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Dear Bridget,

### **Lifetime Derogation Consultation**

I am writing in response to Ofgem's consultation regarding various requests for lifetime derogations from particular Grid Code and Balancing and Settlement Code obligations for various Scottish generators.

#### **Connection Conditions CC.6.3.2**

We welcome and agree with Ofgem's conclusions to grant lifetime derogations for the named Scottish generators from these connection conditions. This is consistent with the treatment at vesting for similar E&W generating plant and to do otherwise would, in our view have been discriminatory.

#### **Connection Conditions CC.6.3.6, CC.6.3.7 (a), CC.6.3.7 (c) (iii) and CC.6.3.7(d)**

We welcome and agree with Ofgem's conclusions to grant lifetime derogations for SSE Generation's hydroelectric generators from these connection conditions. This maintains the pre-BETTA situation by ensuring that the same level of frequency response is available to NGC as was available to the Scottish System operators without imposing disproportionate expense on SSE Generation Ltd (SSEGL).

However, we are disappointed that Ofgem has not granted a similar dispensation to Peterhead, particularly since Ofgem have maintained that "It is not the intention of BETTA to impose technical requirements that were not necessary prior to BETTA, and which are not required as a direct consequence of introducing common market arrangements."

The simple fact is that post-BETTA NGC now have more responsive plant available to them than pre-BETTA even with the existing capabilities of the plant. This is because Scottish Generators are no longer constrained to the separate and smaller Scottish share of GB frequency services operating before BETTA. As a consequence, we do not understand why NGC believes that Peterhead should be obliged to install this additional equipment.

Investing in additional equipment at Peterhead will therefore impose technical requirements and costs that are not required as a direct consequence of implementing BETTA, which would be contrary to Ofgem's intent.

Clearly installing the additional equipment to enhance the capability of the plant might give NGC a further benefit in reducing costs of reserve holding. However, since the non-compliance only relates to a subset of the Peterhead generation and particular operating modes, we do not believe any cost savings would be significant. In fact we are surprised at the potential costs quoted by NGC and believe these have been overstated.

We therefore do not believe it is appropriate to require SSEGL to install the additional equipment and that Peterhead should also be given a lifetime derogation for the particular units.

In any case, NGC's potential costs can be reduced or avoided by entering into mitigating arrangements with SSEGL as mentioned in the consultation and we are continuing to discuss these with NGC. These negotiations are close to final draft and are expected to be concluded imminently. However we believe that any derogation proposals should be capable of being determined by Ofgem since without this safeguard there is no obligation on NGC to agree proportionate mitigating arrangements.

### **Balancing Code No 2 BC2.A.2.6**

We welcome and agree with Ofgem's conclusions to grant lifetime derogations for the specific hydroelectric generators from these requirements regarding tap change facilities. We believe that this is the correct conclusion since the capability is related to fundamental design limitations and there will be no reduction in the level of services available to NGC as a result of the decision.

Please give me a call if you have any questions about the above.

Yours sincerely,

Rob McDonald  
Director of Regulation