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19 July 2013

cc. Iain Morgan

Dear Kersti,

Re: Consultation on transmission owners' proposed Network Access Policies

This response is submitted on behalf of Scottish Hydro Electric Transmission plc (SHE Transmission), one of the Scottish Transmission Owners (TOs) that has been involved in developing the Network Access Policy (NAP) for Scotland. In this letter, we set out our views on how we expect the NAP to continue to evolve. As one of the authors of the document, we do not believe it is appropriate to answer the specific questions posed in the consultation letter but are happy to discuss our thoughts in relation to these areas directly with Ofgem if that would be beneficial.

The requirement, as part of the RIIO-T1 framework, on the TOs to develop a NAP is one that we have welcomed. The Working Group established between ourselves, Scottish Power Transmission (SPT) and National Grid Electricity Transmission (NGET), with representation from Ofgem, to develop the document has resulted in many positive discussions. These have helped to inform the NAP, submitted in accordance with Special Condition 2J, as well as more wider step-change in the working relationships between the parties.

As discussed in the Working Group, we recognise that the NAP is not a 'one-off' document to be submitted to Ofgem at the start of the RIIO-T1 price control and expected to cover all eventualities throughout the remainder of the eight year period. Instead, we are keen to maintain the dialogue with the other TOS, both via the Working Group and more generally as part of our ongoing interactions, to ensure that the NAP continues to be developed in response to the needs of all interested parties.

We expect that this dialogue will be informed by operational experience of the parties using the NAP as a framework for communication. We are also keen to ensure that the parties represented in the Working Group continue to seek to ensure that the lowest cost long-term outcome for network users and consumers is realised. As part of this, all parties will need to recognise the challenging trade-offs that must be made between short-term Constraint Costs and longer term benefits of delivering a reinforced network that is able to facilitate wider energy policy.

In order to achieve this, we have identified the following as being key priorities for further discussion with the other members of the Working Group and are in the process of arranging a workshop for September to progress these matters further:

- Enhanced Services – these have been identified as of potential value to the System Operator (SO) in terms of allowing work identified by the TO to go ahead, whilst minimising associated constraint costs. Further discussion is required to agree a mechanism to ensure additional costs incurred by the TO in delivering these can be recovered;
- Development of the Cost Benefit Analysis (CBA) – we have agreed principles for analysing the potential costs and benefits of changes to the short-term outage plan, as required by either the SO or the TOs. In light of the finalisation of the SO Incentives arrangements for 2013-15, further discussion is required to ensure that these updates are appropriately captured and CBAs are used effectively to minimise the impacts on consumers and other interested parties;
- Treatment of Embedded Generation – smaller scale generation will typically have a contractual arrangement with the local Distribution Network Operator but not necessarily with the SO. As such, the SO may not have appropriate arrangements in place to facilitate outages on the transmission network when these parties are sat behind the constraint. This issue has only arisen recently and therefore is a good example of the importance of ensuring the NAP continues to evolve through the period. Further discussion is therefore required to agree how to resolve the identified challenge; and
- Development of Project Design – the Working Group has identified that there may, for some projects, be relatively minor changes to project design that can result in reduced constraint costs during the construction phase. We believe that it is essential to agree an approach that balances constraint costs during the design and construction phase against the forecast anticipated asset value and cost to consumers over the lifetime of the assets.

This response is intended to provide Ofgem and other interested parties with comfort that we are fully committed to the NAP submitted and also to its continuing evolution to meet the challenges identified above, as well as challenges that come forward during the price control.

We appreciate the feedback provided by stakeholders to date, particularly during the workshop we hosted on 22 March 2013, and are keen to continue to incorporate stakeholders' views as we further develop the NAP.

If you have any further questions in relation to this response, then please feel free to contact us.

Yours sincerely,

Malcolm J. Burns
Senior Regulation Manager