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Date: 25th November 2014
Contact: Alan Kelly
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Dear Leonardo

Electricity System Operator incentives 2015/17: Initial Proposals

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. However, we believe this mechanism could be extended to develop a link between longer term constraint mitigation measures by the SO and TO to achieve an overall cost reduction for consumers. The current incentive focuses the SO on the year ahead outage programme and therefore precludes longer term activities that could have a beneficial impact on constraint costs.

The consideration of an SO-TO financial mechanism in your consultations may have been interpreted by some stakeholders that the current arrangements provide an incentive for the TO. However, it is important to emphasise the existing ‘in-year’ outage co-ordination arrangements only provides a facility for the recovery of additional costs incurred by the TO if they provided enhanced services to the SO. Our management of every outage takes into account all stakeholders and seeks to achieve a safe, economic and efficient transmission system.

Since the initial development of RIIO-T1, SPT have worked with Ofgem, NGET and SHE Transmission to develop a joint Network Access Policy (NAP). The NAP describes the planning approach taken by the TOs and the SO as well as the necessary consultation and stakeholder engagement that may be required. This has led to improved procedures to support the successful delivery of the year ahead plan to maximise benefits to all stakeholders including minimising constraint costs where possible. To facilitate this, the TO can recover operational costs for making changes to the year ahead plan incurred for providing enhanced services such as weekend working or increased return to service times. However, there is no similar cost recovery for longer term constraint mitigation which could be achieved, for example, by alternative design and construction programmes for major projects such as off-line builds, but which may require significant additional upfront investment.

With regard to SO transparency we would like to see more visibility of the annual forecasted BSIS costs, including constraints, and clear comparison with the actual out turn costs. This would help

stakeholders understand how accurate the modelling is, and how effective constraint mitigation has been.

SPT look forward to continued engagement with Ofgem and NGET to identify and develop a suitable the SO-TO financial mechanism that provides a link between constraint cost reduction and medium to long term TO activities.

If you have any questions on this response, please do not hesitate to get in touch,

Yours sincerely,



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Alan Kelly
Head of Transmission Regulation and Commercial Policy,
SP Energy Networks