



# SP Transmission & Distribution

Ms K Baker  
Analyst  
Ofgem  
9, Millbank  
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Your ref

Our ref

Date

16 November 2007  
Contact/Extension

Jeremy Blackford

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Dear Karron

## **Recovering the costs of compensation for temporary physical disconnection (CAP048) – proposed modification of transmission licences**

I am writing on behalf of SP Transmission in response to the above consultation paper issued on 19 October.

In principle, we are supportive of the approach taken to provide for pass-through of interruption payments made by the GBSO.

At this stage the detailed mechanism for SP Transmission to make payments to National Grid Electricity Transmission (NGET) following any relevant interruption payments by the latter is unclear. We assume that in due course proposals for changes to the STC will be put forward. Whether NGET will propose to recover payments from us on each occasion, or on an annual basis (possibly with interest), is not yet clear. The licence drafting refers simply to "interruption payments" at present. We would not expect changes to the STC in respect of interruption payments by TOs that provided for interest to be charged by NGET to be approved unless TOs could in turn pass this through via price control. It would be helpful if this principle were acknowledged by Ofgem.

We have not as yet seen any figures for interruptions payments made by NGET in accordance with section 5.10.2 of the CUSC. Page 4 of the covering letter says that "... payments made to generators by the GBSO for events on the Scottish transmission systems will be recouped via TNUOS from SPTL and SHETL." We are not quite clear what is meant here, as presumably we will be invoiced by NGET (but not via "TNUOS") in respect of qualifying events on the SPTL system where it has made payments to generators. We also note that the pass through mechanism for NGET interruption payments does not appear to net off payments recouped via one of the Scottish companies.

We also think that April 2009 is too early a starting date for an incentive arrangement for

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CAP48 interruption payments to be established. It does not seem likely that adequate data will be available by that time to develop such an arrangement, and there is as yet no agreed methodology for allocating responsibility for CAP48 interruptions. We believe that an incentive arrangement should be developed only once these preconditions have been met.

Please contact me if you have any queries.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J Blackford', written in a cursive style.

**Jeremy Blackford**  
**Regulation**  
**ScottishPower EnergyNetworks**