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Dear Mrs Shortall,

### **Cross Border Framework for Transmission Network Infrastructure**

Scottish and Southern Energy (SSE) is one of the largest energy companies in the UK. It is involved in the generation, transmission, distribution and supply of electricity; energy trading; the storage, distribution and supply of gas; electrical environmental and utility contracting; domestic appliance retailing; and telecoms.

I am writing with SSE's response to the ERGEG consultation regarding the cross border framework for transmission infrastructure.

The ERGEG consultation recognises a number of issues in the provision of such infrastructure:

- Building and construction authorisation and permission procedures usually add significant time and difficulty to the expansion of transmission capacity, and are an immediate and significant impediment to enhancing transmission infrastructure across the EU;
- There exists no clear compatible rules on how the need for (cross border) infrastructure has to be identified on a regular basis on a regional level;
- Each TSO builds and operate its network, including its interconnectors, according to defined and mandatory national security and reliability standards, and in order to facilitate efficient market operation;
- A national 'regulatory contract' generally exists to support this arrangement;

- Present arrangements are generally referenced to national market concerns, with the consequence that provision of cross border transmission access may be suboptimal;
- There are few or no legislative or regulatory bases for expanding the national focus to a more regional or pan-EU focus;
- Examples of existing cross border interconnectors indicate that they were generally motivated on the basis of particular government to government, TSO to TSO or regulator to regulator contacts, and on the whole outside national 'regulatory contracts'. Some provision has been on a 'merchant' basis.

Our comments on each of these main headings are set out below.

### **Building and Construction Authorisation**

Obtaining clearance for construction of new infrastructure is a major problem throughout Europe. A shortage of infrastructure could affect Europe's ability to achieve its targets not only for a more competitive market but also in respect of climate change.

We therefore agree authorisation processes need to be expedited so that speedy resolution of plans can be obtained. However, it is not clear that ERGEG should advise on the impact on competition since this should be the role of the national regulator(s) involved.

### **Planning and Operation Standards**

It is clear that the current TSO obligations tend to promote provision of national transmission infrastructure rather than EU wide. We therefore agree that TSOs should have some obligations to consider wider infrastructure requirements when developing their infrastructure projects. A key issue here is in the provision of information between TSOs to enable the affected TSOs to make judgements about economic levels of investment. A further issue is the appropriate framework for financing any identified work needs to be resolved. As a first step we believe that consideration should be given to coordinated planning across the regional markets that the regulators have set up.

### **Regulatory Framework**

We believe that the current differences between regulators' duties and competencies across Europe can make it difficult for them to authorise and grant funding for investments that enhance cross border capacity.

We agree that regulators should therefore have a wider obligation in considering the EU framework. However, before this can happen, we believe that the regulators' powers and competencies have to be brought up to a common level across Europe.

## **Transmission System Operators**

We agree that TSOs need to collaborate more efficiently. An overarching planning standard as suggested above would necessitate TSOs acting jointly to plan and operate networks and exchange data. ERGEG have therefore proposed that TSOs should be given a remit to take into account customers on a regional or pan European basis.

While in principle this seems a reasonable requirement, it could be difficult to meaningfully incorporate into TSO obligations given that they tend to be governed by national laws. It is also important to recognise that funding is generally only granted in support of the national security obligations rather than regional ones. It would be inconsistent to give a TSO an obligation to consider a more regional need for infrastructure without also giving the TSO the means to resolve any issues identified (i.e. the funding). It is also important, we believe, to separate the obligations of the infrastructure providers (who have the obligation to invest) from the obligations of the system operator (who has the day to day operational responsibility). It is clear that the infrastructure provider needs both an obligation to invest (underpinned by appropriate security standards) and the necessary incentive in terms of funding. This framework exists in GB for the Scottish companies who, while not responsible for system operation, are responsible for network investment.

### **“Contract or Merchant”**

There are relatively few examples of “merchant” interconnectors (i.e. built to take advantage of market price differentials). Most are built for wider system reasons to a “regulatory contract” i.e. with funding by agreed allowances or in some cases from EU grants.

Since the economic enhancement of interconnector capacity is a key to developing the European market, we agree that more clarity of the exemptions regime and processes, with time limits, would help improve clarity and create a pro investment climate.

If you have any questions on any of the above or need any further information, please give me a call.

Yours sincerely,

David Densley  
Head of European Affairs