
Scottish Electricity Settlements

David Haldearn
BETTA Project
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

Our Ref: RQ

Your Ref:

Date: 16th December 2004

Dear David

BETTA consultation on the recovery of costs incurred as a result of the run-off of the Settlement Agreement for Scotland (SAS)

SESL notes with interest your open letter consultation of 17th November 2004 addressing the issue of funding for SAS run-off. While SESL has a clear interest in the outcome of the consultation in respect of its funding beyond Go-Live its comments other than providing some further clarification of the numbers contained in the consultation, are restricted to a single technical issue requiring clarification in the final determination

Points of Clarification

- The remaining £4m of "1998" costs" are due to be completely recovered for the period up to November 2005, and not October 2005 as suggested.
- SESL's operating budget for the year 2004/05 is £3.6m. The out turn is expected to be in the region of £3.3m.
- The Finance and Audit Panel has along with SESL recommended an operational run-off budget of between approximately £2.1m assuming cessation of reconciliation runs after "R3".

Technical Issue

- The consultation proposes that SESL recovers all of its costs from the distribution licensees "in appropriate proportion", without stating what those proportions might be. It is implied within the consultation that at least one element of the costs (the 1998 costs) should be recovered by the distribution licensees from the same consumer groups in the same proportions as at present. This would suggest that costs be apportioned to distribution licensees in a manner that roughly mirrors the existing methodology, for example using a snapshot of current system volumes. In order to move forward swiftly with a new billing arrangement, SESL and the distribution licensees require clear guidance from Ofgem on this issue. It should also be noted that there is at least one other distribution licensee in Scotland (other than Scottish Power and Scottish & Southern Energy), and there could be more before "Go-Live". Ofgem needs to declare if other distribution licensees should be included within the proposed billing mechanism, and on what basis.

On receipt of the conclusion of the consultation SESL will seek to ensure that an appropriate modification to the SAS is raised. To this end SESL would welcome the publication of the conclusions document at as early a date as possible.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ronnie Quinn', with a stylized, cursive script.

Ronnie Quinn
Regulation and Finance Manager
Scottish Electricity Settlements Ltd