ScottishPower
energy management

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Dear David,

Planning and operating standards under BETTA
Ofgem/DTI consultation document
July 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.

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

PLANNING AND OPERATING STANDARDS UNDER BETTA

SCOTTISHPOWER UK DIVISION RESPONSE

1 General comments

1.1 ScottishPower UK Division acknowledges the work which has been done by the transmission licensees to review the three sets of planning and operating standards which are in use at present and to consolidate them into a single document for use under BETTA. The re-writing of the standards using common terminology is a helpful development, but we do not believe that it can be described as a "harmonised" standard, incorporating as it does a number of regional differences. A better description is that which is contained within the draft SQSS document itself, "a coordinated set of criteria and methodologies."

1.3 It is clear from the document that the existing design and operating standards differ in substance as well as terminology between Scotland and England and Wales, and that these differences in substance will continue under BETTA. Indeed, the express instruction to the Expert Group was to ensure that no extra investment was required in Scotland and no reduction of security occurred in England and Wales, and the Group has found it necessary to perpetuate the different standards in order to meet these objectives. This has been done by incorporating regional differences of standard within the main text of the document.

1.2 We have not examined the SQSS in great detail, deferring to the expertise of the Expert Group, but we would highlight three areas of their work which need to be considered in the further development and implementation of GB trading and transmission arrangements under BETTA.

2 Commercial treatment of different standards

2.1 The continuation of the different standards in Scotland and England and Wales through the incorporation of regional differences in the standards document has implications for the design and operation of the respective system which need to be recognised in the commercial arrangements associated with the transmission networks.

2.2 Ofgem/DTI recognised in the June 2003 conclusions document that "to the extent that different standards apply to different users of the GB transmission system, the appropriate commercial treatment of such differences needs to be considered in the development of the connection and use of system charging methodology to apply under BETTA." ScottishPower UK Division has consistently pursued this consideration during the development of the GB transmission charging methodologies for BETTA, although there is no evidence that this has been recognised by NGC. We will return to the topic in our response to NGC's final methodologies consultation now that it is clear that the differences in standards will continue under BETTA.

2.3 We can summarise our argument in this regard as follows. The Expert Group has established that different standards were applied in Scotland compared to England

and Wales, and that to apply the England and Wales standard to Scotland would require extra transmission investment in Scotland. The Expert Group has proposed a standard which perpetuates most of these differences in the form of regional variations applicable to different parts of the GB network. It follows therefore that the historic network provision in Scotland has been against a lower standard than that in England and Wales, and that, under BETTA, users of the Scottish network will enjoy a lower standard of security than users in England and Wales. The GB charging methodologies must recognise this and take account of it in the setting of transmission tariffs payable by Scottish users.

2.4 An example of a continued difference which needs to be recognised in the transmission charging methodologies relates to the security standards for the main interconnected transmission system. Whilst NGC may argue that the security standards are the same on all three networks at the time of system peak, which is the condition used in the calculation of the TNUoS tariffs, the standards are clearly different at other times. The security of the service which is being provided to a user by the transmission system needs to be considered as the time integral over the annual charging period of the instantaneous level of security. A system with lower instantaneous levels of security is clearly delivering a lower standard of service over the period, and this should be reflected in the charges for its use. It is misguided to suggest that only the security standard which applies at the time of system peak when the tariffs are calculated needs to be considered when deriving the locational security factor which is used in that calculation.

2.5 There are also mismatches between the design philosophy and the commercial arrangements. An example can be seen in the treatment of generator connections containing overhead lines. The proposed SQSS determines the maximum length of overhead line which can be included in a generator connection by reference to the annual amount of energy which is expected to be exported to the system by the generator. Where this is high, only 5km of line can be included; where it is lower then up to 20km can be included. The degree of security which is being provided to the generator is related to both the capacity and the load factor of the generator and is clearly lower for low load factor generators with longer overhead line connections and hence higher fault risks. However, for the purposes of calculating transmission tariffs, the expected load factor of generators is not considered; the tariffs are set using only the capacity.

2.6 The differences in historic design standards, e.g., the limited use of interconnection reserve in Scotland, might be expected to have led to different levels of investment in the networks for similar patterns of generation and demand. These differences need to be recognised in the charging methodologies.

3 Standards represent minimum requirements

3.1 The draft GB SQSS states quite clearly at paragraph 1.5 that the criteria presented in the standard represent the minimum requirements for the planning and operation of the GB transmission system, but that it does not follow that capacity should be reduced so that the system only meets this standard in the event that changes to the pattern of generation and demand lead to lower loading levels. We support this principle, but we do not believe that NGC's charging methodology is consistent with it. The proposed charging methodology assumes that the costs saved by

closure of a generator are equal to the incremental costs of a new generator connecting in the same zone. We do not believe that this use of the same marginal cost for both increments and decrements of capacity when calculating tariffs is in accordance with the principle set out in paragraph 1.5 of the SQSS. We believe that NGC's argument that the connection of generation in the south causes a net reduction in transmission costs by avoiding future costs, is also inconsistent with this principle and that, therefore, their charging methodology is unsound.

4 Interaction of operational and design standards post BETTA

4.1 We are concerned at the potential for GB transmission capacity to be curtailed under the BETTA transmission structure due to the application by NGC of the "GB" operational security standard across the networks designed by NGC, SPT and SHETL, in such a way as to reduce the available transmission capacity to a level below that which would have been available under the pre-BETTA structure. It is important that Ofgem/DTI make appropriate provisions to ensure that, by reason of misinterpretation or otherwise, capacity is not artificially reduced.