

Lesley Nugent
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Your ref

Our Ref

Date 18 November 2008

Contact / Extension
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Dear Lesley

TREATMENT OF DEROGATION REQUESTS, INCLUDING TO FACILITATE EARLIER CONNECTION OF GENERATION

I am writing on behalf of SP Energy Networks ('SPEN') in response to the open letter and consultation paper ('Proposed revised guidance on licence derogation requests', 146a/08) issued on 21 October 2008. We welcome the opportunity to comment on the issues raised.

We note that the letter raises a number of issues additional to those in the paper, for example a possible requirement for a P2/6 compliance report and 'self-certification' of P2/6 derogations. In this letter we would like to summarise our views on the proposed derogation criteria and also comment on the issues that are not also covered in the paper.

1. GB SQSS derogation requests from Transmission licensees to facilitate earlier connection of generation

In principle, we agree that an assessment of constraints and of impacts on carbon emissions should apply. In Scotland, the TO is reliant on the GBSO for some economic assessments, and so long as these were provided to us within appropriate timescales we would be supportive of this approach. However, it should be recognized that the level of renewable activity and impact on local and boundary systems may result in a need to administer a complex arrangement of interdependent derogation applications

In the event that a derogation request was not acceptable to the Authority, the GBSO would inform the customer accordingly, and the 'normal' process for delivering a compliant connection design would apply. The process would delay the provision of

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a connection offer to the customer and would in most cases necessitate a request for approval by the Authority for this to be provided outwith licence timescales.

As regards requests for derogations in other circumstances (i.e. not involving early connection of generation), we assume that the approach set out in chapters 2 and 3 of the proposed guidance note would apply in such cases. Our detailed comments on this are set out in the attachment.

2. P2/6 self-certification and annual compliance statements

We have a significant concern over the proposal for an annual compliance statement covering demand groups where “self-certification” applies.

We regularly model load flows at 33 kV and above in order to establish where system reinforcement may be required. We will carry out studies at lower voltages as required, for example following new connection requests or as a result of voltage complaints. However, we do not systematically scan our entire HV and LV networks for P2/6 compliance. This would involve very significant resources in terms of modeling and analysis and in the ongoing maintenance of the analytical models for these networks (which are subject to considerably more modifications than the higher voltage levels), and whose costs would need to be recovered from customers. To illustrate the scale of the work involved, in the SP Distribution area there are more than 40,000 secondary transformers and 25,000 circuit kilometers of 11 kV overhead and underground lines, compared with less than 1,000 transformers and around 5,000 circuit kilometers at EHV (33 kV only).

Accordingly, we think that an annual compliance statement is not a proportionate measure before a fuller assessment of the costs, timescales and other impacts takes place.

Our detailed comments on the questions in the letter and on the proposed revised guidance for licence derogation requests are included in the attachment to this letter.

I hope that this is helpful but please contact me if you need any further information.

Yours sincerely



Jeremy Blackford
Regulation
SP Energy Networks

Attachment

Derogation Requests (October 2008) Comments by SP Energy Networks

Question 1 – Information to be provided in respect of derogation requests by transmission licensees to facilitate earlier connection of new generation

We think that the assessments mentioned in appendix 1 of the letter are reasonable in principle. However, in Scotland, TOs would be reliant to a significant extent on economic assessments to be made available by the GBSO. We would not normally be able to identify specific impacts on competition or consumers.

We would normally expect compliance to be restored subsequently, and that a time-limited derogation should therefore be appropriate, with provision for an extension to take account of factors such as delays to planning consent for a permanent solution.

Question 2 – Comments on proposal to include STC as one of the codes to which derogation guidance applies

We think that this is appropriate.

Question 3 - Comments on whether it is appropriate for the same guidance to apply to derogations from P2/6 as for other derogation requests

We think that this is appropriate.

Question 4 - Circumstances where self-certification by DNOs against P2/6 could be considered and how fulfilment of security of supply obligations should be taken into account.

We think that “self-certification” by DNOs is appropriate, but do not see a case for a change from existing arrangements. Where compliance is an issue for larger demand groups (>60 MW), there are likely to be significant planning and other considerations and also more customers affected. We think that DNOs will normally wish to approach Ofgem for a formal derogation in such cases.

Comments on Proposed Revised Guidance on licence derogation requests 146a/08)

Chapter 2 (Information required in a derogation request)

Our comments above in relation to Transmission licence derogation are relevant in this context, to the extent that information and analysis may be required from the GBSO to facilitate a derogation request. In some circumstances there may be interdependent applications from a TO and the GBSO.

Chapter 3 (Ofgem's assessment of derogation applications)

We think that the "Criteria" section should more explicitly take into account factors outside the licensee's control, which are currently mentioned in passing in relation to the implementation plan to be submitted by the licensee. Delays in securing planning and other consents, for example, may necessitate seeking a derogation, or an extension to an existing derogation, in order to provide time for the licensee to restore compliance.