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Date  
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Contact / Extension  
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Dear colleague

**Notice of Statutory Consultation to Modify SpC 3.36 Opex Escalator for Electricity Transmission**

This response is from SP Energy Networks (SPEN), who represent the transmission licensee of SP Transmission plc which owns, develops and maintains the electricity transmission network in Central and South Scotland.

We recognise that Ofgem in its review of SHET's Shetland HVDC Link Project, has identified Closely Associated Indirects (CAI) and Network Operating Costs (NOC) that would not normally be found in a typical Transmission infrastructure project. In principle, we support Ofgem's proposals to ensure that consumers only fund efficient CAI and NOC costs for LOTI projects. However, as these licence modifications apply to all Transmission Owners, we believe these proposals require careful consideration and further discussions with all TOs before any licence modification decision is made.

Only Ofgem and SHET are party to the details of the issues that have been uncovered with respect to the Shetland HVDC Link project. Therefore, we are unable to support the proposed change until we are provided with further details in order to understand how Ofgem will determine CAI and NOC funding for LOTI projects in future.

Ofgem proposes a more bespoke assessment of CAI and NOCs on a project specific basis as part of each LOTI re-opener decision with no further details provided. Ofgem must agree with all TOs how any bespoke assessment will be carried out on a principles basis before any licence modification is made. Otherwise, TOs do not know what they are effectively signing up to. We therefore propose that a set of principles for assessing CAI and NOCs as part of LOTI projects is agreed between Ofgem and TOs through guidance or an open letter before a licence modification is triggered. Ofgem's current proposals must be carefully considered to ensure regulatory stability.

Yours sincerely



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