



Lewis Heather
Wholesale Markets
Ofgem
9 Millbank
London
SW1P 3GE

Your Ref:

Our Ref:

Date: 1st August 2014
Contact: Alan Kelly
Extension: 0141 614 1736

Dear Lewis,

Electricity System Operator Incentives: Incentives from 2015

This response is from SP Transmission plc (“SPT”) the onshore Transmission Owner (“TO”) for the South of Scotland. As a TO we are required under our transmission licence to comply with the System Operation – Transmission Owner Code (“STC”) and to make available our transmission assets to National Grid Electricity Transmission (“NGET”), the System Operator (SO). We also must ensure that we develop an economic, efficient and coordinated onshore transmission system. We welcome the opportunity to respond to this consultation and would like to make the following points.

We broadly support this proposal and understand the decision to wait for other market changes before a fuller review of this incentive is undertaken. The current Balancing Services Incentive Scheme (BSIS) provides an effective incentive framework to allow the SO to deliver balance services and avoids significant windfall gains or losses. The additional incentives have encouraged improvements in key areas that will potentially reduce constraint costs.

However, the current incentive can be improved and we particularly welcome the proposal to consider SO-TO outage planning and constraint management as a possible financial mechanism. A limitation in the current scheme is that it is the modelled constraint target for the annual outage plan that is the basis for implementing actions to mitigate constraints. This removes opportunities for medium and longer term measures to be implemented that could mitigate constraints in future years. For example, SPT have identified alternative design and construction programmes that can be more expensive in the short term but could deliver reduced constraints through an improved outage programme. This outage programme is agreed well before the year ahead plan is finalised by the SO. The current incentive scheme will not recognise the reduced constraints an improved plan would deliver and no financial reward is realised to mitigate the higher design and build costs. Paragraph 2.40 of the consultation recognises this issue, and is welcomed. SPT will continue to work with the SO and Ofgem to develop this area.

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SPT and SHE Transmission, with significant support from NGET, have developed the (Scottish) Network Access Policy (NAP). Paragraph 2.39 of the consultation acknowledges the benefits this has delivered. SPT are committed to developing the NAP further and providing more evidence of the benefits being achieved. We look forward to Ofgem's formal approval of the NAP.

I hope that this is helpful, but please contact me if you would like to discuss any of the points made.

Yours sincerely,

A handwritten signature in grey ink that reads "Alan Kelly".

Alan Kelly
Transmission Policy Manager

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