



London Office
4th Floor,
1 Tudor Street,
London EC4Y 0AH
Tel: +44 (0)141 614 7501

Maryam Khan
Senior Manager – ESO Regulation
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

4 February 2020

Dear Maryam,

Call for input on 2020-21 ESO regulatory and incentives framework

Thank you for the opportunity to provide our views on proposed changes to the ESO regulatory and incentives framework from April 2020.

We have provided comments in Annex 1 on the drafting being proposed in the two supporting documents: the ESO Roles and Principles guidance and the Electricity System Operator Reporting and Incentives (ESORI) guidance document.

The three sets of changes being proposed (ie streamlining the ESO's roles from four to three, streamlining the evaluation of delivered consumer benefits and future benefits, and reporting requirements on the ESO's internal costs) are broadly sensible. However, we wonder whether placing additional reporting requirements on the ESO and the additional burden it entails is the best use of the ESO's resources.

We agree that reporting on internal costs will help inform our views on whether the ESO is using its resources efficiently and effectively prioritising the right areas. However, there is more value in the ESO channelling resources to delivering its commitments in the forward plan without slipping on timescales. We would be more inclined to support this additional reporting obligation if the ESO is able to provide assurances that the additional resource requirement will not interfere with its plan delivery.

Should you have any questions on this response, please do not hesitate to contact me or James Soundraraju (Tel: 014 1614 2421, jsoundraraju@scottishpower.com).

Yours sincerely,

Richard Sweet
Head of Regulatory Policy

**CALL FOR INPUT ON 2020-21 ESO REGULATORY AND INCENTIVES FRAMEWORK –
SCOTTISHPOWER COMMENTS ON SUPPORTING DOCUMENTS**

ESO Roles and Principles Guidance Document

Principle 1.3: Coordinate effectively to ensure efficient system operation and optimal use of resources

We welcome the inclusion of licence condition C16 1(d) which requires the ESO to 'Optimise the timing of transmission outages under the outage plan on the national electricity transmission system'. However, we do not feel that 'optimising the timing of transmission outages' places a clear expectation on the ESO to coordinate changes to the outage plan in a way that minimises disruption to parties connected to the network. We have previously highlighted the disruption to our business from multiple within-year changes by the ESO to the outage plan.

Principle 1.3 could be better reflected in Paragraph 1.31 if it is expanded as follows:

*1.3.1 In addition, in undertaking its current role as the manager and gatekeeper of transmission system outages we expect the ESO to optimise the timing **and coordination** of transmission outages to maximise efficiencies across the system as a whole.*

Principle 3.2: Facilitate timely, efficient and competitive network investments

Ofgem's open letter to the ESO on 24 September 2019, sets out an expectation on the ESO to engage with relevant stakeholders when developing the Early Competition Plan. The same letter also states that the ESO should consider consulting on its emerging draft plan.

The current drafting in Paragraph 1.54 should reflect a requirement on the ESO to consult stakeholders as it develops the Early Competition Plan.

Electricity System Operator Reporting and Incentives (ESORI) Guidance Document

Our main observation on the proposed drafting in this document is that the evaluation criteria used by the Performance Panel (as set out in paragraph 3.8) do not include a reference to the ESO's internal costs for each role in the forward plan into consideration.

The proposed criteria only refer to 'Outturn' metrics. On the basis that the panel has asked for information on the internal costs of each of the three roles and given the additional burden it places on the ESO, it would be reasonable to expect the panel to take this information into consideration.

ScottishPower
February 2020