



SP Transmission & Distribution

Mr D Innes
Head of Transmission Regulatory Reporting
Ofgem
9 Millbank
London SW1P 3GE

Your ref

Our ref

Date

21 March 2007
Contact/Extension

Allan Hendry

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Dear Duncan

TRANSMISSION PRICE CONTROL REVIEW REPORTING RULES

I am writing on behalf of SP Transmission in response to the letter and draft rules issued on 21 February 2007.

Firstly, we accept the objectives of the rules (para. 1.4 of the draft rules), including that of reducing the burden on transmission companies to provide financial and other information at price reviews. We also acknowledge Ofgem's flexibility in approach in developing the draft rules to date.

Secondly, we think that the continued necessity for the amount of detail requested, particularly in relation to the engineering-related tables, should be tested on a regular basis in view of the significant burden on both licensees and yourselves in collecting or processing the information concerned.

Thirdly, some of the data requested is 'owned' by NGET (e.g. boundary flows in table 4.8, system ACS demand in table 4.2), and we would therefore rely on the GBSO to provide it. We would like this to be taken into account in any future changes to the rules.

Our detailed comments on other parts of the document are set out in the attachment.

I hope that this is helpful but please contact me if you would like to discuss.

Yours sincerely

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Attachment – comments by SP Transmission on 21 February draft Transmission Price Control Reporting Rules

Reporting for revenue drivers - tables 4.2, 4.24

We have separately proposed a number of changes to the narrative for Table 4.18 & 4.24 and Table 4.24 (cell B15) for consideration.

The changes are intended to improve clarity behind the definitions used in the guidance notes and facilitate the reporting of the capex & MW associated with Shared Use H1 Infrastructure projects (i.e. "collectors"). **We believe it is essential that this is included somewhere in the RRP since the MW count toward "relevant generation capacity" for the purpose of assessing when 1734MW of baseline generation (for SPT) has been reached.**

The effect of our proposed changes is to ensure that both Sole & Shared Use H1 Infrastructure Projects are reported within the "Baseline Projects" section of Table 4.24.

Accuracy for reporting

Para 3.5: Given the extent and granularity of the information being required in certain tables it is inevitable that apportionments and estimations will be necessary. We will avoid this where possible but will state assumptions where we do. In certain tables we believe that the level of detail is excessive without adding value to Ofgem. We recognise however that they are a first attempt, and trust that these will be pared back if their value proves to be limited.

We will apply the definitions as faithfully as possible but would point out that these were not available when completing BPQs. We would hope that this will not lead to any material inconsistencies when comparing reported actuals with allowances.

Dates for submission

para 2.4: It would be helpful if this made clear that alternative dates would not require submission earlier than 31 July. We would also appreciate an indication of whether an alternative date is likely to be directed for FY07 reporting.

Narrative Commentary

Appendix 4 - as currently drafted for SPTL (£100,000), the materiality limit is disproportionately low in our view. An approach consistent with that used in distribution would suggest a materiality threshold of 10% **and** £0.2m.

Supporting Information (Appendix 5)

We would expect to provide the bulk of this to Ofgem during the proposed visits.

Definitions (Appendix 2)

“Accruals and prepayments” – the definition is hard to follow in places, e.g. it is unclear whether “holiday pay provisions” falls under the heading of “ordinary level of business activities”, and what the phrase “...and would be atypical costs” refers to

“Network rates” - the definition is for England and Wales only and does not reflect the definition in draft special condition J1.

Erroneous table references

There appear to be a number of table references that are not included in the pack, e.g. 1.4.4. We also note that other tables are missing or under development, i.e. 3.7 to 3.9.

Typographical Errors

Para. 1.1: redundant “;” before “standard condition B15”.

Para. 1.5: the word “and” after “Consequently” should be omitted.

Para. 1.7: there is some text missing at the end of the sentence.

Para 2.2: in last paragraph “may” should appear before “also specify”.

Appendix 1 – lists of tables

4.14 “of” missing after “disposed”.

4.22 line beginning “categories lasted above” has missing text. “Lasted” should read “listed”.

Appendix 2 – definitions

“Systems assets” should read “system assets”.