

David Halldearn
BETTA Project
Office of Gas and Electricity Markets (Ofgem)
9 Millbank
London
SW1P 3GE

07 April 2004

0141 568 4469

Dear David,

**Review of transmission price controls from 2005: SP Transmission Ltd and Scottish Hydro-Electric Ltd - Initial Thoughts
March 2004**

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 Energy Management Ltd, ScottishPower Generation Ltd and ScottishPower Energy Retail Ltd.

Our comments in respect to this consultation relate to the implications of the proposals on transmission charges to users. Paragraphs 2.56-2.58 of the consultation document propose that if BETTA go-live occurs after 1 April 2005 and the Scottish price controls apply for part of a year, then the allowed revenues should be recovered for the period to which they apply based on a constant daily charge throughout the year, using the same charging methodology as in 2004/05. This would effectively pro-rate users' charges as calculated for the full year, according to the proportion of the year in which the separate Scottish arrangements applied. While this proposal may seem sensible in itself, it must also be considered in the wider context of charging-related issues arising from mid-year BETTA implementation, and only addresses part of this picture. Consideration must also be given to the implications for transmission charges in England & Wales pre-BETTA, and over GB post-BETTA, in particular addressing the potential for double counting of transmission costs in setting charges on all users, and double charges on individual users through inappropriate application of peak charges for both parts of the year. This will be a particular risk for users of the Anglo-Scottish interconnector.

We note that the implications for transmission charging pre- and post-BETTA will be one of many issues to be addressed in the forthcoming consultation on transition issues, and we urge Ofgem/DTI to consult on such matters as soon as possible.

Further, as stated in our response to the October 2003 consultation on price controls and incentives under BETTA, it will be important to identify as soon as possible the impact of socialisation of the Anglo-Scottish interconnector on the transmission licensees' revenue restrictions, so that the outcome can be incorporated into the development of the GB transmission charging methodologies. Specifically, it will be important that this impact is reflected in the indicative GB TNUoS tariffs published in NGC's consultations on the GB charging methodologies.

I hope that you find these comments useful. Should you have any queries on the points raised, please feel free to contact us.

Yours sincerely,

Mike Harrison

Commercial Manager, Trading Arrangements
ScottishPower Energy Management Limited