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Dear Colleagues,

TRANSMISSION PRICE CONTROL REVIEW REPORTING RULES (“the rules”)

Introduction

As part of the Transmission Price Control final proposal in December 2006 Ofgem indicated that it intended to introduce an annual price control review reporting pack for transmission companies similar to that introduced in Electricity Distribution following DPCR4.

This will improve the quality of our knowledge on cost, revenue, incentive, and output reporting and will help us to monitor performance and set future price controls and incentives. We expect the licensees to provide accurate, complete and timely information.

The annual reporting of information should lead to improved transparency by providing a comparison of actual outturn data against allowance.

Licence Obligations

As part of the licence modifications new conditions are being introduced which will require licensees to report price control review information each year. These requirements are separate from (and additional to) the requirement to publish “regulatory accounts” each year

The rules provide a framework for collection and provision of information from transmission companies in accordance with these licence conditions.

The rules include definitions and related instructions and guidance for preparing the annual information submissions. The purpose is to assist licensees in understanding the best means of representing their price control data in order to meet their regulatory requirements. For the avoidance of doubt, the rules are subordinate to the licence

conditions. Consequently, the rules will not change any definitions or obligations contained within the transmission licence and in the event of any dispute, the licence conditions will always take precedence.

In addition, there will be separate reporting requirements for actual revenue and other relevant variables which determine allowed revenue in accordance with the price control formulae.

The rules are supported by the Price Control Review Reporting Pack (PCRRP). The current drafts of documents are available on Ofgem's website (www.ofgem.gov.uk).

There are separate rules to cover electricity transmission and gas transmission and separate PCRRPs for each licensee:

- National Grid Electricity Transmission (NGET)
- National Grid Gas – National Transmission System (NGG NTS)
- Scottish Hydro Electric Transmission Ltd (SHETL)
- Scottish Power Transmission Ltd (SPTL)

Timetable

Ofgem intends to publish the final versions these rules for 2006/07 data in April 2007.

Responses

Ofgem would welcome any comments on the form and content of the draft rules and PCRRP.

Responses, to be received by Ofgem by 21 March, 2007, should be sent to:

Duncan Innes, Head of Transmission Regulatory Reporting.

Email address: Duncan.innes@ofgem.gov.uk

Any questions should, in the first instance, be directed to Duncan Innes (telephone 0207 9017108).

Robert Hull

Director - Transmission