

By email to:
Olivia.powis@ofgem.gov.uk

Date
8th February 2019
Contact / Extension
Paul McGimpsey
0141 614 1951

Dear Olivia,

Consultation on derogation request for SHEPD to implement a proposed trial of their Alternative Approach on Orkney.

SP Energy Networks (SPEN) owns and operates the electricity distribution networks in the Central Belt and South of Scotland (SP Distribution) serving 2 million customers. We also own and maintain the electricity transmission network in the Central Belt and South of Scotland (SP Transmission). In addition, we hold a third electricity licence (SP Manweb) which serves 1.5 million customers in Merseyside and North Wales. As network owners of both transmission and distribution network assets, SPEN welcomes the opportunity to respond to this statutory consultation.

Derogation Request – Part 1 (The ready to connect process)

SPEN agree with Ofgem's view to approve derogation requests relating to Part 1 of the Alternative Approach (ready to connect process) for distribution and transmission customers in Orkney. We recognise the potential positive impacts for these customers and also the opportunity for this to act as a trial with wider learning for the ENA's Open Networks project and its focus on developing a common queue management approach for GB electricity networks.

SPEN's customers are currently benefiting from our own queue management policy, applied across our distribution licensed areas. This policy, developed in close consultation with our customers and stakeholders, is facilitating the release of capacity to those projects in a position to benefit from it. We believe a similar outcome is possible for Orkney.

Derogation Request – Part 2 (Temporarily adjusting liabilities)

SPEN agree with Ofgem's view to reject the derogation requests relating to Part 2 of the Alternate Approach (temporarily adjusting liabilities). We are concerned about the implications this could have on wider network users if a generator cancels its project or reduces its capacity during the proposed nine month period. Further we are concerned that the proposed isolated and targeted application of reduced securities in Orkney may be challenged by network users elsewhere, who may be similarly exposed to significant transmission liabilities. We believe a wider review of the current financial securities regime is best considered as part of the Access and Forward-Looking Charges Significant Code Review.

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Please do not hesitate to contact me should you wish to discuss any aspect of this response in more detail.

Yours sincerely



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