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Dear Bob,

Long Term Electricity Network Scenarios – Initial Thoughts

SSE welcomes Ofgem's commitment to provide long term scenario assessments following publication of the Energy White Paper (EWP) in May 2007.

We believe it is appropriate that Ofgem take the initiative on the need for this scenario planning. In our view, such scenario planning needs to be centrally co-ordinated if agreement is to be achieved on base scenarios and their outputs. As proposed, it will be essential to involve network licensees and other stakeholders, to ensure the work is not undertaken in isolation of other work undertaken in this area.

We believe it will be crucial to a successful outcome of the work to engage with Government bodies, including the devolved administrations, which may have developed their own policies and plans in terms of the development of generation types and volumes in their areas. Many will have developed positions on their desired development of renewable generation, informed by an assessment of regional potential. This is particularly the case in Wales, Scotland and in parts of England, and their findings should be assessed and integrated into the early phases of the project.

We agree that, as the scenarios will have a strong networks focus, they be classified by key network drivers. In addition to the possible drivers identified by Ofgem, we believe that increasing safety and environmental pressures (e.g. SF6 gases, cable oil leakage, amenity of overhead lines) should be classified key drivers. Furthermore, network resilience to the impacts of increasing storm conditions and flooding should, we believe, feature as a key driver.

Ofgem's proposed approach is ambitious. Given that the first phase is not yet fully underway, we would suggest that it is reviewed at the workshop planned for 17th August 2007. At this stage all stakeholders will be able to provide input into the proposals, which will help ensure that

the quantitative data collection is supported by good qualitative information. Notwithstanding the delayed start, it will be essential that the output from this work is fed into the DPCR5 consultation process. As the initial consultation for DPCR5 is planned for February/March 2008, a balance will need to be struck between the number of scenarios chosen, the level of analysis undertaken and the need to inform the price control at an early stage.

Whilst we believe the 2050 scenarios will be important, in our view the focus of the analysis should be clearly on 2025 in order to establish a set of key issues for networks (and their regulation). Furthermore, additional way-markers at, say 2020 and/or 2015, may be useful in identifying any such issues for DPCR5.

In summary, we are generally supportive and welcome Ofgem's initiative in taking the lead on scenario planning. We do, however, have some concerns over the timescales for the project and its ability to provide meaningful information into the early stages of DPCR5. We look forward to discussing these issues further at the 17th August workshop.

I hope that these comments are helpful, and if you would like to discuss any of them further then please give me a call.

Yours sincerely,

Malcolm Burns
Regulation Manager