

Leonardo Costa
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Dear Leonardo,

Funding arrangements for new balancing services: Final Proposals

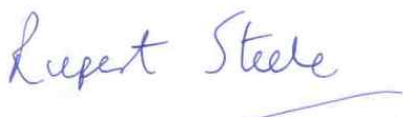
Thank you for the opportunity to respond to this consultation. In our earlier response to the initial proposals, ScottishPower broadly agreed with the proposed approach for both internal and external costs associated with NGET's procurement and utilisation of SBR and DSB services. We therefore generally welcome confirmation of your intention to proceed with this approach.

We would, however, reiterate one point. Whilst we recognise that there will be a cap on the volume of balancing services procured through this mechanism, we remain concerned that the volume procured will be above that currently anticipated. Moreover, this could in turn have a detrimental impact on generators who would have been unable to take account of these costs when contracting to sell power for winter 2014/15. Accordingly, we consider that deferring some or all of the cost recovery into a future period, with suitable interim funding (and interest), would merit further consideration.

We have not sought to carry out a detailed legal review, though the draft licence conditions published alongside the document appear to reflect the final proposals.

If you have any questions regarding our response, please do not hesitate to get in touch.

Yours sincerely,



Rupert Steele
Director of Regulation