

SUBMISSION FROM SCOTTISHPOWER ON BEHALF OF SP TRANSMISSION LTD

SP Transmission Limited (SPTL) is the regulated transmission business which owns and maintains the electricity transmission network in central and southern Scotland. The National Planning Framework plays a key role in enabling strategic investment priorities for Scotland and, in particular, we support the designation of electricity transmission investment as a national development. We regard the prompt delivery of further electricity transmission capacity as being a fundamental enabler in meeting the Scottish Government's renewable electricity energy targets.

Industry Structure

Since 2005, the licensing of electricity networks has been on a GB basis in order to support a single GB electricity market. National Grid Electricity Transmission Limited (NGET) as the Great Britain System Operator (GBSO) operates and manages access to the transmission system. Three transmission owners (SPTL, SHETL and NGET) maintain their transmission assets and, in coordination with each other and the GBSO, identify necessary reinforcements to their transmission system.

The transmission owners have a duty under their transmission licences to develop and maintain an efficient, co-ordinated and economical system for the transmission of electricity. The industry regulator, Ofgem, must ensure that the companies are able to finance the activities stemming from their licence obligations.

Identification of Transmission Reinforcements to Facilitate Renewable Generation

The dominant driver for transmission reinforcement works in Scotland has been connection applications by new renewable generation development projects. Before a windfarm developer can connect to the network, it is important to ensure that the Main Interconnected Transmission System can support this new generation. In 2002, the three transmission companies began studying transmission options for accommodating significant increases in the level of renewable generation in Scotland. The outcome of this work was a series of transmission reinforcements as set out in Map 8 of the NPF2 proposed framework. The table below details progress on reinforcements in SPTL's area.

Renewables targets have increased significantly since the initial study was undertaken and in 2008 the Electricity Networks Strategy Group (ENSG) commissioned a study, to be undertaken by the transmission companies, on the development of the transmission network required to meet the UK target of 20% of all energy to be met from renewable sources by 2020. The initial conclusions of this study confirm (i) the need for the transmission reinforcements set out in NPF2, and (ii) the need for further incremental onshore reinforcements and two offshore subsea links. Any reinforcements that proceed will be part of a co-ordinated development plan across the GB

transmission network, which will be implemented in incremental stages and avoid unnecessary investment.

Financing of Transmission Investment

The process for obtaining funding for transmission works involves an assessment by Ofgem of the works required and, if accepted, a licence change to reflect increased investment. Usually this funding process is managed as part of a regular five-yearly review. We regard these arrangements as being a proven mechanism to incentivise the transmission owner to deliver optimal, cost-efficient transmission investment and we believe that they should continue.

However, given the potential scale of future transmission investment beyond 2012, and the urgency to deliver this investment as quickly as possible, we agree that there is a need to look at future funding of major transmission infrastructure projects. In order to address the longer-term investment challenges, Ofgem and the Department for Energy and Climate Change have initiated work with the transmission licensees to develop new financial incentives to help deliver the necessary investment in a timely manner without exposing customers to excessive risk and/or inefficient costs.

9th January 2009

Table

Transmission Reinforcements in SPTL's Area

Central Scotland (Boundary B5)

On schedule to complete by 2010.

A further incremental reinforcement, using existing overhead lines but requiring new substation consents at Wishaw, Kincardine and Harburn, is being considered by the ENSG.

Scotland-England Interconnector (Boundary B6)

The upgrade to increase capacity from 2200MW to 2800MW is on schedule to complete in 2010. The next upgrade to increase capacity to 3400MW is planned for completion in 2012.

A further incremental reinforcement to increase capacity to 4400MW, using existing overhead lines but requiring substation consents at Strathaven, Elvanfoot and Eccles, is being considered by the ENSG.

Sloy

Joint project with SHETL to establish a transmission substation near Inverarnan. Works underway and on schedule to complete in 2010.

South West Scotland

We are about to submit Section 37 applications for a new overhead line network from our existing substation near Coylton southwards to near Dalmellington and then west towards Sanquhar.

Not in NPF2

Hunterston to Deeside Link **to HVDC** The ENSG are considering a new west coast offshore link from Hunterston to Deeside near Chester (circa 1200MW to 1900MW).

Peterhead to NE England link **to HVDC** The ENSG are considering a new east coast offshore link from Peterhead to North East England (circa 1200MW to 1900MW).