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Dear Anthony

**Scottish Power Transmission Limited (SPTL) re-consultation on modifications to Statements of the Basis for Transmission Owner Charges August 2011**

National Grid welcomes the opportunity to respond to Ofgem's re-consultation of the modifications to the Statement of the Basis for Transmission Owner Charges proposed by Scottish Power Transmission Ltd (SPT).

In its role as National Electricity Transmission System Operator (NETSO), National Grid is responsible for recovering revenue from Users of the transmission system via transmission charges. National Grid then passes these revenues onto the Transmission Owners (TOs) following the invoicing of charges by SPT and SHETL in accordance with the TO Charging Statements. Following implementation of the Offshore Regime, National Grid will also be acting in a similar capacity for the new Offshore TOs (OFTOs).

**Changes made since the initial consultation**

*Clarification of definitions*

National Grid welcomes the changes that SPT have made in the modification for 2011/12 that mirrors more the changes made during 2010/11 to clarify the definition of General System Charges (GSC) and Site Specific Charges (SSC) i.e. that capital cost relating to pre-vesting assets would be recovered through GSC and capital costs relating to post-vesting assets would be recovered through SSC. With the reinstatement of these changes we believe this provides a clear and consistent set of definitions in line with our collective understanding.

*Determination of EXS*

National Grid welcomes the changes made in SPT's Statement and the clarity provided by the accompanying letter that explains the principles behind and composition of SPT's General System Charges, Site Specific Charges and EXS. The details provided allow a more complete understanding of the relationship between TSP, EXS, SSC and GSC. The changes better align the information provided to National Grid by SPT under Special Licence Condition J8 and the charges National Grid levies on users. We believe this is a

positive step and welcome ongoing discussions with SPT to ensure that this level of clarity continues.

### **Issues that merit further discussion**

#### *Treatment of Operation & Maintenance (O&M) costs*

National Grid notes that SPT continues to recover O&M costs associated with post-vesting connection assets through GSC rather than SSC. This is different from the approach adopted by SHETL (and by National Grid in the customer-facing GB charging methodology). Given that the wider commercial and regulatory frameworks appear to be the same for both TOs, National Grid continues to believe there is merit in continuing discussions with the TOs in respect of this area where greater consistency may be achieved.

#### *Definition of charging boundaries*

National Grid has expressed concerns in previous years in ensuring a common understanding on the connection charging boundary is applied across National Grid and SPT. SPT's statement includes passages identical to National Grid's GB Connection Charging Methodology and National Grid is keen to ensure a consistent interpretation of these connection boundary principles and National Grid welcomes and supports the continued inclusion of this consistent set of connection boundary definitions across all Charging Statements.

National Grid continues to work with the Scottish TOs through the Charging User Group (ChUG) to establish methods of ensuring consistent application of connection boundaries to User Connections and to continue the progress made in providing greater consistency and clarity between the Statements of NGET, SPT and SHETL.

Please let me know if you have any questions on the above.

Yours sincerely

(by email)

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