

CMA ENERGY MARKET INVESTIGATION

SCOTTISHPOWER'S RESPONSE TO THE CONSULTATION ON THE TRANSMISSION LOSSES ORDER

1. INTRODUCTION

- 1.1 The CMA issued an initial consultation on the proposed Energy Market Investigation (Transmission Losses) Order 2016 and Draft Explanatory Note on 12 August 2016, following publication of its final report on 24 June 2016. It then issued a formal consultation on 18 October comprising a draft order (incorporating draft licence amendments) and a draft explanatory note. This note provides ScottishPower's response to the formal consultation.

2. COMMENTS ON DRAFT ORDER AND EXPLANATORY NOTE

- 2.1 We believe that the Draft Order provides the clarity required to aid progression of the Modification Proposal P350 'Introduction of a seasonal zonal transmission losses scheme'. This is key given that P350 will run in parallel with the CMA's implementation process for the order and Transmission Licence changes.
- 2.2 We believe the Draft Order (Transmission Losses) and Explanatory Note provide the flexibility required to deal with the exemption of Interconnector Users from transmission losses (which has been put in place since the development of P229 'Introduction of a seasonal zonal transmission losses scheme', on which the remainder of the implementation is based).
- 2.3 We think it is important that parties have access to a good forward view of likely transmission losses to ensure that investment decisions are based on an accurate price signal. We would therefore encourage the CMA and Ofgem to consider whether a requirement should be placed on National Grid to provide regular 5-year forecasts, in the same way that it is required to do for TNUoS charges.¹
- 2.4 The load-flow modelling should be transparent and, where possible, the model and any required training should be made available to the industry. Although such an approach was adopted for the wider Transmission Network Use of System charging methods (TNUoS) revisions, we understand that the P350 load-flow modelling makes use of proprietary software which may raise licensing issues, and we would welcome any support the CMA can provide in facilitating cost-effective availability.
- 2.5 We are aware that industry participants may believe there are more appropriate solutions to those considered during P229. For example, BSC Panel Members have commented on the potential to use zonal loss factors that are not seasonal, a different technical approach to calculating the loss factors and/or different input data such as weather data. While P229 has been followed in order to meet the timetable, it seems likely that the methodology may be refined from that approach following the initial implementation.
- 2.6 We fully support the proposal that responsibility for setting out the rules governing the calculation of Transmission Loss Factors should revert to the industry (subject to GEMA's role within the context of industry codes governance) following implementation of the CMA's remedy.

¹ Under Condition 5 of Ofgem's March 2005 approval of NGET's use of system charging methodology.