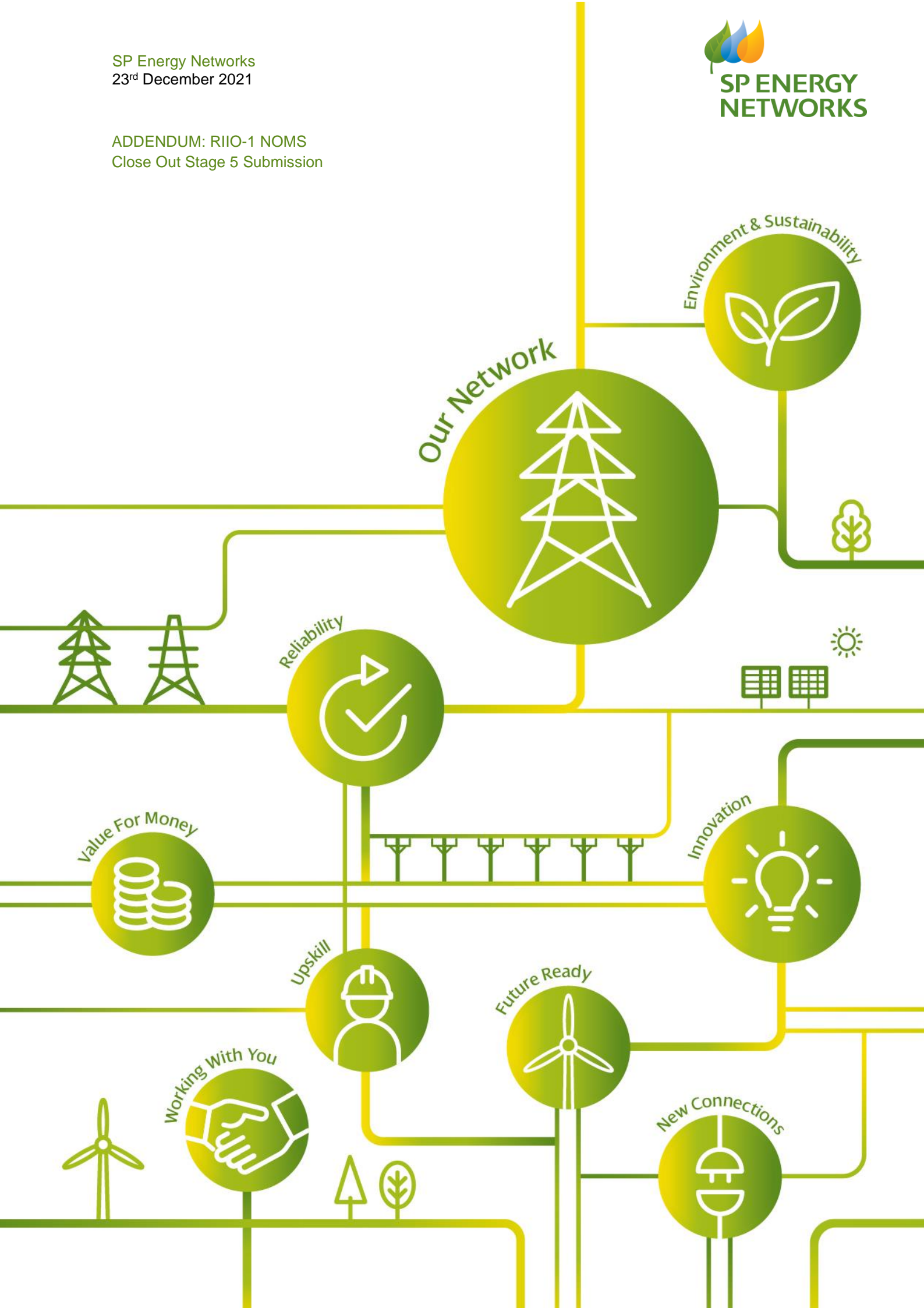


ADDENDUM: RIIO-1 NOMS
Close Out Stage 5 Submission



Structure of this document

This document has been structured with four sections complying with the requirements of Stage 5 of the Network Output Measures (NOMS) Methodology version 2.2, 11th June 2021 (the Methodology). The document has been arranged in accordance with instructions and guidance indicated in Appendix 2 and 6 of the Methodology

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1. Executive Summary

This report is submitted by SP Transmission (SPT) in accordance with Special Condition 7.10.4 of SPT's RIIO-T2 Licence and so details the justification of the material over delivery as per the requirements of the NOMS Incentive Methodology. This is an addendum to the RIIO-1 NOMs Stage 1 & Stage 2 Performance Report submitted by SPT on 31st of July 2021.

The purpose of the executive summary is to provide a summary of the relevant factors contributing to over-delivery of the risk remaining target and the cost associated with the Material Over-delivery in accordance with the proposed cost methodology agreed with Ofgem during Stage 4 Assessment.

As presented in our Stage 1 and Stage 2 Submission, SPT's overall performance against the normalised absolute target is 7.75% over-delivery. Ofgem has set out the deadband for RIIO-1 NOMs Closeout at 5% for ETOs. The Material Over-delivery is therefore 2.75% that equates to R£287.3m monetised risk. According to the cost methodology agreed at Stage 4 this results in a Net Associated Cost of Over Delivery of £16.993m (Please refer to 1.1_Performance_Absolute_Target worksheet of the data template).

Figure 1 shows the impact of factors contributing to the over-delivery relative to the normalised target. These are: Materially Equivalent Outputs-Scheme substitutions (-1.78%), Inverkip Rationalisation Scheme (9.00%), Operational Issues (0.30%), Faster/slower deterioration (0.37%) and any other Data Cleanse not identified at Stage 1 & 2 (-0.14%).

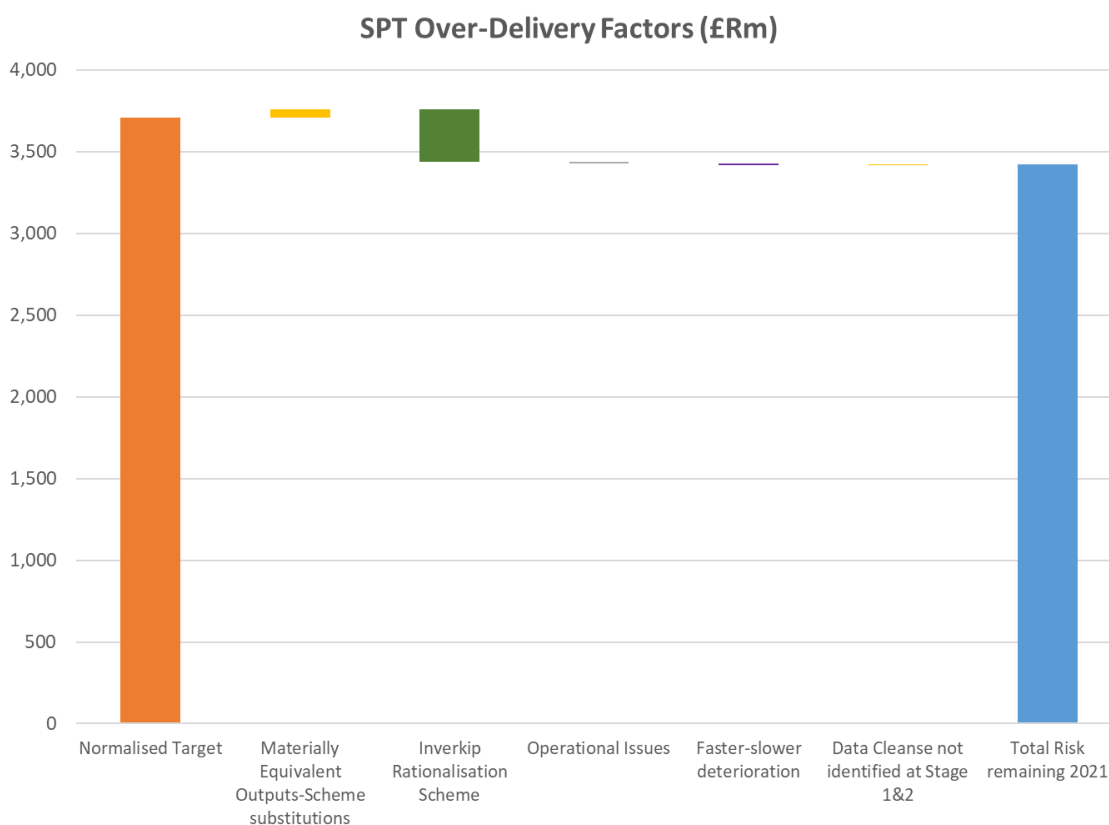


Figure 1 SPT Over-delivery factors

2. Methodology for deriving associated cost

The derivation of the cost has been undertaken using the Unit Cost of Risk (UCR) technique as proposed and agreed with Ofgem as part of Stage 4 assessment. This is essentially the derivation of the UCR at a scheme category level using the delta risk delivered by each of the schemes delivering NOMs related outputs and the associated costs.

The scheme risk delta delivered by a specific scheme is defined as the difference between the risk with and without intervention at the end of the RIIO-T1 period, 31st of March 2021. This methodology has been applied to derive the baseline UCR and the outturn UCR likewise.

$$\text{Baseline UCR, } UCR_b = \frac{\sum EA}{\sum DR_b}$$

$$\text{Outturn UCR, } UCR_o = \frac{\sum EO}{\sum DR_o}$$

Where;

- EA (£m) is the Expenditure Allowed per each scheme in that scheme category (2020/21 price base)
- DR_b (£Rm) is the Delta risk planned per each scheme in the business plan submission
- EO (£m) is the Expenditure Outturn per each scheme delivered in that scheme category (2020/21 price base)
- DR_o (£Rm) is the Delta risk actually delivered per each scheme

There are five scheme categories within the SPT RIIO-1 Business Plan Asset Replacement and Refurbishment programme identified as NOMs, since they have associated monetised risk outputs. Those are as follows:

- Circuit Breaker
- Transformer
- Reactor
- Underground Cable
- Overhead Line conductor

The scheme category is defined by the main driver. Scheme costs have been allocated to each scheme's scheme category in a single line consistent with RRP reports which includes all costs associated with the delivery of the scheme. The delta risk delivered by each scheme corresponds to the overall risk movement resulting from the interventions on each of the lead assets included in the scheme scope. Each scheme could have risk outputs associated to each of the lead assets regardless of the scheme category. It should be noted that no overhead line schemes in the SPT RIIO-T1 plan with NOMs outputs had towers or fittings as the main driver.

Following the same approach as per the RIIO-T2 NARM Workbook, each scheme category allocation is re-defined by the highest risk contribution asset category among the five scheme categories identified for the purpose of the derivation of the UCR values.

Please refer to Supporting Data Worksheet '5.3_UCR_Calculation' for workings on the derivation of UCR values associated to the scheme categories.

The cost associated with the Material Over-delivery has been calculated as 29.91% of the Gross Associated Cost. Please refer to 'Worksheet 1.1_Performance_Absolute_Target'.

The Gross Associated Cost is calculated in worksheet '4.3_OD_and_UD_Associated_Costs', cell C17 and is the sum of the values associated with each Delivery Element. The Delivery Elements cost has been calculated by applying the UCR values calculated in worksheet '5.3_UCR_Calculation' to the over or under delivery values of each asset class, which has been calculated as follows:

Over-delivery case, the cost associated with the over-delivery will be calculated using the Outturn Unit Cost of Risk, UCRO

$$ODC = NOD * UCRO$$

Being;

- ODC the cost associated with the Over-delivery (£m)
- NOD the normalised over-delivery as determined by Ofgem in Stage 4 of the assessment (£Rm)

Under-delivery case, the cost associated with the under-delivery will be calculated using the baseline Unit Cost of Risk, UCRb

$$UDC = NUD * UCRb$$

Being;

- UDC the cost associated with the Under-delivery (£m)
- NUD the normalised over-delivery as determined by Ofgem in Stage 4 of the assessment (£Rm)

3. Data population methodology

For this submission we are using version 1.4 of the RIIO-1 NOMs Closeout Data Template pre-populated with the NOMs related interventions as part of the first data template submission in July-21 and subsequently updated as part of SQ-1, namely file 'RIIO1_NOMs_Closeout_SPT_v2.xlsx'.

The following sections provide an overview of the changes in the data entries of this submission in relation to the above-mentioned data submission. Any other worksheets not mentioned below have no changes in this submission.

3.1 Worksheet 1.1 Performance Absolute Target

The deadband percentage value has been updated to 5% in cell E22 as instructed by Ofgem. The Zero Valued Delivery (ZVD) in cell E39 has been populated with the values for slower deterioration and relevant data cleanse not identified at stage 1&2 from worksheet '4.2_OD_and_UD_Factors'.

3.2 Worksheet 4.1.1 Expenditure Allowed

This worksheet provides SPT derived allowed expenditure for schemes with associated monetised risk targets in RIIO-T1. The allowances have been derived as agreed with Ofgem during Stage 4 assessment. The schemes are classified by their main driver and as such, five categories are used for those schemes funded under the NOMs mechanism; circuit breakers, transformers, reactors, underground cables and OHL conductor, with all overhead line schemes having conductor as their main driver. The expenditure allowed has been mapped across from the 5.3_UCR_Calculation tab. This uses the 5.2_T1_Allowance tab as its source. As agreed with Ofgem, the tables have been populated in the relevant five scheme categories added to the bottom of the tables in rows 43-49, leaving the pre-populated 21 asset categories entries blank.

3.3 Worksheet 4.1.2 Expenditure Outturn

This worksheet provides SPT derived outturn incurred expenditure for schemes with associated monetised risk targets in RIIO-T1. The expenditure outturn has been derived as agreed with Ofgem during Stage 4 assessment and on the same basis as the expenditure allowed. The expenditure outturn has been mapped across from the 5.3_UCR_Calculation tab. This uses the 5.1_T1_Expenditure tab as its source. As agreed with Ofgem, the tables have been populated in the relevant five scheme categories added to the bottom of the tables in rows 43-49, leaving the pre-populated 21 asset categories entries blank.

3.4 Worksheet 4.2 OD and UD Factors

This worksheet provides the impact of relevant factors that have contributed to SPT's overall over-delivery. The factors identified are:

- Materially Equivalent Outputs-Scheme substitutions
- Inverkip Rationalisation Scheme
- Operational Issues
- Data Cleanse not identified at Stage 1 & 2
- Faster/slower deterioration

The relevant factors are explained in more detail in section 4. That includes, where applicable, the rationale behind the decision of any changes in the business plan, the impact on those changes on the risk outputs and the engineering justification driving those.

The OD and UD Factors have been populated in the cell entries according to the 21 asset categories for further clarity however, they have been aggregated into the five relevant asset classes to ensure full alignment with the cost calculation methodology and its application in worksheet 4.3_OD_and_UD_Associated_Costs. This involves changing the summation formula in row 16 in this table to avoid double counting the values broken down at the 21 asset categories.

3.5 Worksheet 4.3 OD and UD Associated Costs

The worksheet provides the calculation of the Gross Associated Cost. This is the sum of costs associated with each Delivery Element. The Delivery Elements' costs have been calculated by applying the UCR values calculated in worksheet '5.3_UCR_Calculation' to the over or under delivery values for each asset class, which has been calculated as follows:

- Over-delivery case, the cost associated with the over-delivery will be calculated using the Outturn Unit Cost of Risk, UCR_o (Outturn UCR)
- Under-delivery case, the cost associated with the under-delivery will be calculated using the baseline Unit Cost of Risk, UCR_b (Baseline UCR)

The cost has been profiled in each year of the RIIO-T1 period in accordance with the outturn expenditure per each asset class as per supporting worksheet 5.3_UCR_Calculation.

3.6 Supporting Data Worksheets

The following worksheets have been added to the Data template to support the reported allowances and expenditure incurred as well as the calculations to derive the cost associated with the over-delivery elements.

Worksheet 5.1_T1_Expenditure

The worksheet provides the relevant information associated with each scheme in the Non-Load Related Expenditure and is reproduced from table 4.3 in SPT RIIO-T1 2020/21 RRP submission. Only the Non-Load Related Expenditure (Gross) tables have been copied for brevity. In addition, rows 417-420 have been entered from Table 4.8 of the 20/21 RRP. These Physical Security Capex costs have been included as Non-Lead and Other TO with the expenditure per year aligned with the Table 4.3 format. Summations have been added to calculate the totals in the relevant columns. These costs from Table 4.8 have been included given the SPT RIIO-T1 allowance for costs associated with scheme "TPCR 5 Security Improvements" which was included within the Non-Load Related Allowance. An additional line with Inverkip 400kV Switchgear Replacement has been added on row 422 to account for the cost associated with the decommissioning of the overhead line routes and substation in this scheme, which are given the Opex accounting classification and therefore had been reported within the 20/21 RRP within the Planned I&M section of Table 3.3 – Asset Management Opex. Associated Indirect costs have been assigned to this project as per costs allocated in Table 3.2 of the RRP.

A calculation has been added at the top of the worksheet on Row 15 which provides a sum of the total expenditures for Table 4.3, Table 4.8 and Inverkip OPEX reported costs. This serves to allow reconciliation of the total expenditure on Worksheet 5.3.

Worksheet 5.2_T1_Allowance

The worksheet provides the relevant information associated with each scheme in the Non-Load Related Allowance as stated in Table 2.7 of the RRP in 2009/10 prices. A copy of the SPT Allowed Expenditure for Network Replacement Outputs, as stated in SPT RIIO-T1 Special License Condition 2M, has been provided on row 37 giving the annual profile for this term. A check with Table 2.7 demonstrates that the Allowed Expenditure for Network Replacement Outputs is the sum of the Asset Replacement Capex (ARC) and Other Capex (AOC) terms, row 38.

Each year as part of the RRP process SPT stated the view of RIIO-T1 Allowance for non-load related expenditure by category in Table 4.1_Capex_Summary. These values were stated in financial year 2021 prices in the last RRP submission and are replicated here. Subsequently these values have been converted to 09/10 prices using the conversion factor of 0.733, found on the universal data tab of the RRP pack. Converting to 09/10 prices in rows 68-84 allows the costs to be compared with those stated in Table 2.7 (ARC + AOC). The check returns a variance of £33k which is consistent with the RRP reporting of recent years.

The breakdown of cost allowance per scheme in accordance with the Table 4.1_Capex_Summary categories originates from the original RIIO-T1 Business Plan Data Tables and is spread across three tables, 4.20.2_NLRScheme_List_BV, 4.22.2_Flood_Mitigation and 4.22.1_Other_Capex_Costs. Scheme level details from these three tables are presented in worksheet 5.2 with the tables aligned such the annual profile columns are aligned with those in Table 4.1. These scheme level values taken from these Business Plan Data Tables are all exclusive of RPE.

The funding status (RIIO-T1 Status), baseline or trigger, has been assigned appropriately, with only U & AT Route and the relevant sections of XD, XK, XM and XN routes being assigned as trigger, in line with the RIIO-T1 submission. Schemes have been categorised as per their prime driver. For overhead lines, this is all Overhead Line Conductor other than for the "OHL Minor Refurbishment" which is Overhead Line Fittings. The Ofgem scheme reference has been added to allow reconciliation of allowance and expenditure.

The allocation of RPE to schemes is done by apportioning the financial model value of NLR RPE allowance to scheme values, those are presented from row 321 onwards. An additional check to confirm the correct apportioning of RPE values is done in row 604. SPT has identified the NLR RPE allowance as the RPE associated with schemes within both ARC and AOC, however it should be noted that Ofgem had originally allocated NLR RPE values to ARC schemes alone, as presented in Table 2.7. Reconciliation of ARC and AOC values in accordance with Table 2.7 is provided in rows 610 onwards.

The table 'Company view: Current RIIO-T1 allowance profile' on row 560 sums the allowance for the baseline schemes according to the asset category. This table aligns with table in row 65 expressed in 09/10 prices and derived from table 4.1 of the RRP 20-21 submission.

Worksheet 5.3_UCR_Calculation

This worksheet calculates the Unit Cost of Risk values necessary for the derivation of the cost associated with the Over-delivery. The worksheet brings together the expenditure allowed and incurred cost or expenditure outturn per each scheme and the delta risk values planned and/or delivered by the scheme. The summary of expenditure outturn per scheme category as per the RRP reporting is in table starting in row 13 from columns D to AA. Likewise, expenditure allowed is aligned in table in columns AN to AV in 20/21 price base.

The detail of each scheme; allowance, cost and risk delta either planned or delivered is presented in the table from row 91. The delta risk values have been added in columns AX and AY. The scheme risk delta delivered by a specific scheme is defined as the difference between the risk with and without intervention at the end of the RIIO-T1 period, 31st of March 2021.

The summary of expenditure outturn per asset category delivering the greatest risk benefit is presented in the table starting in row 52 from columns D to AA. Likewise, expenditure allowed is aligned in table in columns AN to AV in 20/21 price base. Planned Risk Delta and Actual Risk Delta are summated on the same basis and allow for the calculation of Baseline and Outturn UCR values consistent with the proposed cost methodology agreed with Ofgem during Stage 4 Assessment. Following the same approach as per the RIIO-T2 NARM Workbook, and for the purpose of deriving the UCR values, each scheme category is re-allocated based on the highest risk contribution asset category in column AB of the worksheet. In the SPT RIIO-T1 NOMs delivered schemes, there are only two schemes whose highest risk contribution is driven by a different asset category than that assigned to the scheme by the main driver which are Inverkip 400 kV Switchgear Replacement and Bainsford 132 kV Transformers Replacement.

The following methodology has been applied to derive the baseline UCR and the outturn UCR:

$$\text{Baseline UCR, } UCR_b = \frac{\sum EA}{\sum DR_b}$$

$$\text{Outturn UCR, } UCR_o = \frac{\sum EO}{\sum DR_o}$$

Where;

- EA (£m) is the Expenditure Allowed per each scheme in that scheme category in the business plan submission (in 2020/21 prices)
- DR_b (£Rm) is the Delta risk planned per each scheme in the business plan submission
- EO (£m) is the Expenditure Outturn per each scheme delivered in that scheme category (in 2020/21 prices)
- DR_o (£Rm) is the Delta risk actually delivered per each scheme

4. Justification for over-delivery

The following Over-delivery factors, identified below, include any movements in the network risk delivery as compared with the normalised network risk target, including engineering justification and evidence as required. The factors identified contribute with a positive or negative value as compared with the normalised target and overall, result in an Over-delivery value of R£287.3m, equivalent to 7.75%.

4.1 Materially Equivalent Outputs-scheme substitutions

The Materially equivalent Outputs scheme substitutions correspond to the business plan changes that were considered Materially Equivalent at the time of the decision making. Those substitutions represent a risk increase of 1.78% of the risk remaining target. The breakdown by asset category is provided in worksheet 'Worksheet 4.2_ OD_and_UD_Factors'.

A summary of the relevant Materially equivalent Scheme substitutions are referred below per each of the scheme categories however, full details (including risk outputs before and after and intervention volumes per scheme, either planned or delivered in each scheme category) were provided to Ofgem as part of the Stage 1 & Stage 2 submission.

Circuit-Breakers

The scheme Windyhill 275kV switchgear replacement, which planned the replacement of eleven air-blast circuit breakers, was substituted by bringing forward the replacement of similar condition circuit breakers at other sites: eight units at Wishaw 275kV, two units at Strathaven 275kV and two units at Currie 275kV. The substitution was aligned with SPT's switchgear intervention strategy to manage the risk and condition of the remaining population of air-blast and bulk-oil circuit breakers over two price controls.

Windyhill switchgear project development started in RIIO-T1 however, it was soon realised the outages required to deliver the proposed scope were very challenging and would have created significant difficulties in the network operation that exceeded the anticipated scenarios in the context of wider works, generation connections and associated reinforcement, and when considering the rest of modernisation works in the plan. This resulted in the deferral of the project to RIIO-T2 with an updated scope of works.

Transformers

There were three units deferred, two at Giffnock 275kV and one at Kilmarnock Town 275kV. This deferral has been offset by the replacement of one unit at each of Charlotte St 275kV, Shrubhill 275kV and Devonside 132kV substations. The 275kV transformer programme was reviewed and reprioritised based on the latest condition information available where the three deferred units were exhibiting slower deterioration than forecast.

Additionally, there is a change in the intervention type for the circuit breaker component of the Bainsford transformer replacement scheme. The existing (as at RIIO-T1 start) single switch configuration at Bainsford that allowed interconnection between the two circuits was no longer required, therefore the circuit breaker was decommissioned instead of replaced.

Reactors

All shunt reactors identified for replacement except for Windyhill R3 have been decommissioned. Subsequent site condition inspections of Windyhill R3 showed the condition of the reactor was better than expected and deterioration had slowed down compared to the forecast, therefore replacement has been deferred. The remainder of the Reactor replacement programme was completed, however, the strategy was amended and they have not been replaced on a like-for-like basis, instead new units were installed at different locations as per the detail shown in Stage 1 & 2 Performance report.

The Engineering Justification for this change of strategy comes from operational experience, which has highlighted that the pre-intervention arrangement of 60MVAR shunt reactors connected to the 33kV terminals of 275/33kV transformers via a 33kV circuit-breaker created a number of issues, as follows:

1. The voltage step which resulted from the switching in and out of service of the reactors exceeded SQSS planning and operational limits unless the reactor was on bottom tap.
2. The frequency of switching over the life of the reactors resulted in excessive wear of the tapchanger mechanisms which required frequent intervention.
3. The reactive switching duty of the 33kV circuit-breakers is particularly onerous which, when combined with the frequency of switching, resulted in excessive deterioration.

Further analysis was undertaken to determine alternative connection arrangements which would alleviate the issues identified above while providing effective reactive compensation. The strategy was developed to connect the replacement 60MVAR shunt reactors to the 60MVA rated, 33kV tertiary windings of inter-bus autotransformers. This approach has a number of benefits.

1. The voltage step which results from the switching in and out of service of the reactors does not exceed planning or operational limits under any conditions, obviating the need for a tapchanger.
2. Because a tap changer is not required, air-cored (or dry-type) reactors are feasible. While there are additional design considerations related to magnetic fields and electrical clearances, there are substantial environmental benefits when compared to oil-filled reactors.
3. The design incorporated circuit-breakers rated at 145kV, operating at 33kV. This allowed standard circuit-breakers to be procured, avoiding the need for special design 36kV units which simplifies spare-holding requirements.

Noting that voltage control requirements have changed substantially since the reactors were originally installed due to significant changes in load profiles and characteristics, transmission connected and distribution connected generation the analysis determined the optimum locations for the replacement reactors. Please note that the original Neilston R1 was tertiary-connected and the connection arrangement was retained for the replacement air-cored reactor.

Underground cables

The Business Plan included a reactive programme to replace sections of oil filled cables with excessive leakage. During the development of the RIIO-T1 projects, small sections of oil filled cable have been replaced at a number of sites, mainly associated with main switchgear projects. Those have been identified as NOMs outputs in the corresponding main projects.

Overhead Lines

SPT's long-term asset management strategy for overhead lines focuses on optimising the replacement programme of ACSR core-only greased conductors. During the RIIO-T1 period there have been a small number of route substitutions resulting in a marginally higher volume of conductor replaced than the original plan. The substitutions were driven by wider network considerations, such as interaction with load related work, outage optimisation and resource availability. Routes XD, YK, XH and XJ have been substituted by routes XV, YW and YX.

Additionally, after a detailed engineering study, V route originally planned as a full replacement with rebuild of its towers has been substituted by an extensive refurbishment of the towers, as well as replacement of conductors and fittings.

4.2 Inverkip rationalisation scheme

The most significant change from the business plan corresponds to the Inverkip Rationalisation scheme in substitution from the Inverkip 400kV switchgear replacement. The original scheme had planned for the replacement of seven 400 kV circuit breakers units at Inverkip, however the termination of the User's connection agreement enabled the consideration of alternative interventions. This process considered the current and future need to provide connections at the substation, the condition and intervention needs of the associated overhead line assets and continued compliance with the SQSS. The conclusion of the optioneering exercise recommended the reconfiguration of the 400kV network, decommissioning of Inverkip 400kV substation and the decommissioning and removal of approximately 42km of overhead lines.

This scheme substitution resulted in an 9.00% reduction in the network risk remaining as compared with the target value. Please refer to the breakdown provided in worksheet 'Worksheet 4.2_OD_and_UD_Factors' for further details.

The Engineering Justification Paper for the Inverkip Rationalisation scheme sets out the scope, cost and benefits of this intervention and explores the alternative interventions considered at the time of the decision making. The accompanying Cost Benefit Analysis supports the decision made providing additional supporting evidence of the consumer benefit as a result of this change in the business plan.

Please refer to Appendix 3 for a full version of the engineering justification paper and cost benefit analysis.

4.3 Operational Issues

During the RIIO-T1 period, there are some interventions associated to Operational Issues that have been identified as an Over Delivery Factor. These switchgear interventions had a 0.30% impact in the risk remaining target. Please refer to the breakdown provided in worksheet 'Worksheet 4.2_OD_and_UD_Factors' for further details.

Devol Moor X120 replacement

Devol Moor X120 was replaced due to a significant number of operational issues leading to the end of its serviceable life. Devol Moor X120 was an English Electric Frame 'r' T10 400 kV circuit breaker type presenting different condition related issues. The opportunity to carry out a refurbishment was not technically feasible due to the lack of spares for this type of Circuit breaker and lack of technical support from the original equipment manufacturer. The operational issues associated with this circuit breaker

leading to the replacement of the unit are described in detail in the document SWG-05-089 Operational Issues with English Electric Frame 'r' 400kV Air Blast Circuit Breakers in Appendix 3.

Mossmorran 132kV Switchgear replacement

Two outdoor SF₆ 132kV circuit breakers MOSM132GCB280 and MOSM132GCB505 were replaced at Mossmorran substation. The replaced units were type [REDACTED] type 132kV live tank circuit-breakers, where the original equipment manufacturer was not able to provide the required level of support to maintain these circuit breakers in a serviceable condition. Therefore, they have been replaced to provide strategic spares to manage the remaining population of this type that will be replaced during the RIIO-T2 period. The operational issues associated with this circuit breaker leading to the replacement of the unit are described in detail in the document SWG-05-108 Operational Issues with [REDACTED] 132kV Circuit Breakers in Appendix 3.

The new circuit breakers are SF₆-free utilising 'clean air' as the insulating and interrupting gas contributing to the reduction of SPT carbon footprint and in alignment with company's commitment to minimise the use of SF₆ when possible.

4.4 Data cleanse not identified at stage 1&2

Data cleanse not identified at stage 1&2 (Without Intervention Target)

This data cleanse was not identified in the Stage 1&2 Performance Report and, had it been, would have been normalised out of the without intervention target. It has now been identified and therefore reported for completeness.

The data cleanse corresponds to the following assets:

- Three 132kV transformers at Bonnybridge where the financial consequences of the risk model were missing. The value of this data cleanse is -£0.296m for SPT.
- Three of the original 275kV CBs (now replaced), Strathaven H85, Strathaven L100 and Wishaw W60 had the wrong system COF values at the time of rebasing. The value of this data cleanse is -£7.047m for SPT.

Please refer to the breakdown provided in worksheet 'Worksheet 4.2_ OD_and_UD_Factors' for further details.

Data cleanse not identified at stage 1&2 (With Intervention Target)

This data cleanse was not identified in the Stage 1&2 Performance Report and had it been would have been normalised out of the target. Since this data cleanse would have reduced SPT's over-delivery value (0.06% over the risk remaining target), it is proposed to be assigned a zero associated cost and therefore stripped out of the over-delivery cost calculation in a similar way to the slower deterioration. Please refer to cell E39 in '1.1 Worksheet 1.1_Performance_Absolute_Target'.

The data cleanse corresponds to the following assets:

- XV route 400kV fittings, one set of fittings replaced in tower 1A was not considered when making the scheme target correction as part of the Stage 1&2. As a result of this, the target was not normalised down to the correct risk level, resulting in an over delivery value of £2.227m for SPT.

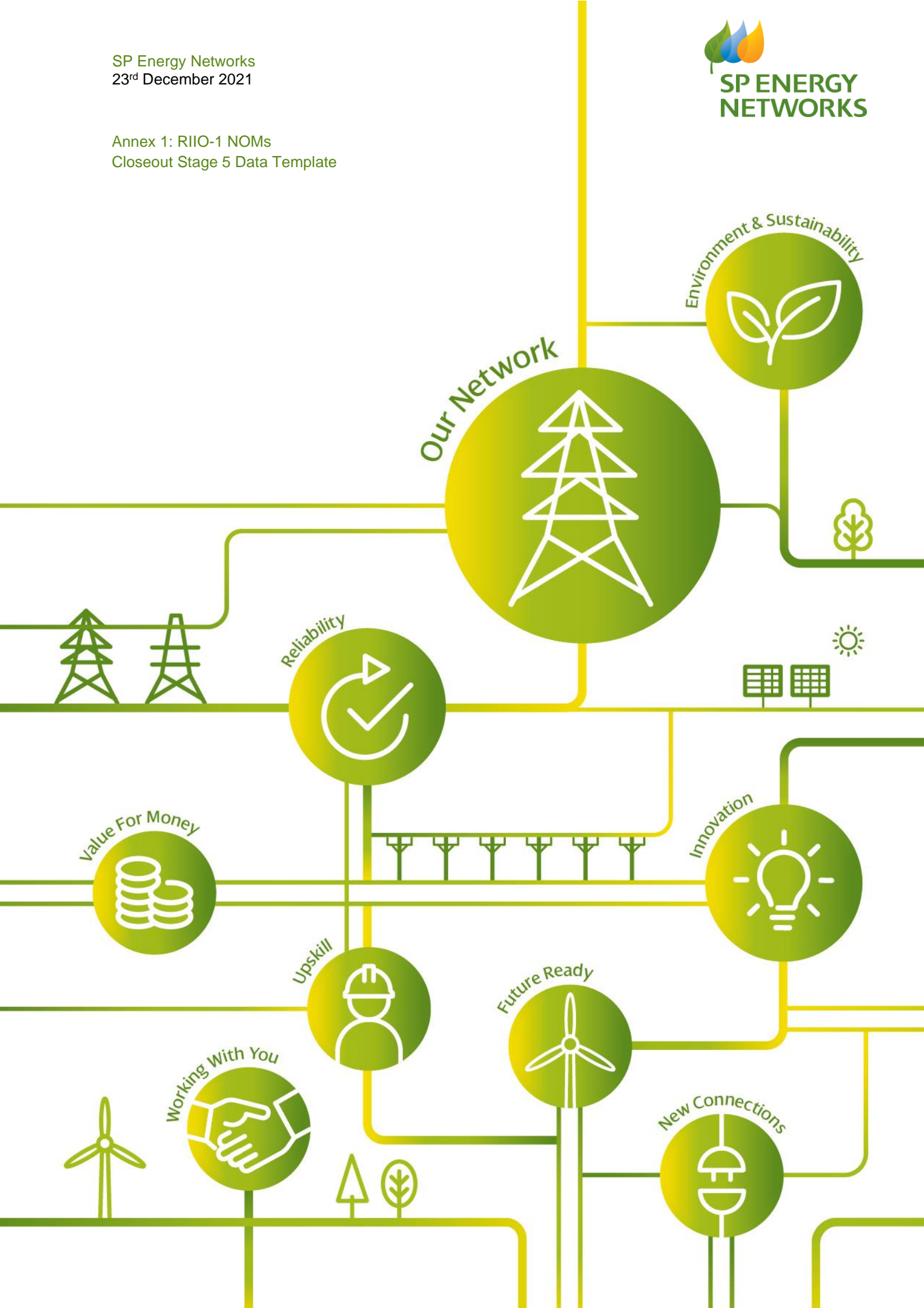
- XE route 275kV fittings, when the scheme target was corrected as part of the Stage 1&2 submission, the value used to correct the target was the actual risk value in 2021 rather than the forecasted risk value in 2021 used to set the target. This resulted in an over delivery value of -R£0.009m for SPT.

4.5 Faster/slower deterioration

The risk changes corresponding to differences in asset deterioration profiles as compared to those expected at the time of the preparation of the rebased monetised T1 NOMS targets are identified as faster or slower deterioration. The latest condition information available in SPT's asset management systems at the time of preparing this report has been used to derive the asset risk in 2021. This figure has been compared with the 2021 forecast risk value at the time of preparing the rebased risk remaining targets and, where the assets are currently in a different health band than forecast, their deterioration is considered to be faster (if they are in a higher band) or slower (if they are in a lower band).

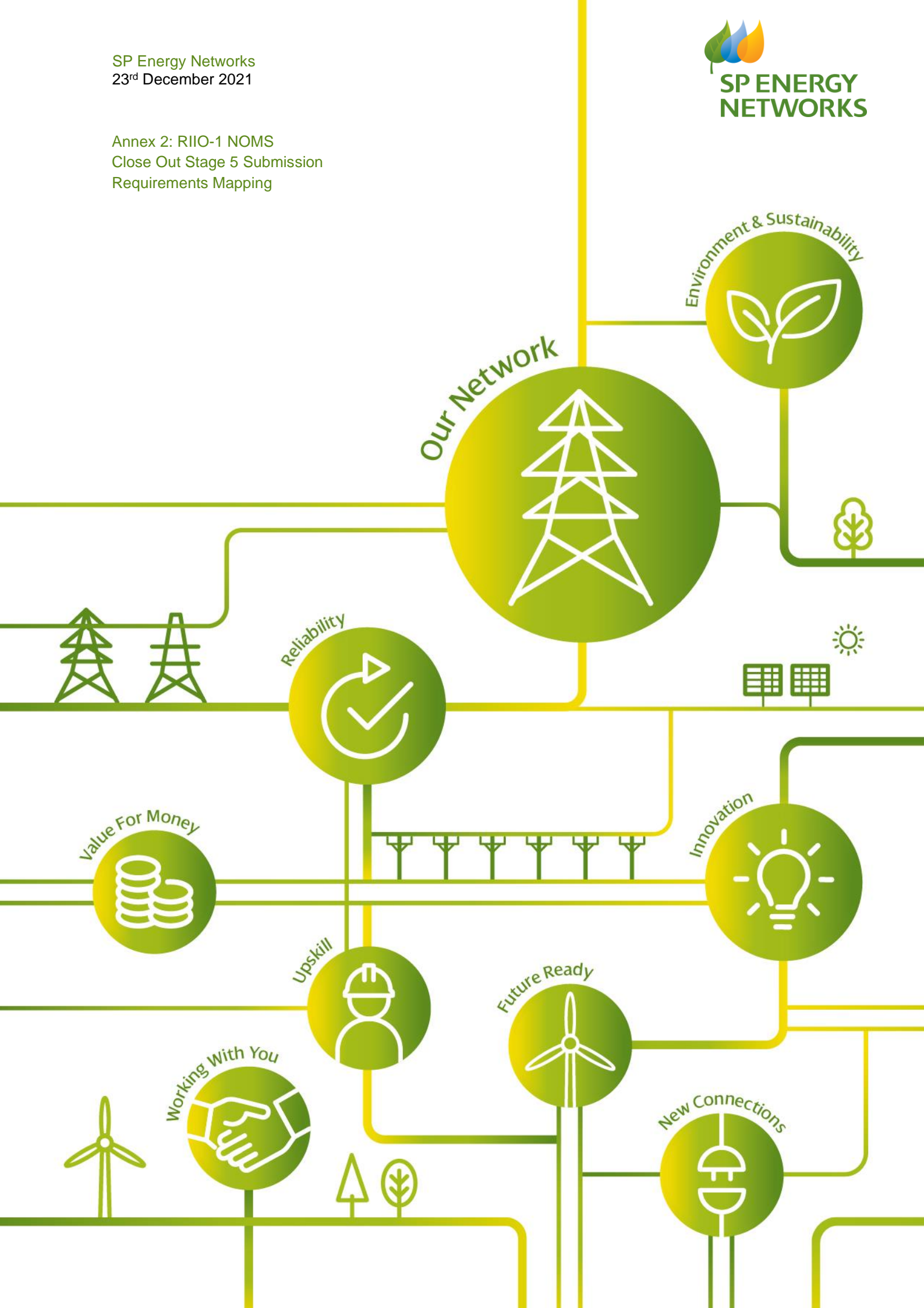
As reported in Stage 1&2 Performance report, SPT's overall slower deterioration is R£13.8m, representing 0.37% of the normalised risk remaining target and contributing to the over-delivery. The cost associated with this Over-delivery monetised risk has been valued to 0 in accordance with Ofgem's guidance. Please refer to cell E39 in '1.1 Worksheet 1.1_Performance_Absolute_Target'.

Annex 1: RIIO-1 NOMs
Closeout Stage 5 Data Template



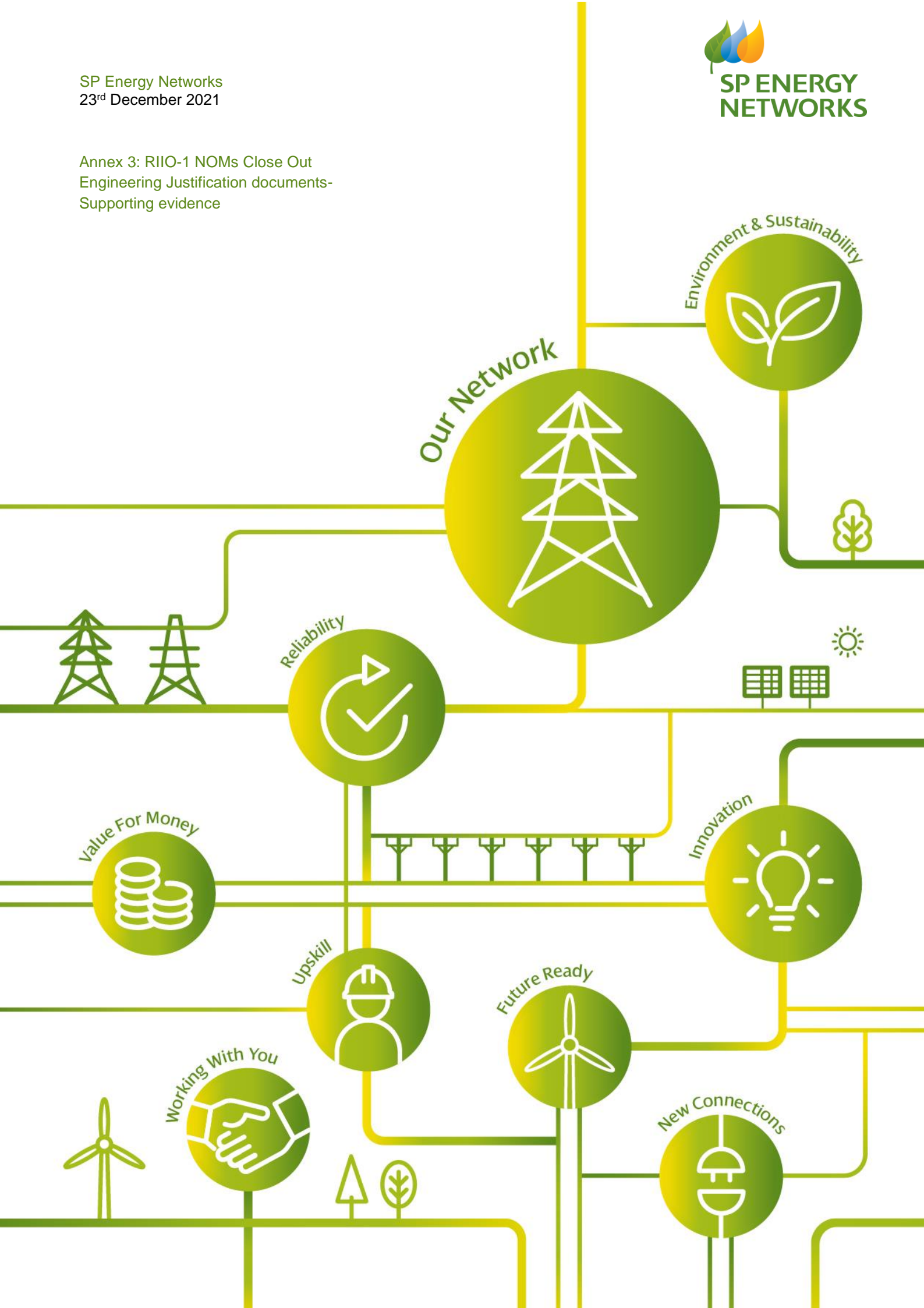
Document title	File name
SPT RIIO-1 NOMs Closeout Data Template Stage 5 Submission	RIIO1_NOMs_Closeout__SPT_v4

Annex 2: RIIO-1 NOMS
Close Out Stage 5 Submission
Requirements Mapping



NOMS Closeout Submission Guidance Requirement	Mapping to Section
Stage 5 submission should be presented as an addendum to Stage 1&2	All document
Revised Stage 1&2 narrative submission to reflect agreements with Ofgem- Deadband and OD cost derivation methodology revised as per Stage 4	Sections 1 & 2
Explanation of the derivation of associated cost	Section 2
Justification for over-delivery including drivers and asset management decisions	Section 4
Cost Benefit Analysis including sensitivity analysis	Annex 3
Data template populated with relevant Stage 5 worksheets.	Annex 1

Annex 3: RIIO-1 NOMs Close Out
Engineering Justification documents-
Supporting evidence



Document title	File name
Engineering Justification Paper Inverkip Rationalisation Scheme	EJP_SPT_SP-00129 Inverkip.pdf
Inverkip Cost Benefit Analysis	CBA_NOMs_Closeout_SP-00129 Inverkip.xlsb CBA_NOMs_Closeout_SP-00129 HC Option Inverkip.xlsb
Inverkip Options Long-term risk benefit	R_MRB_SPT_Inverkip_C.xlsb R_MRB_SPT_Inverkip_CB.xlsb R_MRB_SPT_Inverkip_F.xlsb R_MRB_SPT_Inverkip_T.xlsb
SWG-05-089 Operational Issues with English Electric Frame 'r' 400kV Air Blast Circuit Breakers	SWG-05-089.pdf
Operational Issues with [REDACTED] 132kV Gas Circuit Breakers	SWG-05-108.pdf