

Inveralmond House
200 Dunkeld Road
Perth PH1 3AQ

Lesley Nugent
The Office of Gas and Electricity Markets
70 West Regent Street
Glasgow G2 2QZ

Tel: 01738 456107

Fax: 01738 456415

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Dear Lesley

**Derogation requests to facilitate earlier connection of generation; and
Proposed revised guidance on licence derogation requests**

Scottish and Southern Energy (SSE) welcomes Ofgem's consultation on proposals to revise the guidance on licence derogation requests both in general and in specific circumstances to facilitate the earlier connection of generation.

We agree that the proposed changes to the information requirement to support a derogation application are reasonable and appropriate, and hence we support the implementation of the revised guidance.

To support these changes, we believe that Ofgem should also instigate:

- A change to the System Operator – Transmission Owner Code (STC) to introduce the data exchange procedure necessary to support the analysis required for a derogation to facilitate the earlier connection of generation; and
- A working group of the Distribution Code Review Panel (DCRP) to develop additional guidance on the use of "self-certified" derogations from engineering standard P2/6.

Our detailed response to the specific questions in the consultation is attached.

Please do not hesitate to get in touch if you wish to discuss this response further.

Yours sincerely,

Aileen McLeod
Regulation Analyst

Question 1 – Do you consider the information that we would expect to be provided in requests for derogations to facilitate earlier connection of new generation to be appropriate? If not, what additional information should be sought?

Yes; we agree that it would be appropriate to expect the type of information set out in Appendix 1 to the open letter to be included in a request for a derogation to facilitate the earlier connection of renewable generation.

The analysis of the possible costs and benefits resulting from a proposed derogation is necessarily subjective. Assumptions need to be made about, for example, the behaviour of generation users, future demand, and the costs of carbon and transmission constraints. The scenario-based analysis described under section 1.2(ii) of Appendix 1 appears a reasonable approach to undertaking this subjective analysis.

The proposed scenario-based analysis includes for the cost of transmission constraints. We agree that this cost forms an important part of assessing a derogation request. An important outcome of implementing this revised guidance should be the development of a data exchange procedure under the STC to facilitate this analysis.

The open letter refers to derogation requests to enable the connection of specific generation user(s). In practice, it is likely that transmission owners will seek derogation from specific obligations in the GB Security and Quality of Supply Standard without referring to potential generation user(s). Consistent with the GB Queue Management procedures, transmission capacity that is realised through a successful derogation request would then be allocated to the user(s) best able to utilise it.

Question 2 – Do you have any comments on our proposal to include the STC as one of the codes to which the derogation guidance applies?

We agree that the derogation guidance should also apply to the STC. The codes that govern the planning and operation of the GB electricity networks include frequent cross-references and, hence, alternative derogation guidance would, in our view, be impracticable.

Question 3 – We would welcome views on whether it is appropriate for the same guidance to continue to apply to derogations from P2/6 as it does to other derogation requests.

We agree that the information requirement set out in Chapter 2 of the consultation document should apply to requests for a derogation from engineering standard P2/6.

Question 4 – We are interested in views on what circumstances could be considered for “self-certification” by the DNOs against P2/6 and how, in these cases, the Authority could be satisfied that it remains in a position to fulfil its statutory obligations, in particular in respect of security of supply.

SSE supports the current “self-certified” derogations from P2/6 for load groups of less than 60MW, and we agree that the scope for “self-certification” should be extended.

However, to achieve maximum benefit from “self-certified” derogations from P2/6, we believe that clear, practical guidance is required. Such guidance is required as a supplement to the information requirement set out in Chapter 2 of the consultation document. This additional guidance should clearly set out the circumstances in which distribution network owners can “self-certify”, the procedures for doing so and the associated reporting obligations.

An important element of this additional guidance should be considering the impact of a “self-certified” derogation on security of supply. With clear guidance on this issue in place, we believe that the Authority could be confident that customers are not being put at risk.

We believe that the DCRP, reporting to Ofgem, is the appropriate body to develop this additional guidance.

The alternative to such guidance is new reporting procedures; however, we believe that this approach would be counter-productive. One of the reasons “self-certification” was introduced in March 2007 was to reduce the regulatory burden of the derogation process. This benefit could be undermined, and as a result the use of “self-certification” reduced, if onerous reporting procedures are introduced that require both retrospective justification of “self-certified” derogations and forward-looking justification of possible future “self-certified” derogations. The likely outcome of such an overly bureaucratic reporting approach would be to stymie “self-certification”.