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Dear David,

Ofgem/DTI proposals on the initial allocation of system access rights under BETTA.

We welcome Ofgem/DTI's proposals on the initial allocation of system access rights under BETTA. These will ensure that parties connecting prior to BETTA will continue to enjoy their pre-BETTA access rights. We believe it also sets an appropriate framework for parties wishing to connect to do so on terms consistent with the offers received from the existing transmission licensees.

Whilst we believe it sets an appropriate framework for the GBSO, we are concerned about the offers that the existing Scottish licensees will be required to make in the transitional period. In particular there is a risk of a large number of applications for capacity on the basis that the offers that applicants receive would not be permitted to be dependent upon any upgrades to the interconnector circuits. It also appears that NGC will be obliged to make an offer to Scottish applicants before 31st March 2005 (draft condition 7(c)(i)). For an application received in say, November, resulting in an offer from the Scottish licensee in February, this would not leave NGC much time to make a GB offer. We would welcome further discussions with Ofgem on management of these potential issues.

Paragraph 4.26 notes that some of the existing connection arrangements might not comply with the standard connection boundaries or connection designs in the GB CUSC. Many of these are associated with connection to the 132kV system where generation capacity is much less than for a 275 or 400kV connection. The implications for security of the system in the event of loss of that generator infeed are consequently much less severe, and much simpler and economic connection arrangements can be made. These are entirely consistent with the security of supply

standards and we therefore agree with the conclusion that these arrangements should be reflected in the offer for connection to the GB system.

It is also important to note that offers made to generators wishing to connect to the system might also not be consistent with the GB CUSC, for the same reasons outlined above. A more economic design meeting the customer's requirements would be entirely consistent with the security of supply standards, but might not be consistent with the CUSC. Procurement of plant might be well advanced for these connections, and we firmly believe that when NGC makes offers for connection to the GB system for these applicants, the offers should reflect the design and ownership boundaries of the offers made by the existing licensees. This avoids the need for re-engineering existing offers and reduces uncertainty for parties wishing to connect to the system.

Paragraph 5(a) of the draft licence condition should therefore be amended to ensure that the NGC offer "reflects, to the extent appropriate, the TOs input to the offers which the licensee is to make pursuant to this condition. In particular, it should reflect the design and ownership boundaries of the TO offer;"

Please give me a call if you need any further information or clarification of the above comments.

Yours sincerely,

Rob McDonald
Director of Regulation