

Stuart Cook Senior Partner, Transmission and Governance Office of Gas and Electricity Markets 9 Millbank London SW1P 3GE

Stewart Reid Network Services Manager Scottish Hydro Electric Transmission Limited

19th March 2010

Dear Stuart,

Following the joint Transmission Owner meeting held with OFGEM on the 20th January 2010 to discuss Network Output Measures SHETL were requested to clarify in writing the additional information in support of the Joint Network Output Measures methodology that will be provided in SHETL's specific appendix, and the timeframe for the provision of that information, relating to;

1) Details of asset condition mapping to internal AHI and mapping from internal AHI to outputs AHI for all the main asset categories;

2) Asset degradation with age assumptions/information for all main asset categories;

3) Details of ACU forecasting.

SHETL were also asked to highlight those areas where our methodology will be aligned with NGET and those areas where an alternative methodology will be detailed.

The following paragraphs provide SHETL's response to each of the above items;

1) As stated within SHETL Specific Appendix Issue 2 we currently utilise an Asset Replacement Decision Tool Procedure (PR-PS-401) to determine asset condition. This procedure will be amended prior to data collection for reporting year 2009/10 and will ensure that the condition information maps to the agreed AHI outputs. This will ensure that we can populate the RRP tables which relate to Network Output Measures for the 2009/10 reporting year. Further details of the mapping is provided in Enclosure (1) SHETL's updated specific appendix.

2) As stated within SHETL Specific Appendix the predicted rate of deterioration of assets and their present/future ability to perform their function is considered a long term assessment and is primarily based on asset life replacement profiles. This involves analysing asset age profiles, average life of assets and the standard deviation against the average. This long term assessment allows the verification of short and medium term assessments and identifies trends in asset replacement and associated replacement issues. We will now focus on developing this area, improving our analysis of assets progression between asset health indices and trending information on age and when they begin to show signs of deterioration are retired or fail. Our policy for developing asset degradation with age information will be available in July 2010 following population of the 2009/10 RRP.



3) As you will be aware from the TOs Joint Methodology Statement and our specific appendix. National Grid's outage planning tool TOGA (utilised to monitor GB Transmission System Performance) did not contain the reporting required to produce Average Circuit Unreliability (ACU). The implementation of the changes within TOGA to facilitate the reporting of ACU have now been completed by National Grid and we have recently finalised the additional data input required by SHETL for each outage to be able to extract the ACU figure on an ongoing basis. SHETL aim to be able to extract ACU by April 2010 and report the figures within the 2010/11 Regulatory Reporting Pack. The first year of reporting ACU i.e. 2010/11 will ensure we address any reporting and data issues and we aim to have robust data for the 2011/12 reporting year. We have adopted a methodology for reporting ACU which is consistent with National Grid and SPTL. Full details of this methodology are included within Enclosure (1) SHETL's updated specific appendix.

In terms of the areas where our methodology will be aligned with NGET and those areas where an alternative methodology will be detailed we have addressed this action by updating our specific appendix. However, we have ensured that we have followed the Joint Methodology Statement for each element and our approach to delivering the Network Output Measures is therefore consistent with NGET and SPTL whilst remaining aligned to our specific network and asset base.

We would be grateful if you could acknowledge receipt of this letter and look forward to your response to the above.

Yours sincerely

Stewart Reid SHETL

Enclosure (1) - Network Output Measures Methodology SHETL Specific Appendix Issue 3