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Dear Jon

**Ofgem: Integrated Transmission Planning and Regulation (ITPR)**

Scottish Renewables is the trade body for the renewable energy industry in Scotland representing over 320 member organisations and all renewable energy technologies. This industry is playing a crucial role in the Scottish and UK Government's efforts to tackle climate change and increase Scotland's energy security, and must continue to do so in order to meet our carbon emissions reduction target of 42% by 2020.

With renewable energy generation expected to reach 100% of Scotland's electricity demand by 2020, our electricity network is central to this ambition and it is vital that the grid is able to transport energy from remote resource rich parts of the country to our homes and businesses where it is needed the most. With this in mind we welcome the principles of Ofgem's ITPR project which will help to ensure that the network is planned in an economic, efficient and coordinated manner.

However, while we welcome these overriding principles we have some concern with the timing, transitional arrangements and potential for delay that they introduce at a time when infrastructure investment needs to be taken forward at pace. Overall our comments are concerned with the need to ensure that the benefits of adopting the proposed approach outweigh the costs, and that the efficiency gains are fully realised where possible. We have set out our concerns in more detail below and we would be happy to contribute to any further work arising from this response.

Yours sincerely

Michael Rieley  
**Senior Policy Manager**

**Question 1: What are your views on our proposed enhancements to the SO role in system planning, including the specific roles we have proposed the SO would undertake for onshore, offshore and interconnection planning?**

Overall, while we can see the merit in National Grid taking on an enhanced system operator (SO) role, we would encourage Ofgem to publish more detailed analysis of the benefits of this approach.

**Onshore**

- It is our understanding that National Grid are already taking a more active role in assisting TO's with identifying the needs of the network through the Electricity Ten Year Statement (ETYS) and supporting parties in delivering options to meet those needs. However we are concerned with the proposal that NG will lead in the development of some options, it is in our view preferable that the development of all options should be collaborative.
- In addition, it seems appropriate that the formalised role that National Grid will deliver in identifying the 'need' for specific upgrades should be reflected in the decision making process.
- It is proposed that the enhanced SO should 'undertake the development of options that do not yet have an identified TO responsible for them' and that this could include projects that meet the proposed criteria for tendering. While we can see the merit in this approach, it is unclear how projects that would meet these criteria and are currently being factored into TO's business plans should be treated.
- We would welcome further clarity whether the incumbent TO will be permitted to compete where the need for a tendering process is identified.

**Interconnection**

- As it stands, interconnector development is largely driven by opportunities for price arbitrage. However, given the drive towards a single European electricity market, we would urge Ofgem to consider the value that the SO can bring to this process, and whether interconnection could be driven by SO to SO engagement in the long term.

**Question 2: Are there other roles that you think an enhanced SO could or should undertake in order to better support the development of an efficient transmission and interconnector network?**

We would like to express some concern that the ITPR project has not given any consideration of the need for increasing levels of system operation on the distribution network, the merits of distribution network operators (DNOs) taking on the role of distribution system operators (DSOs). The result is that there appears to be an assumption that a single SO would coordinate operation beyond the GSP – with little or no explanation of the benefits of more localised system operation on the distribution network.

While we understand that enhanced system operator arrangements may be required to mitigate issues on the distribution network in the short term. It is Scottish Renewables view that operation of distribution network needs to be done in detail and based on local knowledge and that this can be best facilitated by DNO's.

It is therefore appropriate to consider the regulatory and commercial barriers that could prevent DNOs developing this role rather than a single SO. This would allow DNOs to offer services to the Transmission System Operator (TSO) and capture the full benefits of innovation, while generators and demand customers would be able to offer services to the DNO. With this in mind, it is vital that the arrangements proposed by the ITPR project do not act as a barrier to the development of DSO's.

**Question 5: What are your views on our proposal to extend competitive tendering to new, high value, separable onshore assets?**

The introduction of competitive tension in the delivery of large-scale, individual transmission assets will undoubtedly have the potential to recover value for consumers and industry through lower cost delivery of infrastructure. However, the success of this proposal will lie in the detail of its implementation and in managing the transition from the current regime.

It is vital that the gains through implementing competition far outweigh the new risks and associated costs. With this in mind, we are concerned with the following points

- The introduction of this new process comes at a time when we need to rapidly increase investment in our electricity network. While we appreciate the need to ensure that this investment does not incur unnecessary cost to consumers, the timing of the delivery of these assets is increasingly critical as the industry moves from the Renewables Obligation to Contracts for Difference. With this in mind we would seek assurance from Ofgem that the introduction will not add any further delay to an already lengthy approval process and where appropriate that the enhanced role of SO and introduction of competition can help to improve the overall efficiency of the approval process.
- There is some concern that SWW projects within the current RIIO T1 package could face unnecessary delay if TO's choose to wait for the detail of the tendering criteria before taking forward any pre development work. This would have a significant impact on our ability to meet our carbon reduction targets and threaten millions of pounds of investment to the UK economy.
- The process of tendering and appointing successful contracts has the potential to delay an already lengthy process for delivery and we would welcome any further clarity that can be provided on how this will be managed.
- It is important that any impacts on the wider supply chain are considered in any further cost benefit analysis.
- We are concerned with the focus on implementing the OFTO model onshore. However, it is our experience that implementing this model offshore has not been without its challenges – some of which still remain today. It is important to learn from this experience.

**Question 7: What are your views on our proposal that non-GB generators pay for their connections, without consumer underwriting.**

Scottish Renewables support the principle that non-GB generators should not automatically qualify for consumer underwriting.

**Question 10: What are your views on our proposals for mitigating conflicts of interest?**

While we support the business separation work undertaken by National Grid in order to manage conflicts of interest with regard to their role as EMR delivery body, it is important to recognise that these management systems have not yet been fully

tested as the Contract for Difference and Capacity Market are not yet fully implemented. Therefore Ofgem's proposals in this regard should be kept under review as experience of the effectiveness of the proposed measures develops.