

## **Ofgem Open Letter**

### **Project TransmiT: Next Steps on Connection Issues**

#### **Response by SP Energy Networks**

This response is from SP Energy Networks which owns and operates the electricity transmission and distribution network in the south of Scotland and the distribution network in Cheshire, Merseyside and North Wales. Our assets and transmission and distribution licenses are owned by three wholly owned subsidiaries, SP Transmission Ltd, SP Distribution Ltd and SP Manweb plc.

#### **Electricity User Commitment**

We agree that it is very important that user commitment arrangements should be transparent, proportionate, non-discriminatory, and should not act as a barrier to entry or adversely affect security of supply. We note that Ofgem believes that the aim of enduring user commitment arrangements should be to ensure the efficient allocation of stranding risk between new and existing network users, the network companies and consumers.

We believe that the current system is satisfactory, in that it is right that developers do underwrite costs.<sup>1</sup> However we agree that it is important that they are not disadvantaged, particularly small embedded sites. This approach is supported by the conclusion from the recent CEPA/SKM report for Ofgem on risks associated with renewables projects that "the risk of the network investments required to connect that generation into the network, and transfer power through the network is negligible". If "the efficient allocation of stranding risk" does lead to network companies accepting additional risk, then it is important that their risk profile, and therefore their price control funding, reflects this additional risk.

#### **Transmission Owner Reporting Obligation**

We are willing to support the introduction of a reporting obligation on the issues that TOs face in facilitating the timely delivery of new connections. However, the obligation should recognise that connection delays can be caused by many different and often interrelated factors, as we set out in our response in February, which are frequently outwith the direct control of the network company to resolve,

SP Energy Networks  
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<sup>1</sup> Local and enabling works should be underwritten by developer/s, while wider system works, which have a clear need case, should be underwritten by GB customers through the price control. If a network company elects to construct more capacity than is required, then the network company should bear the risk and underwrite the costs of the additional capacity until such time as this capacity is taken up.