

# **ENERGY ACT 2004**

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## **EXPLANATORY NOTES**

### **COMMENTARY ON SECTIONS**

#### **Part 3: Energy Regulation**

##### **Summary and Background**

##### *Chapter 1: Electricity Trading and Transmission*

##### **Scotland**

324. The arrangements put in place under NETA did not encompass Scotland. At the time of privatisation, the wholesale trading arrangements that were put in place in Scotland were significantly different to those in England and Wales. As a result the Scottish market has only two main players. The key features of this structure are:
- Two vertically integrated groups, ScottishPower and Scottish & Southern Energy, who retain interests in generation, transmission, distribution and supply;
  - The allocation of virtually all Scottish generating capacity, through ownership or contracts, between ScottishPower and Scottish and Southern Energy;
  - Duopoly control over the bulk of interconnector capacity with England & Wales.
325. The result of this structure is:
- In Scotland GEMA administers prices because competition is underdeveloped and the market offers much less choice for both industrial and domestic consumers;
  - Current market arrangements make it difficult for independent Scottish generators to connect to the grid and sell to the wider GB market. This hinders competition and is a barrier to achieving the Government's renewables target of 10% by 2010.