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Tuesday 17 July 2007

Dear David,

**Consultation response: Income Adjusting Event for the Beaulieu-Denny public inquiry**

Thank you for the opportunity to comment on the request from Scottish Hydro Electric Transmission Limited (SHETL) to be allowed additional income to cover costs arising from the Beaulieu-Denny public inquiry. I write on behalf of E.ON UK to state that while we accept that the inquiry presents appropriate grounds for an income adjustment,<sup>1</sup> we would naturally anticipate that expenditure will be stringently scrutinised and audited.

The short itemised appendices to Ofgem's open consultation letter give transmission system users only a glimpse of the composition of additional costs to the value of £6,990,000 over the financial years 2006–2008. For such a considerable bill, we would therefore expect to be satisfied that certain conditions had been met.

Firstly, in accordance with SHETL's licence obligation, it should be proven that the costs either have been or will be efficiently incurred. It may be reasonable to expect, as an example, that savings could be found from the £1,360,000 forecast to be spent in this financial year on internal costs and other costs.

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<sup>1</sup> An adjustment to the pre-construction and contingency revenue allowance, or TIRGIncAd, as explained in Ofgem's guidance document of October 2005, "Cost recovery and incentive mechanism for Transmission Investment for Renewable Generation baseline projects".

Secondly, it should be proven that the additional pre-construction costs, comprising as they do of fees for professional services and SHETL's internal operations, are explicitly due to the inquiry and have not arisen as cost overruns on the previously agreed pre-construction budget.

We hope that you will find this response helpful to your decision and look forward to seeing the detailed analysis of costs that will no doubt support that decision.

Yours sincerely,

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