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16 April 2015

Dear Leonardo

Electricity System Operator incentives 2015-17: Final Proposals

SSE welcomes the opportunity to respond to Ofgem's final proposals for electricity SO incentives for the 2015-17 scheme.

We have no specific comments regarding the final proposals and draft licence conditions for this next two year scheme. However we are interested to understand what next steps Ofgem intends to take in order to embark on its wider review of the incentive framework to develop enduring arrangements which will apply from 2017.

With regard to a SO-TO incentive, we agree with Ofgem's decision to maintain the focus on dialogue between the SO and TOs through industry working groups, including the Network Access Policy (NAP) group. SHE Transmission remains committed to being an active participant in these to ensure timely, efficient and effective outage planning occurs.

In Ofgem's initial consultation in June 2014, it was highlighted that putting in place a further two year incentive from 2017 would enable Ofgem to consider how a more enduring framework could incorporate a number of market changes that are taking place over the coming years which may impact on the role of the SO. We understand that it is necessary to develop a greater understanding of the impact of these changes before more fundamental changes to the SO incentive scheme are put in place. Throughout this consultation Ofgem has outlined that it proposes to commence work on these future incentives and in particular



on encouraging NGET to take a more proactive and longer term approach to efficient system operation. SSE is keen at this stage to engage with Ofgem and NGET to identify where incentivisation could encourage investment in longer term commitments in the market.

Without this early engagement we are concerned that Ofgem will run out of time to develop anything more meaningful and for the longer term.

We would welcome the opportunity to discuss any of the above issues in more detail and look forward to engaging further with Ofgem to assist with the development of the post 2017 scheme.

Yours sincerely

Lois Wares
Regulation