



SP Transmission & Distribution

Regulation

Your ref

Our ref

Date

8th July 2008

Contact/Extension

Euan Norris/
01698 413914

David Hunt
Senior Manager – Electricity
Transmission Policy
The Office of Gas and Electricity
Markets
9 Millbank
London
SW1P 3GE

Dear David,

Beaully – Denny Public Inquiry Income Adjusting Event (67/08)

In response to the above consultation regarding SHETL's request for additional funding under the transmission licence due to their participation in the Beaully-Denny public enquiry, SP Transmission (SPT) considers that it is appropriate for such costs to be recovered by SHETL.

Participation in the Beaully-Denny public enquiry has resulted in additional costs for which no provision was made under the TIRG funding arrangements. The costs referred to in the consultation have been incurred as a direct consequence of SHETL's required involvement in the public enquiry that has given rise to an increase in scope of preconstruction works associated with the proposed Beaully-Denny transmission line.

As referred to in the above consultation, Special Condition J3 sets out income adjusting event provisions, whereby the licensee can give notice to the Authority that it considers an event has occurred which has materially increased costs of the licensee and those costs cannot be recovered under the TIRG revenue allowance.

We also note the reference in the paper to Ofgem's scrutiny of SHETL's costs in respect of 2006/07 and the comment that – *"We [Ofgem] have not identified any areas of costs where we consider that there could have been savings made if an alternative approach had been adopted, and therefore consider that SHETL's request in respect of 2006/07 is robust". In addition, as the paper recognises, SHETL was not provided with an ex-ante allowance for costs of defending public enquiries, so that there is not another means available for recovering the costs concerned*".

SPT accordingly consider that the provisions as set out within Special Condition J3 have been triggered by the occurrence of the Beaully-Denny public enquiry, and that the requirements set out in the licence condition have been met. We would therefore conclude that SHETL should

Members of the ScottishPower group

New Alderston House, Dove Wynd, Strathclyde Business Park, Bellshill ML4 3FF
Telephone 01698 413000 Fax 01698 413053

be permitted to recover those additional costs incurred as a direct consequence of their participation in the Beauldy-Denny public enquiry. We would expect a similar approach to be adopted to the recovery of costs in respect of 2007/08 once final figures are available.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'S Mathieson', with a long horizontal flourish extending to the right.

pp **Scott Mathieson**
Regulation Director
ScottishPower EnergyNetworks