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Dear Richard

SP Transmission (SPT) welcomes the opportunity to comment on this consultation. As the licensed Transmission Owner (TO) in the South of Scotland following the introduction of BETTA, SPT is concerned that the introduction of zonal transmission charging on the basis of incorrect assumptions could lead to exaggerated price signals which could, in turn, have a detrimental effect on the long term prospects for its business.

SPT believes that there is a case for introducing Transmission Owner (TO) specific expansion constants as suggested in the consultation. We note that for the purpose of consultation National Grid has derived TO specific expansion factors based on assessing the cost of, and potential for, applying alternative methods of increasing transmission capacity apart from new build.

We do not dispute this analysis in itself, however, we would wish to point out that there are, in addition, other factors which should be considered in calculating TO specific expansion constants:

(a) The nature of generation being accommodated will have a bearing on the amount of transmission capacity that needs to be constructed in the main interconnected transmission system. In particular, it is recognised that the amount of transmission capacity required to accommodate a portfolio of intermittent wind generators is lower than that required to accommodate the same capacity of conventional plant. This was recognised by Ofgem in the studies leading to the recent Transmission Investment for Renewables proposals. Given that the new generation capacity envisaged in Scotland is predominantly wind powered (with a comparatively low transmission capacity requirement per kW of generation) it would seem reasonable to reflect the likely mix of generation in the calculation of expansion constants applicable in Scotland.

(b) Transmission planning standards in Scotland differ from those that apply in E&W. A carefully considered decision has been made to not bring the Scottish standards into line with England & Wales for BETTA partly because to do so would require significant investment in the Scottish transmission networks, or long term derogations. We can conclude from this, therefore, that the planning standards applicable in Scotland have historically led to less transmission network being constructed in Scotland than would have been the case had England & Wales planning standards been applied. Given that the difference in standards will continue into the future, it is reasonable to expect this logic also to apply in the future over the longer term, i.e. there will be less network constructed in Scotland per MW of generation capacity than would be the case if England & Wales standards were to apply across GB. This would tend to support the view that expansion constants should reflect the long term effect of planning standards on the cost of expanding the network.

I hope these comments are useful.

Yours sincerely

Jim Sutherland
Regulation & Asset Director