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Date
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Contact / Extension
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Dear Grendon

Consultation on the evaluation process for the 2019-20 ESO regulatory and incentives framework

This response is from SP Transmission (SPT), the onshore transmission owner for the South of Scotland. As a key stakeholder of the ESO, we welcome the opportunity to share our views on the 2019-20 regulatory and incentives framework for the ESO.

We accept Ofgem's position that no fundamental change should be made to the ESO framework as this was only introduced in April this year. It is therefore premature to make fundamental changes to the framework, at this stage.

In our response to your Call for Input, dated 30 November 2018, we highlighted a concern that:

The current framework with its set of four roles, *"lack an explicit directive to ensure the security of supply in GB and this should be addressed going forward."*

We further recommended that:

"The ESO Framework process should incentivise the ESO to develop metrics that drive the correct industry behaviour and are delivering the greatest benefits for consumers. It is not clear yet how the Framework is ensuring consumer benefit is being delivered through the current set of metrics or activities. Neither is it clear if system performance and security is improving, deteriorating or at risk if the credible future energy scenarios materialise. The ESO needs to develop appropriate metrics to evidence these parameters. A balanced scorecard approach would be appropriate."

It is not clear in this consultation that Ofgem has considered these points and we would be very grateful for clarification of your views.

Ofgem's main proposal in this consultation is *"that the evaluation process should be carried out per 'role area' instead of per principle"*

We support this proposal in the interests of reducing complexity. This would also be a better platform to introduce the high level metrics and balanced scorecard approach, we recommend above.

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The weighting of each role reduces the value given to roles 3 and 4, to 50% of roles 1 and 2. There is no quantitative evidence presented to support this. We therefore suggest some form of Impact Assessment would be appropriate particularly in respect of Role 3 *“Facilitating Whole System outcomes”*. The Whole System is a fundamental part of Ofgem’s RIIO-2 framework and we believe it will be important in supporting the energy system transition. We are of the view that reducing the weighting of Role 3 may send out the wrong signal to the ESO, diluting their focus in this crucial area.

Should you have any questions in relation to this response, please do not hesitate to contact me.

Your sincerely



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