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Transmission and Governance  
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26 November 2010

Dear Sheona,

**Consultation on the Proposal to modify the Security and Quality of Supply Standard (SQSS) by increasing the infeed loss risk limits (GSR007)**

Thank you for the opportunity to respond to this Consultation Document. This response is submitted on behalf of ScottishPower Energy Management Ltd, ScottishPower Generation Ltd and ScottishPower Renewable Energy Ltd.

ScottishPower supports the proposed increase in infeed loss risk limits which will facilitate the connection of new large single-unit generator designs, clusters of smaller generators connecting to circuits which are already at or close to the 1320MW limit and large arrays of offshore wind and tidal generation thus helping achieve both the Government's low carbon generation and security of supply objectives.

**1.1 Are there other relevant criteria which respondents feel should form part of our assessment?**

ScottishPower believes that all the relevant criteria have been considered in Ofgem's assessment of the proposed change. However, it would potentially have been more efficient for Ofgem to fully consider the merits of a fixed implementation date of 1 January 2014 at this stage rather than to wait on the conclusion of the industry process.

**3.1 Do respondents consider that we have appropriately identified the impacts of GSR007 proposals? Do respondents consider that there are any additional impacts that we have not fully considered?**

We believe that the consultation has identified the major impacts of the proposal. However, we note the assertion that connection of large nuclear units will have a downward pressure on wholesale prices is, at best, simplistic and does not take account of the full range of generation investment issues being considered under Electricity Market Reform.

Further, in considering the volume and cost of response and reserve which would require to be procured following implementation of this change, the assessment does not take account of the changing future baseline for generation which will include the carrying of additional response and reserve as a result of the increasing proportion of intermittent generation. This should result in the requirement to carry lower additional levels of these services arising from the increased loss risk limits as sufficient reserve and response may already be carried for intermittent generation.

**3.2 We have presented a range of approaches in measuring these impacts. Do respondents believe that this range is appropriate? Which measures presented (or other approaches) do respondents consider should be used in our final assessment/decision?**

ScottishPower believes that the 4 scenarios considered cover the likely range of outcomes following implementation of the proposed change and provide appropriate upper and lower bounds to the associated costs and benefits. It is difficult to determine how many large nuclear generation units would not be built should GSR007 not be approved. In some instances, potential developers may develop the same capacity utilising smaller nuclear units while others

may elect to build the larger units in other markets. Alternatively, developers of large nuclear units may seek alternative support mechanisms to encourage investment thus increasing costs to consumers.

We consider that the proposed changes should be implemented from the fixed date of 1 January 2014. This would avoid any discrimination caused by making the change contingent on the connection of a generating unit larger than 1320MW and make the benefits of the change available to clusters of smaller generators connecting to circuits which are already at or close to the 1320MW limit. The probability is that the majority of these smaller generators are likely to be renewable technologies thus enabling the earlier entry of renewable generators. In addition, implementation on this date would enable the revised requirements to be incorporated in the design of offshore transmission networks thus avoiding investment which would become redundant following the later implementation of the proposed change.

**3.3 Do respondents wish to present any additional analysis that they consider would be relevant to our assessment of the GSR007 proposals?**

No.

**4.1 Do respondents have any views on either the process or timetable that are proposed for the Authority making its decision on the proposed licence changes?**

ScottishPower agrees that a four week consultation process would be acceptable in this instance due to the consultation process already conducted by industry and the familiarity with the issues. A prompt decision and implementation timetable as suggested by Ofgem will help provide certainty to industry and help facilitate making the generation investment decisions required to meet the Government's energy objectives.

I hope you find these comments useful. Should you have any queries on the points raised, please feel free to contact us.

Yours sincerely,

**James Anderson**  
**Commercial and Regulation Manager**