

Hannah Nixon
Partner, Transmission
OFGEM
9 Millbank
London
SW1P 3GE

Your ref

Our Ref

Date

1 February 2011

Contact / Extension

Alan Michie
0141 614 1958

Dear Hannah,

Consultation on the Issue of Timely Connection to the Electricity Network

This response is submitted on behalf of SP Transmission Limited, which as the regulated transmission owner, owns and maintains the electricity transmission network in central and south Scotland. SP Transmission Limited is part of the Iberdrola Group which is one of the largest energy utilities in the world operating across four continents. Our response to Ofgem's information request is provided in a separate letter and a more general response to the questions raised within the consultation is provided below.

SP Transmission have an excellent track record in delivering timely grid connections and our experience is that any changes from the originally contracted dates are due to factors out with our control. We are concerned that this open letter appears not to recognise the environment faced by transmission companies. Although we welcome Ofgem's approach to review the current commercial framework and incentive arrangements to deliver timely connections, we must impress upon Ofgem the nature of the wider impacts that are affecting connection timescales in the way of consenting issues experienced particularly in Scotland. The concern is that these wider impacts fall distinctively out with the transmission licensee's control and we believe that there is a requirement for a more extensive and holistic approach in reviewing wider industry and government processes.

Obtaining all necessary consents is dependent on outside agencies, such as local authorities providing consent approval to competent planning applications in realistic timescales. Fundamentally, the main reason for any connection delays is planning consents, and these delays are not within the control of the transmission licensees. In addition, the advent of considerable onshore wind in Scotland has led to Scottish landowners becoming much more aware of the value of land necessary to connect wind. Consequently, our experience in obtaining landowner consents is that it can take some time, particularly if we are to ensure that sole-use infrastructure is delivered cost-efficiently.

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We should add that we work closely with both National Grid and developers during the connection application process to agree connection dates that take a realistic view of the consent, construction and commissioning processes. At this stage of the process, we will advise the developer of connection options that will improve their chances of obtaining timely consent such as, for example, consideration of wood pole single circuit overhead lines or undergrounding.

As part of the introduction of outputs and incentives for RIIO-T1, it will be important to ensure that the overall package of incentives does not lead to disproportionate penalties on transmission companies for factors that may be out with their direct control. The proposed reliability incentive, and potentially also this connections incentive, are examples where the transmission company could be penalised in such a manner.

- **What is 'efficient' behaviour in the context of the C&M regime and how can it be assessed (e.g. against average connection timeframes, new connections etc)?**

Connect and Manage provides for generation projects to connect to the transmission system in advance of the completion of the wider transmission reinforcement works. There is no longer a "GB Queue" for connections, and transmission companies no longer issue "Post-2018" offers. In addition, there is no longer a requirement to complete wider system works before allowing a generator to connect with firm access rights. "Efficient behaviour" should therefore mean that the transmission licensee should assess every transmission connection to: (i) identify the earliest possible connection date when preparing a connection offer, and (ii) connect in line with contracted timescales.

- **Where should the compensation for the generator come from if the required connection timeframe is not met?**

As noted above, "efficient behaviour" should mean that the transmission licensee identifies the earliest possible connection date when preparing an offer and, once contracted, to connect in line with contracted timescales. However, it is important that account must be taken of changes that are out with the control of the transmission licensee, such as planning consents decisions, and changes to user requirements.

A generator should only be compensated when: (i) it can clearly demonstrate its own readiness to connect or progress depending on the position of the contracted programme, and (ii) it is clearly demonstrated that the transmission licensee has not used reasonable endeavours to connect or progress connection works in accordance with contracted timescales. Delays due to consents or modifications to the initial contract made by the generator must be taken into account if considering compensation to a generator.

- **What is the slope of the penalty beyond a target connection date (i.e. does it get steeper after a set period of time, and if so what is the period)?**
- **Should we set symmetric rewards / penalties for performance against connection timescales?**
- **Should there be a dead band around rewards / penalties and should they be?**
- **Other possible models that respondents consider may deliver timely connections**

SP Transmission is keen to provide a considered and sensible response to the above questions. However, in the absence of sufficient time to develop a suitable response, it is

excluded from this letter. We will aim to provide response to these questions before the end of February in order to inform Ofgem's March paper.

Certainly, one important point to make clear is that each windfarm connection must be treated independently and that an average period to connect is not appropriate. Our detailed submission in response to this information request demonstrates this point.

We have discussed with Renewables UK a potential connections incentive to support the UK's 2020 Renewable Targets by incentivising companies to connect renewable wind generation as early as possible to their respective transmission systems. We suggested that the incentive would be based on performance against an agreed programme of connections and the reward/ penalty would be based on the carbon benefit/ penalty for a MWh saved/ incurred. The incentive proposal therefore would be linear, symmetric, and have a cap and collar to minimise risk associated with consenting difficulties outwith the control of the transmission company.

Should you have any queries please do not hesitate to give me a call on 0141 614 1958.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Alan Michie', with a stylized, cursive script.

Alan Michie
Transmission Policy Manager
SP Transmission Limited