



Regulation & Commercial

Thomas Mackenzie
Ofgem,
9 Millbank,
London,
SW1P 3GE

Date
27th January 2015

Contact
Stephanie Rogan
srogan@scottishpower.com

Dear Tom,

Statutory consultation on changes to licence condition CRC 14 in relation to closing out the DPCR4 losses incentive mechanism

We welcome Ofgem's proposal to amend special licence condition CRC14 in order to ensure that licensees are not unfairly penalised for under/over recoveries of revenues as a result of closing out the DPCR4 losses incentive mechanism. We do appreciate that Ofgem are disappointed that we did not make the application for the affected Regulatory Year 2013/14 at the time of our request for relief for the affected Regulatory Years 2011/12 and 2012/13. However, we unfortunately did not have the relevant data available at the time of making our original request in May 2014.

The amendment to CRC14 as drafted in the statutory consultation correctly reflects the objective by providing for the value for the penalty interest rate adjustment ('the PRt term') applied to the licensees in any Regulatory Year to the over and under recoveries of revenue, to be set in a direction given by the Authority. This ensures that licensees are not unfairly penalised.

Yours sincerely,

A handwritten signature in cursive script that reads "S. Rogan".

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Stephanie Rogan
SP Energy Networks

Ochil House, 10 Technology Avenue, Hamilton International Technology Park, Blantyre, G72 0HT

Telephone: 0141 614 0008

www.scottishpower.com

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