

Matthew Ball
New Transmission Investment
Ofgem
9 Millbank
London
SW1P 3GE

Date:
20th February 2018
Contact / Extension
Alan Kelly
0141 614 1736

Dear Matt

Consultation on changes to Standard Licence Condition C27

SP Distribution plc, SP Manweb plc, and SP Transmission plc. ("the network companies") are the "asset-owner companies" holding Scottish Power's regulated assets and distribution and transmission licences. Scottish Power operates along divisional lines, and together, the activities of these companies fall within the Energy Networks division "SP Energy Networks" (SPEN). This response is from SP Transmission plc (SPT) the onshore Transmission Owner (TO) for the South of Scotland. As a TO we must ensure that we develop an economic, efficient and coordinated onshore transmission system. We therefore welcome the opportunity to comment on this consultation.

SPT is supportive of utilising competitive processes where it will bring benefit to consumers. However, the legislation to enact the CATO regime has been held up in the legislative process and is unlikely to be progressed in time for projects to be tendered in the RIIO-T1 period. Clear policy and procedure is therefore not in place in respect of implementing competition or for assessing projects for competition. The need for these licence changes at this time is not evident and the benefit is not clearly presented.

It is not clear how the proposal to include connection offers in the Network Options Assessment (NOA) will interact with the established connection offer process. It may also add significant workload into the NOA process which could undermine the quality of the report.

The lack of robust cost benefit analysis to determine if a project meets the criteria for competition is a significant omission; it is vital that decisions on competition are based on robust evidence and cost justifications to ensure that the GB consumer is protected. It is our recommendation that detailed Cost Benefit Analysis is carried out to support the criteria for competition and should be included going forward.

We have provided responses to each of the questions set out in the consultation in Appendix 1. Please do not hesitate to contact me should you have any queries in relation to our response.

Yours sincerely,



Alan Kelly
Policy and Licence Manager
RIIO-T2 Team

SP House, 320 St Vincent Street, Glasgow. G2 5AD

Telephone: 0141 614 0008

www.spenergynetworks.co.uk

Appendix 1: Response to Questions

Question 1: What are your views on our proposed licence modifications, as outlined in this document, and whether they effectively implement the SO-related policy decisions in our November 2016 Decision Document?

SPT Response:

In general terms the Nov 2016 document focused on the arrangements needed to set up the new Competitively Appointed Transmission Owner (CATO) regime for any projects that could be competed during RIIO-T1. The legislation to enact the CATO regime has been held up in the legislative process and is unlikely to be progressed in time for projects to be tendered in the RIIO-T1 period. Clear policy and procedure is therefore not in place in respect of implementing competition or for assessing projects for competition. The need for these licence changes at this time is not evident and is not clearly presented.

Specifically, the decision document focused on three areas:

- How to identify projects for competitive tender including the detailed criteria for competition and the identification of projects through the network options assessment (NOA).
- The role of the TO in respect of pre-tender roles and responsibilities, tender support activities, and funding arrangements
- How to ensure a level playing field through the conflict mitigation arrangements for bidders where they have been developing the projects

The decision document also set out a new requirement on the SO, to identify transmission works included within a generator connection offer that meet the criteria for competitive tender and publish these in a report.

The changes in this consultation to amend C27 do appear to achieve some of these objectives. In particular the requirements for the SO to produce a NOA report that identifies projects that meet the criteria for competitive tendering including those works associated with a connection offer. However, the detail of the criteria for competition is not specified and is referred to a separate document which is not yet specified. It may therefore be appropriate to ensure this detail can be included in the final version.

Question 2: What, if anything, do you think is missing from our proposed licence modifications to implement our policies?

SPT Response: The requirements in the decision document for pre-tender roles and responsibilities and funding arrangements, and pre-conflict mitigation are not specified in this condition. This is appropriate as this is an SO condition.

However, the lack of robust cost benefit analysis when determining if a project meets the criteria for competition is a significant omission; it is vital that policy decisions are based on robust evidence and cost justifications to ensure that the GB consumer is protected. It is our recommendation that detailed Cost Benefit Analysis is carried out to support the

SP House, 320 St Vincent Street, Glasgow. G2 5AD

Telephone: 0141 614 0008

www.spenergynetworks.co.uk

SP Transmission plc, Registered Office: Ochil House, Technology Avenue, Blantyre, G72 0HT Registered in Scotland No. 189126 Vat No. GB 659 3720 08
SP Manweb plc, Registered Office: 3 Prenton Way, Prenton, CH43 3ET Registered in England and Wales No. 2366937 Vat No. GB659 3720 08
SP Distribution plc, Registered Office: Ochil House, Technology Avenue, Blantyre, G72 0HT Registered in Scotland No. 189125 Vat No. GB 659 3720 08

assessment that a project meets the criteria for competition and should be included going forward.

Question 3: What do you think of the newly explicitly noted points 16(a) (vi-viii)? Are there any other points that should be captured in addition?

SPT Response:

It is not apparent in para 16a) (vi), what options a Transmission licensee has decided not to progress, that the SO should or could progress. We understand Ofgem envisage these options to be non-traditional infrastructure investment schemes as it is unlikely that the SO would have the capability to progress these. However, we are not aware of what other options would be considered by a licensee and not progressed that the SO could develop. It would seem appropriate to further clarify that 'the licensee' is the SO, and the 'transmission licensee' is the TO if that is the intention.

In respect of para 16a)(vii), which describes cross boundary options, it is not clear why this point is explicitly listed as historically there are many examples of cross boundary proposal being developed jointly and progressed successfully by TO's. The need for this point is therefore unclear.

Para 16a) (vii) refers to options from other interested parties. It is not stated who these parties might be, nor the process by which they would submit proposals explained. Further clarity on this point would be welcomed.

In general, an increase in the number of options required to be assessed by the SO in the NOA process adds pressure to a highly resource intensive process. The need to ensure quality as well as quantity in the NOA process must be met by the enhanced SO if these new requirements can be achieved and bring benefit to consumers.

Question 4: What are your views on the form of the criteria as set out in the draft criteria guidance (published as a subsidiary document to the January 2018 competition document published alongside this consultation)?

SPT Response:

The form of criteria for assessing whether or not a project is suitable for competition is consistent with previous consultations. However, there is no inclusion of a cost benefit analysis to support the criteria and this should be included going forward. It is telling a formal document cannot be referenced in this licence drafting. This highlights these licence proposals are being implemented ahead of a finalised policy position. The wording of para 16 (d) is unclear and does not specify that the criteria is in reference to competition. The wording should be amended accordingly.

Question 5: What are your views on our proposed new paragraph 16(e) regarding the assessment of generator and demand connection offers against the criteria for competition? Would this amendment capture all appropriate connections?

SP House, 320 St Vincent Street, Glasgow. G2 5AD

Telephone: 0141 614 0008

www.spenergynetworks.co.uk

SP Transmission plc, Registered Office: Ochil House, Technology Avenue, Blantyre, G72 0HT Registered in Scotland No. 189126 Vat No. GB 659 3720 08
SP Manweb plc, Registered Office: 3 Prenton Way, Prenton, CH43 3ET Registered in England and Wales No. 2366937 Vat No. GB659 3720 08
SP Distribution plc, Registered Office: Ochil House, Technology Avenue, Blantyre, G72 0HT Registered in Scotland No. 189125 Vat No. GB 659 3720 08

SPT Response:

The proposal to include assessment of connection offers and their suitability for competition is premature. A clear policy and process is not in place as to how and when this would interact with the established connection offer process. This could have unintended consequences in respect of the delivery of reinforcing solutions.

Question 6: What are your views on our proposed amendment to extend the principle of early development to any option that is not developed by the relevant TO, where the SO considers there may be benefits to developing that option further?

SPT Response:

Further to our response to question 3 it is unclear what benefit or problem Ofgem are intending to resolve. We are not aware of options that would not be progressed by a TO that the SO would want to progress and could deliver. Nor are we aware of a circumstance that would lead to a TO not being able to agree with the SO that an option should be progressed or not.

The proposed new paragraph 23 of SLC C27 requires the SO to “*undertake early development of any option it intends to set out pursuant to 16(a) where the relevant TO has not undertaken development of that option already.*”

It would be better to acknowledge existing responsibilities and recognise the 'co-ordinated and efficient' obligations on both licensees.

SP House, 320 St Vincent Street, Glasgow. G2 5AD

Telephone: 0141 614 0008

www.spenergynetworks.co.uk

SP Transmission plc, Registered Office: Ochil House, Technology Avenue, Blantyre, G72 0HT Registered in Scotland No. 189126 Vat No. GB 659 3720 08
SP Manweb plc, Registered Office: 3 Prenton Way, Prenton, CH43 3ET Registered in England and Wales No. 2366937 Vat No. GB659 3720 08
SP Distribution plc, Registered Office: Ochil House, Technology Avenue, Blantyre, G72 0HT Registered in Scotland No. 189125 Vat No. GB 659 3720 08