

Tracey Hunt
Competition & Trading Arrangements
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

17 November 2003

0141 568 4469

Dear Tracey

**Transmission investment and renewable generation
October 2003**

Thank you for the opportunity to respond to this consultation. This response is submitted on behalf of ScottishPower UK Division which includes the UK energy businesses of ScottishPower, namely ScottishPower Generation Ltd, ScottishPower Energy Management Ltd and ScottishPower Energy Retail Ltd.

ScottishPower UK Division believes it is clear that Government targets for the percentage of electricity to be generated from renewable energy sources by 2010 and 2020 can only be achieved if the potential renewable energy resources of Scotland are exploited much more fully than today. The RETS study clearly demonstrates that the increase in renewable generation in Scotland will require a substantial investment to reinforce the GB transmission infrastructure.

Given the importance of the renewables targets in Government policy, the size of the investment required and the timing pressures, it is not an option to do nothing. We agree that the transmission price controls of the three transmission licensees should be adjusted now, in order to take account of the need to begin now to make the necessary transmission investment to meet the 2010 targets. We also believe that a simple, immediate solution would be most appropriate at this time, rather than a complex enduring efficiency-based incentive arrangement as suggested in the consultation.

However, it is essential that the solution recognises that the new renewable generation and consequential infrastructure investment, a large share of which will be in Scotland, are driven by the need to meet a UK target and will benefit GB as a whole. Consequently, the individual price control adjustments should be based on common assumptions as to the investment required across GB, and the overall costs of this investment should be spread evenly across GB as a whole.

This necessitates a co-ordinated approach in setting the price control adjustments for each licensee, and a means must be found, prior to the introduction of BETTA, of recovering the aggregate additional GB costs uniformly across GB users and reallocating this recovered revenue between the transmission licensees. Failure to do so would imply that the costs of meeting the UK renewables targets would be borne predominantly by Scottish transmission customers, which is entirely inappropriate. It would also be inequitable if existing generators who are located in Scotland were to be faced with a sharp increase in their transmission charges simply because they happened to be located in an area in which increased renewable generation required transmission enforcement.

We look forward to the main consultation later this month for more details on the proposals, and trust that these views will be taken into account in developing those proposals.

I hope these comments are helpful. Please contact me should you wish to discuss further.

Yours sincerely

Mike Harrison
Commercial Manager, Trading Arrangements
ScottishPower Energy Management Limited