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17th May 2010

Dear Stuart,

NGET's Internal System Operator incentive scheme 2009/10:

Submission of Notice of proposed outage cost adjusting event under Special Condition AA5A Part 2(iv), paragraph 23 of National Grid Electricity Transmission plc's Transmission Licence

As part of the National Grid Electricity Transmission (NGET) System Operator (SO) Internal Scheme for 2008/09, NGET had an allowance for costs incurred for payments to Scottish Transmission Owners¹ (Scottish TOs) for the movement of outages, 'outage change costs' during the relevant year 2009/10 of £1,193,340².

Where actual costs vary from this figure by more than the materiality threshold of £300,000 (the outage threshold amount) then the licensee should submit an outage cost adjusting event notice to the Authority within three months of scheme end, which for the 2009/10 year is end-June 2010³.

For the relevant year 2008/09, NGET has incurred, or reasonably expects to incur, outage change costs totalling £146,738.

In accordance with Special Condition AA5A Part (iv), paragraph 23, the particulars of this notice are as follows:

¹ The Scottish Transmission Owners are Scottish Power Transmission Limited and Scottish Hydro Electric Transmission Limited

² NGET's Transmission Licence, Special Condition AA5A, Part 2(ii), paragraph 15C put in place an allowance for outage changes (ONt) of £1,000,000 in 2004/05 prices. The formula in paragraph 15C allows an adjustment to the term ONt using the IRPIt index which is defined in paragraph 15A. Consequently, the term ONt, adjusted to reflect 2009/10 prices for the relevant year commencing 1 April 2009, is equal to 1,193,340.

³ Provisions of Special Condition AA5A, Part 2(ii), paragraphs 22 and 23 of the licence set out the process to adjust the costs recovered through an outage cost adjusting event. As described within Paragraph 23(d) notice of an outage cost adjusting event should be submitted to the Authority not later than three months after the end of the relevant year.

- (i) The total estimated outage change cost for the relevant year 2009/10, at £146,738, is £1,046,602 less than the allowance of £1,193,340. The difference between the actual cost and the allowance is greater than the outage threshold amount of £300,000 and therefore NGET proposes that this constitutes an outage cost adjusting event under Special Condition AA5A Part (iv), paragraph 22(a)(i).
- (ii) For the relevant year 2009/10, NGET has incurred, or reasonably expects to incur, outage change costs totalling £146,738.
- (iii) We therefore propose that the allowed income adjustment (ION_t) should be -£1,046,602. For the avoidance of doubt, we are proposing that our allowed income for Internal SO costs for the relevant year should be reduced by £1,046,602 to reflect the lower level of outage change costs incurred in the relevant year.
- (iv) Details of the individual outage change costs are contained in annex 1 of this notice.

In annex 1 we have provided a breakdown of these costs by individual outage change request.

Please do not hesitate to contact me or Shafqat Ali on 01926 655980 if you would like to discuss or request further information in regard of any of the matters raised in this notice.

Yours sincerely,



Mark Ripley

Annex 1 - Breakdown of outage change costs for 2009/10

Section A 2009/10 Outages already invoiced and paid for:				
TO	Ref	Outage	Month	Cost
SSE	SSE-09-0001	Peterhead protection depletion	JULY	£39,662
Sub-total (2009/10 actuals)				£39,662

Section B 2009/10 Outages already invoiced but not paid (as at 30/4/10):				
TO	Ref	Outage	Month	Cost
SP	SP-09-0001	HUER-HUNF-KILW-MEAD 1	MAY	£0
SP	SP-09-0002	Kincardine - Tealing	MAY	£61,000
SP	SP-09-0003	Strathaven-Torness	JUN	£19,300
SP	SP-09-0004	Windyhill - Partick	SEP	£2,793
SP	SP-09-0005	Torness MC6 - SGT2	JUL	£1,600
SP	SP-09-0006	Elvanfoot ROT's	AUG	£8,433
SP	SP-09-0007	Kincardine-Kintore	SEP	£1,250
SP	SP-09-0008	Mossmorran-Shell 2	OCT	£1,500
SP	SP-09-0009	Hunterston Generator 7	NOV	£2,000
SP	SP-09-0010	Innerwick GT1	NOV	£1,500
SP	SP-09-0011	Chapelcross 132 Gen Tran 1	JAN	£1,000
SP	SP-09-0012	Chapelcross 132 Gen Tran 2	JAN	£1,000
SP	SP-09-0013	Maybole 220	JAN	£1,600
SP	SP-09-0014	Bonnybridge - Stirling - Westfield	JAN	£1,500
SP	SP-09-0015	Westfield SGT1	JAN	£1,600
SP	SP-09-0016	TORN-CRYR-SMEA DAR TESTS	MAR	£1,000
Sub-total (2009/10 accruals)				£107,076

Total:	£146,738
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