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Dear Siobhan,

**Ofgem consultation on Certification of transmission system operators
under the Third Package**

Thank you for the opportunity to respond to this consultation. We note that Ofgem have made detailed consideration of the issues and that the arguments included in the consultation document are fully consistent with those used by DECC to secure the "Scottish Model" derogation with the European Commission, which is welcome.

We also support the approach taken to assess whether SHETL meets the test for derogation and believe that Chapter 3 of the consultation accurately sets out the current market structure and the resulting legal requirements placed upon SHETL which ensure that the GB model guarantees more effective independence than the ITO model. Accordingly, it meets the requirements of Article 9(9) of the Directive.

It is clear from the consultation document that there is a robust suite of licence and code obligations which ensure that the Scottish transmission companies are independent from any generation or supply interest. Furthermore, the GB arrangements, whereby National Grid perform system operator functions, ensure that any market related activity is kept separate from all other TOs, whether they are Scottish transmission companies, OFTOs or interconnector owners. It is this separation of activity, coupled with licence obligations on all parties, that ensures an independence greater than the ITO model.

There remains a question over the scope of the TSO certification; for example, the suggestion in 2.37 that existing (pre-3rd Sept 2009) TSOs might only be able to own offshore networks if they were to be connected to the TSO's existing network. There is no provision in the Third Package for conditional certification of a TSO that defines the extent of the assets to which the certification applies and, therefore, it is clear that, providing the TSO meets the certification criteria, they are allowed to operate as a fully fledged TSO going forward. Any



suggestion that the then certified TSO is not permitted to expand its business by developing new networks, contiguous to the existing network or not, seems contrary to the direction of travel in the UK and across Europe.

It is apparent that in order to deliver 2020 renewables targets and achieve a fully integrated European energy market, significant investment in infrastructure is required. To prevent existing TSOs from taking part in the necessary investment in and development of future infrastructure seems both unreasonable and inappropriate and we do not believe that this is the intent of the Third Package.

If you would like to discuss our response or require further information, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, consisting of a large, sweeping loop at the top and a long, horizontal stroke at the bottom.

Samantha Ridsdale
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