Consultation on:

Queue Management

Consultation Period

Opens: 16th February 2016

Closes: 16th March 2016

SP Energy Networks

SP Energy Networks provide power on behalf of supply companies through a network of cables and power lines that we own, operate and maintain. We are dedicated to delivering a safe and reliable electricity supply to all of our customers, 24 hours a day, every day of the year.

Through our distribution networks we provide power to:

- 1.5 million customers in Merseyside, Cheshire, North Wales and North Shropshire (SP Manweb); and
- 2 million customers in Central and Southern Scotland (SP Distribution).

Through SP Transmission we are also responsible for the transmission of electricity in Central and Southern Scotland.

Generation Connections

A vital part of our business is providing customers with new or upgraded connections. We currently have more Distributed Generation (DG) connected to our networks than any other UK distribution network owner (4.1GW of renewables). In addition, SP Transmission has connected 56% of Scotland's transmission connected renewable generation.

Across our 3 licenced networks we are continuing to experience a dramatic increase in the volume of generation offers being requested. As a result, constraints across our networks are leading to delays in connections, higher connection costs (as a result of local reinforcement works) and an increasing requirement to apply to National Grid for Statement of Works due to dependencies on transmission system upgrades.

We publish Heat Maps to aid our customers' understanding of the network and to assist them in determining opportunities for connection:

http://www.spenergynetworks.co.uk/pages/connection_opportunities.asp

Queue Management

Whilst we are committed to a programme of significant investment in our networks, they take time to complete. The management of contracted capacity is therefore becoming one of the biggest issues we face.

Queues of contracted capacity are developing across our networks. There are a number of reasons for this which are in addition to the known capacity constraints on the distribution and transmission networks. We are finding that contracted projects are often not ready to progress, even when network capacity is available, for example due to delays in project planning, consenting, finance and other material issues. This can result in otherwise available capacity being tied up by "stalled projects" that could productively be used by others. The requirement for additional, potentially unnecessary, reinforcements in connection offers is also increased.

We believe it is important to advance those projects that are able to connect, taking advantage of available capacity, where possible. To this end we have been developing proposals for queue management.

Existing Powers for Delayed/Stalled Projects:

SPEN currently has rights to terminate where developers' works have not commenced or been completed in line with agreed timescales.

We place obligations on our customers to provide quarterly updates on the progress being made to achieve consent and financial close. Where sufficient evidence of progression is not provided to our reasonable satisfaction we reserve the right to terminate.

We recognise however that termination is not always the appropriate course of action. There will be circumstances where it is unreasonable to terminate, for example where consent has been achieved but progression is delayed for reasons outwith the control of the developer.

It is primarily for this reason that the alternative proposals presented in this consultation paper have been developed.

The Governing Principles behind our Proposals:

1. The initial queue position should be determined by offer acceptance date.
2. All projects must be able to provide evidence of their proactive progression through the planning process.
3. Planning decision refusal (including appeal) will result in loss of queue position.
4. Other delays impacting on a project's ability to progress, within a defined time window, will result in loss of queue position.
5. Consented projects should be given the opportunity to advance, reassigning initial queue positions where appropriate to do so.
6. SPEN retains the right to terminate agreements where developers are no longer able to evidence that projects are being proactively progressed.
7. SPEN has the power to recover capacity where contracted MW differs from planning MW or where a developer does not install their full offered capacity.

Options for Queue Management

The Options we are considering for more effectively managing the queue are summarised in the table in Appendix 1. We have provided the following example of contracted queue to assist your assessment of each option. The initial queue position is based on offer acceptance date.

Project	Initial Queue Position	
A	1	Not Consented
B	2	Consented
C	3	Not Consented
D	4	Consented
E	5	Consented

Option 1, rules applied:

- Stalled projects are terminated.
- Consented projects are advanced.

Project	Initial Queue Position		Project	Revised Queue Position	
A	1	Stalled	B	1	Consented
B	2	Consented	D	2	Consented
C	3	Stalled	E	3	Consented
D	4	Consented			
E	5	Consented			

Subject to reinforcement

Impact:

→ Project B now progresses.

→ Projects A and C are terminated.

Option 2 rules applied:

- Stalled projects lose initial queue position.
- Consented projects given opportunity to advance.
- Revised queue position of stalled projects assigned behind consented projects.

Project	Initial Queue Position		Project	Revised Queue Position	
A	1	Stalled	B	1	Consented
B	2	Consented	D	2	Consented
C	3	Stalled	E	3	Consented
D	4	Consented	A	4	Stalled
E	5	Consented	C	5	Stalled

Subject to reinforcement

Impact:

→ Project B now progresses.

→ The queue positions of Projects A and C are reassigned behind consented projects.

Option 3 rules applied:

- Stalled projects lose initial queue position dependent on capacity released and ability of consented projects to advance.
- Revised queue position of stalled projects will be assigned behind those projects able to advance.

Project	Initial Queue Position		Project	Revised Queue Position	
A	1	Stalled	B	1	Consented
B	2	Consented	A	2	Stalled
C	3	Stalled	C	3	Stalled
D	4	Consented	D	4	Consented*
E	5	Consented	E	5	Consented*

Subject to reinforcement

Impact:

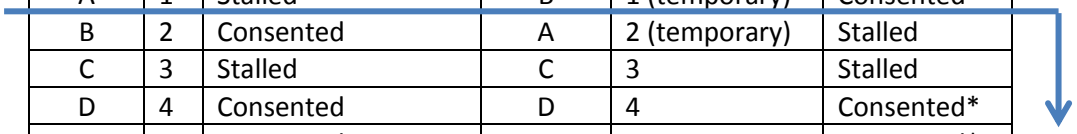
→ Queue position of Project A becomes 2, 3 or 4 (dependent upon the ability of consented projects to advance and available capacity released).

* In the above example there is insufficient available network capacity to allow projects D and E to advance.

Option 4 rules applied:

- Same rules as Option 3, however reassignment of Queue Position is temporary
- Stalled project(s) given revised later date of connection
- Advanced project(s) connected and given guaranteed minimum period of access
- Once stalled project(s) ready to connect (after minimum period of access has ended) advanced project(s) may be subject to loss of access or restricted access until necessary reinforcements are complete.

Project	Initial Queue Position		Project	Revised Queue Position	
A	1	Stalled	B	1 (temporary)	Consented
B	2	Consented	A	2 (temporary)	Stalled
C	3	Stalled	C	3	Stalled
D	4	Consented	D	4	Consented*
E	5	Consented	E	5	Consented*



Subject to reinforcement

Impact:

→ A revised (later) connection date will be agreed with Project A.

→ Queue position of Projects A will B will temporarily be switched enabling Project B to connect for a guaranteed minimum period (up until the date of connection agreed with Project A).

→ If Project B is unable to take advantage of this temporary capacity window, it will be offered to Project C (and so on).

* In the above example there is insufficient available network capacity to allow projects D and E to advance.

Feedback to date

We have presented our proposals for discussion at 2 DG Stakeholder Workshops. The first of these was held in Glasgow on the 15th December 2015 and the second in Chester on the 22nd January 2016. The reaction from our stakeholders was decisive in Glasgow with a strong backing for SPEN pursuing Options 3 and 4. The views in Chester where more mixed with no clear support for any single Option.

In both workshops there was a common message that SPEN should be doing more in proactively managing the contracted queues to ensure that those projects that were ready and able to progress, should be given the opportunity to do so.

Questions

1. Do you support our proposal to introduce queue management rules?

2. If you do not support our proposals for introducing queue management rules, please explain why.

3. Do you agree that termination of stalled projects is not always the appropriate action?

4. Which option do you feel is the fairest approach for managing the queue? Please provide your reasons.

5. Are there any other options we should be considering?

6. Should reinforcement charges be reallocated and now levied on those stalled projects whose queue positions are permanently changed, e.g. in the example of Option 2, Project A whose connection is now subject to reinforcement?

7. What else would you like to see us do?

Responses should be submitted by email, on the form provided with this consultation, to the following address:

nmcinnes@scottishpower.com

Closing date: 16th March 2016.

Appendix 1

Option 1 (existing)	Option 2	Option 3	Option 4
Terminate & reapply	Go to Back of Queue	Reassign queue position (based on consent)	Temporary reassignment of queue position
Loss of Queue Position	Loss of Queue Position	Queue position reassigned behind advanced project(s) - Dependent upon capacity released	Queue position temporarily reassigned with advanced projects given guaranteed minimum period of connection
No valid agreement	Agreement amended but remains valid	Agreement amended but remains valid	Agreement amended but remains valid