



Regulation & Commercial

Gareth Walsh  
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SW1P 3GE

Your ref

Our Ref

Date 6 February 2012

Contact / Extension

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Dear Gareth

**"TPCR4 Rollover" – Response to notice under section 11A(2) of the Electricity Act 1989 of proposed modification to SP Transmission Limited's Licence issued 9 January 2012**

I am writing on behalf of SP Transmission in response to the notice issued on 9 January 2012.

The proposed licence modifications reflect the Final Proposals (FP) document issued in November 2011. We have some remaining points of detail that are set out in the attachment.

Our main point at this stage is that it is important that the adjustments in 2013 and 2014 referred to in the FP and in the licence are carried out in accordance with the approach set out in the FP and that this is reflected in the RIIO T1 licence drafting process. A similar point applies in respect of the true-up in respect of TII allowances.

We look forward to the statutory consultation for licence modifications in respect of the TII framework extension for 2012/13.

Yours sincerely

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SP Manweb plc, Registered Office: 3 Prenton Way, Prenton, CH43 3ET Registered in England and Wales No. 2366937 Vat No. GB659 3720 08  
SP Distribution Ltd, Registered Office: 1 Atlantic Quay, Glasgow, G2 8SP Registered in Scotland No. 189125 Vat No. GB 659 3720 08

**Attachment – detailed editing points for the TPCR4 rollover licence amendments**

**Special Condition J2 (Restriction of transmission charges: revenue from transmission owner services), paragraphs 3 and 4 (“LCt”).**

Paragraphs 3 and 4 of Special Condition J2 are partly contradictory. Paragraph 4 reads as if costs incurred and reported after 31 March 2012 are not eligible for cost recovery, contrary to the statement in paragraph 3.

We think that this can be addressed without changing the substance of what is said by removing the time reference in paragraph 4. The marked-up extract below provides a suggested form of words to address this point.

*TPCR4 Rollover - Extract from Statutory draft for SP Transmission*

*Special Condition J2 – January 2012*

*Paragraph 3 (extract).*

*LCt means the revenue adjustment term, whether of a positive or of a negative value, made in the relevant year commencing 1 April 2013 in respect of the full recovery of efficiently incurred logged up costs (adjusted for financing costs) as specified in paragraph 4 of this condition. For each relevant year prior to the relevant year commencing 1 April 2013 and for each relevant year after the relevant year commencing 1 April 2013 LCt shall take the value zero; For the avoidance of doubt, the allowance for expenditure of £3.7m for 2012/13 in this category (in 2009/10) prices referred to in the document “TPCR4 Rollover: Final Proposals” (162/11) is not taken into account in the derivation of the value of the RBT term above.*

*Paragraph 4*

*For the purposes of paragraph 3, LCt shall comprise logged up costs (adjusted for financing costs) incurred and reported to the Authority in accordance with standard condition B15 (Price Control Review Information), by the licensee during the period of 1 April 2007 to 31 March 2012 in the following cost categories:*

*(a) Net additional local infrastructure as a result of the licensee constructing a „firm“ (i.e. SQSS compliant) connection as opposed to a „non-firm“ single circuit connection for new generation connections in circumstances where the relevant generator is requesting a connection capacity of less than 100 megawatts;*

*(b) Upgrading of operational telecommunication systems resulting from the introduction of BT’s 21st Century Networks programme;*

*subject to the licensee satisfying the Authority that such costs have been efficiently incurred.*

**Comment [i1]:** This could be read as excluding costs incurred subsequent to 31 March 2012, contrary to the statement in paragraph 3

### **Special Condition J2, Paragraph 3**

Definition of RPIFt refers to “formula year”, whereas “relevant year” is the defined term

In the TOInct term in para 3 of J2 there is no description of RPIFt. To ensure completeness, after the table showing the £805,000 we suggest the following:

“RPIFt shall take the same meaning as given above in the PRt term”

This is consistent with other references to RPIFt – for example in relation to the RA term in Special Condition J4.

### **Special Condition J5 (Network Reliability Incentive Scheme), part 1**

Paragraph 2, table of RIUPAt values – the reference to paragraph 3 should be removed, as paragraph 3 is to be marked as “not used”

The whole of Part 2 is marked as “not used” and the paragraphs deleted.

Subsequent paragraphs have been renumbered, which results in numerous cross-references in Parts 3 and 4 now referring to incorrect paragraph numbers (e.g. references to paragraphs 26 to 31 in renumbered paragraph 18, reference to paragraph 27 in renumbered paragraph 22). The simplest correction appears to be to mark each individual paragraph in Part 2 as “not used” and maintain the original paragraph numbers in subsequent parts.

### **Special Condition J7 (Capital Expenditure and Safety Net)**

The introductory purpose clause is not numbered. Numbering this paragraph as 1 would change subsequent paragraph numbers and the cross-references would become incorrect. A technical correction would be to start numbering at 0 or use 0.1, 0.5 or 1a, or similar, for the purpose clause.