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Friday 26 November 2010

Re: Proposal to modify the Security and Quality of Supply Standard by increasing the infeed loss risk limits (GSR007) – Impact Assessment

Dear Sheona,

Thank you for the opportunity to respond to Ofgem's impact assessment on the SQSS Review Group's proposal to implement increases to the infeed loss risk. We have one observation with regard to the alternative implementation approach to the infeed change date, whereby the limits would be increased from 1 April 2014.

It is important that NETSO is only permitted to hold sufficient reserve for up to 1320 & 1800MW losses and continues to only contract for sufficient response and reserve as needed according to the prevailing conditions on the network.

Given the uncertainty of what generation will connect from 2014 onwards that may result in exceeding the existing loss risk, without either increasing the loss risk limits or transmission investment, the market will have limited visibility over the largest single loss until the first new EPR nuclear unit connects. The market must be informed of when the largest loss increases and what the new single largest loss will be in a year, even if the SQSS planning standard allows for up to 1320MW and 1800MW losses. This figure could perhaps be published in the Seven Year Statement. This will allow for an incremental implementation to the level of reserve and response required, as opposed to a single step change, as new generation connects and will aid in minimising the anticipated increase in the cost of response holding.

In doing so this should remove concerns in relation to unfair treatment between generators, as it facilitates connection of a number of development projects, prior to the connection of the first new large generator, in addition to the avoided cost of transmission investment benefit.

We hope that you find our response of help. Should you wish to discuss any aspect of our

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response further please do not hesitate to contact me.

Yours sincerely

Guy Phillips
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