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Your ref

Our Ref

Date

25 May 2012

Contact / Extension

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Dear Martin

Open Letter: Planning for an Integrated Electricity Transmission System

SP Transmission Ltd welcomes the opportunity to comment on this paper. As a Transmission Owner ("TO") located in the South of Scotland, we are required under our transmission licence to comply with the System Operation – Transmission Owner Code ("STC") to make available our transmission assets to National Grid Electricity Transmission ("NGET") as the System Operator. We also must ensure that we develop an economic, efficient and coordinated onshore transmission system.

We fully support the proposal to establish the 'Integrated Transmission Planning and Regulation' (ITPR) project. There is a clear need to establish an integrated transmission system comprising onshore, offshore and cross-border interconnection if the vision of a single internal energy market for Europe is to be realised. Effective system planning and efficient regulatory incentives are key to ensuring that the future transmission network is developed in an economic and efficient manner.

As an incumbent TO, we have an important contribution to make. In particular, our system analysis and design expertise, including considerable recent experience in HVDC design and impacts, will be very important in supporting the design and delivery of coordinated networks. Our track record of co-operating with the other UK TOs through bodies like the Electricity Networks Strategy Group (ENSG) demonstrates the significant contribution we make to ensure the GB network is being developed to meet the changing environment. We believe these existing arrangements should be built upon to achieve the system planning objectives of the ITPR project. In the supporting appendix, we have answered the questions posed in the open letter.

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In summary, we believe that we have an important contribution to make and would welcome the opportunity to discuss how we may increase our engagement so we can be fully involved in the ITPR project. If you have any queries please do not hesitate to get in touch with myself or Alan Kelly on 0141 614 1736.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Scott Mathieson', written in a cursive style.

Scott Mathieson
Regulation and Commercial Director

Appendix 1 SP Transmission Responses to Specific Questions

Question 1: Are our objectives and scope of work for the ITPR project appropriate?

We support the objectives and scope of work but consider that the area where there is the most pressing need for review is in the regulatory regime, rather than in the arrangement for system planning. Currently the three existing onshore TOs have positive working relationships and are obliged under the licences to develop economic and efficient networks. However there are clear disparities between the cost-recovery mechanisms and periods for onshore, offshore and interconnector investments, and these may impede development of coordinated or multi-purpose systems.

Question 2: Are there additional drivers for the project that should be considered?

The large Zone 3 offshore developments typically have multiple parties involved who have different investment models. This can work against achieving integrated networks as individual offers are often limited to radial connections. Charging arrangements can also undermine the development of integrated networks and need to be in scope.

It will be important in framing the scope of the ITPR project to ensure that transmission projects currently under development are not adversely affected by new arrangements. Regulatory uncertainty will hinder projects, and solutions that avoid impacting schemes already progressing need to be identified. I would like to suggest bilateral dialogue with Ofgem would help provide that reassurance.

Question 3: Is there additional evidence we could consider in understanding the current and future challenges?

Existing projects can provide a rich source of material to help understand the different and complex scenarios that can arise. We would be pleased to help identify suitable projects to be used as worked examples to identify and test proposals.

Question 4: Are the current interactions between the NETSO's role and the role of other TSOs in system planning consistent and efficient?

From our perspective as the TO responsible for transmission networks in Southern Scotland, we believe our interactions with the NETSO are generally consistent and efficient. These interactions have enabled the effective planning, construction and operation of an integrated transmission system in the UK.

For example, SP Transmission's boundary reinforcement strategy has progressed through the first decade of the 21st Century on the basis of plans laid out in the Renewable Energy Transmission Study (RETS) and the associated, approved investment programme. The Transmission Investment for Renewable Generation (TIRG) programme was formalised as a series of major reinforcement projects, in 2004, which were added to SP Transmission's Licence under the TIRG strategy. The funding for TIRG was provided on agreed capital expenditure for a series of projects and included a mechanism for addressing any changes to the project scope.

Over recent years TIRG, and previous programmes, have already delivered an increase in export capacity to England from 850MW in the early 1990's to 2,800MW today. Our plans are actively progressing further increases to 4,400MW by 2015 and then to 6,600MW on completion on the western HVDC by 2016.

Our RIIO-T1 investment plan includes eleven projects for wider network and boundary reinforcements bordering and within the SPT Licence area. Many of these projects involve significant interaction and formal engagement with our neighbouring TO, for example the joint venture with NGET delivering the Western HVDC link, and the Hunterston to Kintyre project being delivered with SHETL

Question 5: Do the arrangements for and relationship between the NETSO and other TSOs (for example, interconnector owners) appropriately incentivise system planning?

A mechanism that encourages the application of AI could provide the necessary funding to future proof some of the early projects and ensure that they can be developed into integrated transmission systems.