ultimately the end customer. This cannot be justified without demonstrable benefits. ScottishPower believes that any change from the current standards should be subject to rigorous cost-benefit analysis and notes that neither the basis, the costs nor the benefits of conforming the standards have been quantified.

2.3 We observe the significant timescale and resource associated with the NGC review of its Planning and Operating Standards which led to the adoption of the "NGC Transmission System Security and Quality of Supply Standard, Issue 1". At a time of major restructuring of the responsibilities of the transmission companies which will itself be a significant challenge to implement, it is neither appropriate nor necessary to carry out a fundamental review of the appropriate standards to apply under BETTA.

2.4 We would therefore conclude that it is not practical or necessary to carry out a fundamental review of either of the Planning or Operating Standards as part of BETTA, and that there should be no significant change in the standard of service delivered to transmission customers in each network.

2.5 ScottishPower believes that the 132kV system in Scotland should be re-designated as distribution in order to ensure consistent treatment of 132kV connected customers between England and Scotland and notes the support of the Trade and Industry Committee for such consistent treatment. The need for a review of standards for the 132kV system can be considered when the outcome of the debate on its status is known.

3. REVIEW OF THE STANDARDS PRIOR TO BETTA

3.1 ScottishPower supports the Ofgem/DTI view that while a fundamental review of the standards is inappropriate, a more detailed review of existing standards should be undertaken by the transmission licensees with a view to identifying which aspects may be practically harmonised under BETTA from day one. Given the existing resource commitment of the three transmission licensees to the implementation of BETTA, it is likely that this more detailed review would concentrate on the practical matters of harmonising definitions and terminology within the existing standards. Expressing the different standards in common terms will improve transparency and practicality, and lay the groundwork for any future work on harmonisation and provide a framework for the assessment of the implications for transmission charging.

3.2 In particular this could allow for a harmonised operational standard with a geographic zoning mechanism to permit variations in security levels. These security levels would, as now, take into account the prevailing weather. In the event that the 132kV system were to remain part of transmission, such variations would continue to allow for differences in security between the supergrid and the 132kV systems.

3.3 Practically, this work should be conducted by the transmission licensees under the auspices of STEG. This will allow for the setting of a timetable, and the publication of progress alongside the other STEG workstreams.

4. FURTHER REVIEW POST BETTA

4.1 The characteristics of the Scottish transmission network are likely to change with increasing volumes of renewable generation. It is thus appropriate for there to be a periodic review of the security standards after the introduction of BETTA. The Transmission Owners, who will develop the GB network under the planning standards, and the GBSO, who will operate the GB network under the operating standards, should jointly lead these reviews.

4.2 Experience has shown that the planning and operating standards interact, and that it is important that they are consistent. It is thus appropriate that the planning and operating standards should be reviewed together, and that any such review should be conducted jointly by the transmission licensees.

5. IMPLICATIONS FOR TRANSMISSION CHARGING

5.1 The standards are and, we believe, should remain the key driver of network investment, and set out the service levels provided to transmission users. ScottishPower therefore supports the principle that transmission charging should take account of differences in standards. The manifestation of this principle will depend on the high level design of the GB transmission charging methodologies, and we look forward to the forthcoming consultation on GB transmission charging for confirmation/clarification of Ofgem/DTI's latest thinking on this matter. We would highlight that ScottishPower has consistently opposed locational charging, such as that given by the current methodologies in England & Wales. Should the GB charging methodologies incorporate locational charging, for example in relation to costs associated with transport, substations and/or security, then ScottishPower firmly believes that where different standards give rise to different implications for system design or imply different service levels to customers, for the same connection capacity, then this must be taken into account in the methodologies. The expression of the current standards in common terms will facilitate this comparison of standards and their implications for network investment and service levels.