

**NOTICE UNDER SECTION 11A(2) OF THE ELECTRICITY ACT 1989 OF PROPOSED  
MODIFICATION TO THE ELECTRICITY TRANSMISSION LICENCE OF SP  
TRANSMISSION LTD**

The Gas and Electricity Markets Authority (the "Authority") hereby gives notice pursuant to section 11A(2) of the Electricity Act 1989 (the "Act") as follows:

1. The Authority proposes to modify the electricity transmission licence (the "Licence") granted or treated as granted to SP Transmission Ltd ("SPTL") (company number SC189126) ("the Licensee") under section 6(1)(b) of the Act by amending:
  - a. Special Condition J2 (Restriction of transmission charges: revenue from transmission owner services), in the manner set out in Schedule 1 to this Notice; and
  - b. Special Condition J12 (Adjustment to the Transmission Network Revenue Restriction due to Transmission Asset Owner Incentives), in the manner set out in Schedule 2 to this Notice.
2. The reasons why the Authority proposes to modify the Licence are set out in the Authority's statutory consultation letter "Transmission Investment Incentives: Statutory consultation and Notices under section 11A(2) of the Electricity Act 1989 of proposed modifications to electricity transmission licences" which accompanies this Notice and is published<sup>1</sup> by the Authority alongside this Notice. In summary, the purpose and effect of these licence modifications is to extend the existing provisions for recovery of efficient pre-construction and/or construction costs associated with transmission reinforcement works such that they may apply to relevant works undertaken up to the end of the financial year 2012-13.
3. Additional information on the reasons for the proposed modification can be found in the document "Transmission Investment Incentives (TII): decisions on extending the policy framework into 2012-13" published<sup>2</sup> by the Authority on 30 November 2011 and in the document "Transmission Investment Incentives (TII): decision on requests for funding in 2012-13" published<sup>3</sup> by the Authority on 31 January 2012.
4. A printed copy of the proposed modifications and the documents referred to in this Notice are available (free of charge) from the Ofgem Research and Information Centre (telephone 020 7901 1600). All documents are also available in electronic form on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).
5. Any representations on the proposed licence modifications must be made in writing on or before **8 May 2012** to Cheryl Mundie at the Office of Gas and Electricity Markets (Ofgem), Cornerstone, 107 West Regent Street, Glasgow G2 2BA, or via email to [Cheryl.Mundie@ofgem.gov.uk](mailto:Cheryl.Mundie@ofgem.gov.uk).

<sup>1</sup> Available on the Ofgem website at:  
<http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/CriticalInvestments/InvestmentIncentives/Pages/InvestmentIncentives.aspx>

<sup>2</sup> Available on the Ofgem website at:  
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=29&refer=Networks/Trans/ElecTransPolicy/CriticalInvestments/InvestmentIncentives>

<sup>3</sup> Available on the Ofgem website at:  
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=43&refer=Networks/Trans/ElecTransPolicy/CriticalInvestments/InvestmentIncentives>

6. All responses will normally be published on Ofgem's website and held in the Research and Information Centre. However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication. Ofgem prefers to receive responses in an electronic form so they can be placed easily on the Ofgem website.

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**Ian Marlee**

Senior Partner - Smarter Grids & Governance: Transmission

**Duly authorised on behalf of the Authority**

**5 April 2012**

**SCHEDULE 1**

**PROPOSED MODIFICATION UNDER SECTION 11A(2) OF THE  
ELECTRICITY ACT 1989 OF THE ELECTRICITY TRANSMISSION  
LICENCE OF SP TRANSMISSION LTD IN RESPECT OF SPECIAL  
CONDITION J2**

**Special Condition J2 - Restriction of transmission charges: revenue from transmission owner services**

In paragraph 3, the following text to be deleted:

“TOInc<sub>t</sub> is derived from the following formula:

$$TOInc_t = CxIncTo_t \times RPIF_t$$

where:

CxIncTo<sub>t</sub> is the value of the provisional revenue adjustment for the relevant year t (in 2009/10 prices) due to the application of the capital expenditure incentive on the difference between expenditure incurred and allowance for the years 2009-10 and 2010-11 as calculated in line with the policy set out in Appendix 2 of the document “Transmission Investment Incentives: decisions on extending the policy framework into 2012-13” published by the Authority on 30 November 2011, and shall take the value set out in the table below

Relevant year t commencing on 1 April	2012
CxIncTo <sub>t</sub>	£805,000

RPIF<sub>t</sub> shall take the same meaning as given above in the PR<sub>t</sub> term.”

and the above deleted text to be replaced by:

“TOInc<sub>t</sub> means, for each relevant year t, the revenue adjustment in respect of Transmission Investment Incentives Projects which is defined in special condition J12 (Adjustment to the Transmission Network Revenue Restriction due to Transmission Asset Owner Incentives) and shall be calculated in accordance with that condition”

**SCHEDULE 2**

**PROPOSED MODIFICATION UNDER SECTION 11A(2) OF THE  
ELECTRICITY ACT 1989 OF THE ELECTRICITY TRANSMISSION  
LICENCE OF SP TRANSMISSION LTD IN RESPECT OF SPECIAL  
CONDITION J12**

**Special Condition J12 – Adjustment to the Transmission Network Revenue Restriction  
due to Transmission Asset Owner Incentives**

**Part 1 – TO Incentives Revenue Adjustment Calculation**

1. For each relevant year  $t$ ,  $TOInc_t$  shall be calculated in accordance with the following formula:

$$TOInc_t = \sum_i^{all\ i} ConTOInc_t^i + CxIncTO_t - IntTORev_t$$

where:

$ConTOInc_t^i$  means the annual revenue allowance associated with pre-construction and construction activities in relevant year  $t$  for each transmission investment project  $i$  specified in Annex A to this condition, and shall be calculated in accordance with paragraph 2;

$CxIncTO_t^i$  means the annual revenue adjustment term in respect of the application of the capital expenditure incentive regime for each transmission investment project  $i$  specified in Annex A for the relevant year  $t$  and shall be calculated in accordance with paragraph 4, and

$IntTORev_t^i$  means the annual revenue allowance for which funding has already been allowed for each transmission investment project  $i$  specified in Annex A for the relevant year  $t$ , where such funding has been allowed under Part 2 of special condition J5 (Restriction of transmission charges: Total incentive revenue adjustment), and shall have the value of zero unless directed otherwise by the Authority in writing.

**Calculation of the annual revenue allowance,  $ConTOInc_t^i$**

2. For the purposes of paragraph 1, the term  $ConTOInc_t^i$  shall be calculated in accordance with the following formula:

$$ConTOInc_t^i = CCTOInc_t \times (AAVConTOInc_t^i + AVAECOnTOInc_t^i) \times ARPI_t + (ConTOIncDepn_t^i + AVAECOnTOIncDepn_t^i) \times ARPI_t$$

where:

$CCTOInc_t$  means the pre-tax cost of capital in real terms for the transmission investment project  $i$  for each relevant year  $t$  and for the purposes of this special condition shall take the value 6.25%;

$AAVConTOInc_t^i$  means the average asset value for the transmission investment project  $i$  for each of the relevant years 2009/10 to 2011/12 and shall have the value specified in Annex A for each relevant year, and where no value is specified in Annex A for a relevant year shall have the value of zero;

$AVAECOnTOInc_t^i$  means one or more adjustments to the average asset value for the transmission investment project  $i$  for the relevant years 2009/10 to 2011/12 ( $AAVConTOInc_t^i$ ) as a result of an asset value adjusting event and each adjustment shall be determined by the Authority in accordance with paragraph 3;

$ARPI_t$  means the price index adjustment, which in the relevant year commencing 1 April 2004 equals 1, and in all subsequent years is derived from the following formula:

$$ARPI_t = \left[ 1 + \frac{RPI_t}{100} \right] \times ARPI_{t-1}$$

~~Where:~~

~~RPI<sub>t</sub> means the percentage change (whether of a positive or a negative value) in the arithmetic average of the Retail Price Index numbers published or determined with respect to each of the six months from July to December (both inclusive) in relevant year t-2 and the arithmetic average of the Retail Price Index numbers published or determined with respect to the same months in relevant year t-1.~~

~~ConTOIncDepn<sub>t</sub><sup>i</sup> means the depreciation value for the transmission investment project i for each of the relevant years 2009/10 to 2011/12 and shall have the value specified in Annex A for each relevant year, and where no value is specified in Annex A for a relevant year shall have the value of zero, and~~

~~AVAEConTOIncDepn<sub>t</sub><sup>i</sup> means one or more adjustment to the depreciation value for the transmission investment project i for the relevant years 2009/10 to 2011/12 (ConTOIncDepn<sub>t</sub><sup>i</sup>) as a result of an asset value adjusting event and each adjustment shall be determined by the Authority in accordance with paragraph 3.~~

1. Not used.

1A. In this condition:

“Transmission Investment  
Incentives Project”

means a transmission investment project for which  
project-specific capital expenditure allowances are  
reflected in the provisions under this condition:

<u>“scheduled project”</u>	<u>means a Transmission Investment Incentives Project for which project details are specified in Annex A to this condition in respect of funded pre-construction works and/or funded construction works;</u>
<u>“project details”</u>	<u>means one or more of the following particulars specified in Annex A to this condition in respect to a given scheduled project:</u> <ul style="list-style-type: none"> <li>• <u>Pre-construction cost allowances;</u></li> <li>• <u>Construction cost allowances;</u></li> <li>• <u>Key project milestones; and</u></li> <li>• <u>Forecast output measures;</u></li> </ul>
<u>“funded pre-construction works”</u>	<u>means specific works planned or undertaken by the licensee in respect of a given scheduled project, being those works for which key project milestones are defined in respect of pre-construction works and which are identified by the Authority as in scope of pre-construction cost allowances;</u>
<u>“funded construction works”</u>	<u>means specific works planned or undertaken by the licensee in respect of a given scheduled project, being those works for which key project milestones and forecast output measures are defined in respect of construction works and which are identified by the Authority as in scope of construction cost allowances;</u>
<u>“relevant year”</u>	<u>means a financial year commencing on or after 1 April 2009;</u>
<u>“relevant year t”</u>	<u>means that relevant year for the purposes of which any calculation falls to be made; and</u>

“further works”

means specific works planned or undertaken by the licensee on a given Transmission Investment Incentives Project for which capital expenditure allowances are determined after 1 April 2012 in respect of any relevant year prior to the relevant year commencing 1 April 2013.

1B. As it applies in the relevant year commencing 1 April 2012 and all subsequent relevant years, the purposes of this condition are to establish:

- (i) the basis of revenue adjustments, as set out in Part 1 of this condition, to the licensee’s allowed revenue in the relevant year commencing 1 April 2012 and each subsequent relevant year t, in so far as it relates to Transmission Investment Incentives Projects;
- (ii) the basis and procedure for determining and directing appropriate amendments to project details of a given scheduled project where an asset value adjusting event as defined in paragraph 3 of this condition has occurred;
- (iii) the information to be provided to the Authority, as set out in Part 2 of this condition, in relation to Transmission Investment Incentives Projects; and
- (iv) the basis and procedure for determining and directing appropriate amendments to forecast output measures of a given scheduled project where an output measures adjusting event as defined in paragraph 10 of this condition has occurred.

**Part 1 – Basis of revenue adjustments**

1C. (a) For the purposes of paragraph 3 of Special Condition J2 (Restriction of transmission charges: revenue from transmission owner services), for the relevant year commencing 1 April 2012,  $TOInc_t$  shall be calculated in accordance with the following formula:

$$TOInc_t = CxIncTO_t \times RPIF_t$$

where:

$CxIncTO_t$  is the value of the provisional revenue adjustment term for the relevant year t (in 2009-10 prices) in respect of the application of the capital expenditure incentive regime on the difference between expenditure incurred and total capital expenditure allowance in respect of scheduled projects for the years 2009/10 and 2010/11 and shall take the value set out in the table below:

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<u>Relevant year t commencing on 1 April</u>	<u>2012</u>
<u><math>CxIncTO_t</math></u>	<u>£805,000</u>

$RPIF_t$  is the price index adjustment for the formula year t, and shall take the same meaning as given in the definition of the  $PR_t$  term in paragraph 3 of Special Condition J2 (Restriction of transmission charges: revenue from transmission owner services).

(b) Any revenue adjustments determined by the Authority under paragraph 2A or 2B of this condition on or after 1 April 2012 will not affect the licensee's allowed revenue for any relevant year prior to the relevant year commencing 1 April 2013.

2. Not used.

2A.(a) Further revenue adjustments may be determined by the Authority to reflect the

difference between:

(i) the total capital expenditure allowance in respect of Transmission Investment Incentives Projects that was assumed by the Authority for the purposes of setting the licensee's allowed revenue for a given relevant year n prior to the relevant year commencing 1 April 2013, and

(ii) the total capital expenditure allowance in respect of Transmission Investment Incentives Projects, expressed in 2009/10 prices, determined by the Authority for the same relevant year n.

(b) The total capital expenditure allowance referred to in subparagraph (a)(ii) shall be derived from the sum of:

(i) the initial allowance, expressed in 2009/10 prices, which shall take the value set out in the table below:

<u>Total costs (£ million) 2009/10 prices</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
<u>Initial allowance</u>	<u>0.000</u>	<u>10.641</u>	<u>7.022</u>	<u>42.328</u>

(ii) the allowance adjustment, expressed in 2009/10 prices, which shall take the value of zero for each relevant year n unless directed otherwise by the Authority in writing on or before 31 March 2014.

(c) The total capital expenditure allowance referred to in subparagraph (a)(i) shall take the same value as the initial allowance as set out in the table in subparagraph (b)(i) for each of the relevant years n commencing 1 April 2009, 1 April 2010 and 1 April 2011 and shall take the value £84.6 million for the relevant year n commencing 1 April 2012.

(d) For the purposes of subparagraph (b)(ii), the Authority shall take into account:

(i) any capital expenditure allowances determined by the Authority in respect of further works, whether or not these are reflected in project details in Annex A;

(ii) any determinations under subparagraph 3(e) in respect of scheduled projects;  
and

(iii) any overlap with funding provided to the licensee under any other revenue recovery arrangements.

(e) A revenue adjustment determined by the Authority under subparagraph (a) will be made on 1 April 2013 and may be made on 1 April in any subsequent relevant year following a direction under subparagraph (b)(ii).

2B.(a) The Authority may determine further revenue adjustments in relation to the application of the capital expenditure incentive regime on the difference between expenditure incurred by the licensee and total capital expenditure allowance determined by the Authority in respect of Transmission Investment Incentives Projects for the relevant years n prior to the relevant year commencing 1 April 2013.

(b) A revenue adjustment determined by the Authority under subparagraph (a) will be made on 1 April 2014 taking into account the provisional revenue adjustment referred to in subparagraph 1C(a) and may be made on 1 April in any relevant year following:

(i) a direction under subparagraph 2A(b)(ii) of this condition; and/or

(ii) completion by the Authority of its full efficiency review of expenditure incurred by the licensee over the relevant years 2009/10, 2010/11, 2011/12 and 2012/13 in respect of one or more Transmission Investment Incentives Projects.

2C. When determining revenue adjustments under paragraph 2A or 2B the Authority shall take full account of the substance and effect of any determinations under subparagraph 3(e) and subparagraph 10(e) of this condition and any project-specific provisions determined by the Authority for further works. The revenue adjustment determined by the Authority under subparagraph 2A(a) or subparagraph 2B(a) shall be such as to ensure that the financial position and performance of the licensee is, insofar as is reasonably practicable, the same as if the allowance adjustment directed by the Authority under subparagraph 2A(b)(ii) in respect of a given relevant year n had been known at the time of setting the licensee's allowed revenue for that relevant year n, and the same as if the

revenue adjustment determined by the Authority under sub-paragraph 2B(a) had been taken into account by the Authority for the purposes of setting the licensee's allowed revenue for the relevant year commencing 1 April 2013.

2D. When the Authority determines a revenue adjustment under paragraph 2A or 2B the Authority may also determine an adjustment to the total asset value in respect of Transmission Investment Incentives Projects.

#### *Asset value adjusting event*

3. (a) For the purpose of this ~~paragraph~~condition, an asset value adjusting event means relevant additional pre-construction works or a relevant amendment to the scope of construction works, that the Authority is satisfied is expected to cause costs and/or expenses to be incurred or saved in relation to the ~~transmission investments~~scheduled project i, where the Authority is satisfied that those costs and expenses:
  - (i) are expected to result in a material increase or decrease to the ~~average asset value~~total capital expenditure for the ~~transmission investments~~scheduled project i for the relevant years 2011/12 to 2012/13~~2009/10 to 2011/12 (AAVConTOInc<sub>T</sub>)~~;
  - (ii) are expected to be efficiently incurred or saved, and
  - (iii) can not otherwise be recovered under the revenue allowance provided by this condition or any other provision within the transmission licence.
- (b) For the purposes of subparagraph (a) –
  - (i) “relevant additional pre-construction works” means an amendment to the scope of the pre-construction works carried out or expected to be carried out by the licensee during the relevant years 2011/12 to 2012/13~~2009/10 to 2011/12~~ as a result of the terms and/or

conditions of any statutory consent, approval or permission in respect of funded pre-construction works on the ~~transmission investments~~scheduled project i (including but not limited to planning consent); and

- (ii) “relevant amendment to the scope of construction works” means an amendment to the scope of construction works that is necessary to comply with the terms and/or conditions of any statutory consent, approval or permission in respect of funded construction works on the ~~transmission investments~~scheduled project i (including but not limited to planning consent).
- (c) Where the licensee considers, and can provide supporting evidence that, an asset value adjusting event has occurred in relation to the ~~transmission investments~~scheduled project i, the licensee shall give notice of that event to the Authority as soon as is reasonably practicable after that event has occurred and in any event within three months after the end of the relevant year in which that event has occurred (or at such later date as the Authority notifies to the licensee for the purposes of this subparagraph).
- (d) A notice provided under subparagraph (c) shall give particulars of:
  - (i) the asset value adjusting event to which the notice relates and the reason(s) why the licensee considers that event to be an asset value adjusting event, identifying the scheduled project I to which the notice relates and including details of and reasons for the relevant additional pre-construction works and/or relevant amendment to the scope of construction works (as appropriate);
  - (ii) the costs and/or expenses that the licensee can demonstrate are expected to be incurred or saved by that event and how the amount of those costs and/or expenses have been calculated;
  - (iii) the amount of any material increase or decrease in the ~~average asset value~~total capital expenditure for the ~~transmission investments~~scheduled project i for relevant years 2011/12 to

- ~~2012/13~~2009/10 to 2011/12 (~~AAVConTOInc<sub>i</sub>~~) that the licensee can demonstrate is expected to occur as a result of that event and how the amount of that increase or decrease has been calculated;
- (iv) the reasons why the licensee considers that the costs and/or expenses can not otherwise be recovered under the revenue allowance provided by this special condition or any other provision within this licence;
  - (v) the amount of any ~~AAEConTOInc<sub>i</sub>~~ adjustment proposed to the pre-construction cost allowance and/or construction cost allowance (as appropriate) in respect of the scheduled project i for the relevant years 2011/12 to 2012/13 as a consequence of that event and how this ~~AAEConTOInc<sub>i</sub>~~ adjustment has been calculated;
  - (vi) ~~the amount of any increase or decrease in the depreciation value for the transmission investment project i for the relevant years 2009/10 to 2011/12 (ConTOIncDepn<sub>i</sub>) that the licensee can demonstrate is expected to occur as a result of that event and how the amount of that increase or decrease has been calculated~~not used;
  - (vii) ~~the amount of any AAEConTOIncDepn<sub>i</sub> adjustment proposed as a consequence of that event and how this AAEConTOIncDepn<sub>i</sub> adjustment has been calculated~~not used;
  - (viii) relevant internal papers where revised expenditure has been requested and relevant supporting information;
  - (ix) a statement from independent technical advisers setting out that in their opinion the relevant additional pre-construction works and/or relevant amendment to the/amended scope of construction works (as appropriate) as identified in the notice fairly reflect the asset value adjusting event and a statement from independent auditors setting out that in their opinion the notice fairly presents the costs and expenses that have been incurred or saved by the relevant

- additional pre-construction ~~works/amended~~ works and/or relevant amendment to the scope of ~~the~~ construction works (as appropriate);
- (x) a statement on the impact of such an adjustment on the output measures associated with relevant ~~transmission investment~~ scheduled project i, and,
- (xi) any other analysis or information which the licensee considers to be relevant to the Authority's assessment of that event.
- (e) Where the Authority receives a notice under subparagraph (c), the Authority may seek any other analysis or information that the Authority considers relevant to the Authority's assessment of the event in order to reach a determination and shall take into account further information provided by the licensee for this purpose within one month of submission of the notice under subparagraph (c) (or such other date as the Authority notifies to the licensee for the purposes of this paragraph). Following consultation with other parties as it considers may be affected by its determination, the Authority shall then determine~~shall determine in accordance with subparagraph (g):~~
- (i) whether an asset value adjusting event has occurred in respect of the ~~transmission investment~~ scheduled project i;
- (ii) where the Authority determines that an asset value adjusting event has occurred in respect of the ~~transmission investment~~ scheduled project i, whether the ~~transmission investment~~ scheduled project i will remain economically efficient as a consequence of that asset value adjusting event;
- (iii) ~~a AVAECOnTOInc<sup>i</sup> adjustment in respect of the transmission investment project not used;~~ and
- (iv) ~~a AVAECOnTOIncDepn<sup>i</sup> an~~ adjustment to the pre-construction cost allowance and/or construction cost allowance (as appropriate) in respect of the ~~transmission investment~~ scheduled project i for the relevant years 2011/12 to 2012/13;

- (f) Where the Authority determines under subparagraph (e) that an asset value adjusting event has occurred in respect of the ~~transmission investment~~scheduled project i and that the ~~transmission investment~~scheduled project i will remain economically efficient as a consequence of that asset value adjusting event, the  $AVAECOnTOInc_t^i$  and  $AVAECOnTOIncDepn_t^i$  adjustments to the pre-construction cost allowance and/or construction cost allowance (as appropriate) in respect of the ~~transmission investment~~scheduled project i for the relevant years 2011/12 to 2012/13 determined by the Authority under subparagraph (e) shall be such as to ensure that the financial position and performance of the licensee is, insofar as is reasonably practicable, the same as if that asset value adjusting event had ~~not occurred~~been known at the time of setting the pre-construction cost allowance and/or construction cost allowance (as appropriate) for the scheduled project i for the relevant years 2011/12 to 2012/13;
- (g) Where the Authority makes a determination under subparagraph (e) that an asset value adjusting event has occurred~~, following consultation with relevant parties;~~ the Authority ~~shall make~~may direct any necessary amendments to the project details specified in Annex A for the scheduled project i as a result of that event to reflect the determination under subparagraph (e)~~the provisions contained in Annex A to include values for~~  $AVAECOnTOInc_t^i$  and  $AVAECOnTOIncDepn_t^i$  for the relevant transmission investment project i. ~~The Authority will also determine necessary amendments to the term  $TOIncBCx_n$  to reflect the amendments made to the provisions contained in Annex A;~~
- (h) The Authority may revoke a determination made under ~~this subparagraph (e)~~ following consultation with~~with the consent of~~ the licensee and may direct any necessary consequential amendments to Annex A;
- (i) ~~For the purpose of paragraph 2, the terms  $AVAECOnTOInc_t^i$  and  $AVAECOnTOIncDepn_t^i$  shall be the  $AVAECOnTOInc_t^i$  and  $AVAECOnTOIncDepn_t^i$  adjustments for the transmission investment project i determined by the Authority under subparagraph (e), and where the Authority has not made a determination under subparagraph (e) shall be zero~~Not used;

and

- (j) Where the licensee notifies the Authority of an asset value adjusting event under subparagraph (c), the licensee shall ensure that the costs and/or expenses that are the subject of that notification are not also notified to the Authority in relation to any other revenue recovery arrangements.

*Calculation of the annual revenue adjustment term in respect of the application of the capital expenditure incentive regime, CxIncTO<sub>t</sub>*

4. For the purpose of paragraph 1 of this condition, CxIncTO<sub>t</sub> shall in each relevant year t take the value of zero, except for the relevant year commencing 1 April 2012 in which CxIncTO<sub>t</sub> shall be calculated in accordance with the following formula:

$$CxIncTO_t = \sum_n [(TOCIR_n - 0.25) \times PVE_n \times TOIncDif_n \times PIT_t]$$

Where:

n means the relevant year n such that the first relevant year n shall be the year commencing on 1 April 2009 and accordingly the third relevant year n is the year commencing on 1 April 2011;

TOCIR<sub>n</sub> means the capital expenditure incentive sharing factor, in respect of the proportion of under or overspend against the capital expenditure allowance for the relevant year n in relation to the transmission investment projects specified in Annex A, that is borne by the licensee between relevant year n commencing 1 April 2009 and the end of relevant year n commencing 1 April 2011 and shall take the value set out in the table below:

Relevant year commencing 1 April	2009	2010	2011
TOCIR <sub>n</sub>	0.2312	0.1357	0.0313

PVF<sub>n</sub>—means the present value adjustment factor in respect of the relevant year n and shall take the value set out in the table below:

Relevant year commencing 1 April	2009	2010	2011
PVF <sub>n</sub>	1.19946	1.12891	1.06250

TOIncDif<sub>n</sub>—represents the difference, expressed in 2004/05 prices, between the adjusted efficient capital expenditure and the capital expenditure allowance in respect of relevant year n, which shall represent the total capital expenditure allowance across all projects i for each relevant year n and shall be calculated in accordance with the following formula:—

$$TOIncDif_n = \left( \frac{TOIncACx_n}{PIT_n} \right) - TOIncBCx_n$$

Where:

TOIncACx<sub>n</sub>—is the adjusted efficient capital expenditure incurred by the licensees in respect of the relevant year n and shall be calculated in accordance with paragraph 5 of this condition;

PIT<sub>n</sub>—shall take the value of PIT<sub>t</sub> for relevant year t=n, where PIT<sub>t</sub> shall take the same meaning as given in paragraph 2 of special condition J2

(Restriction of transmission charges: revenue from transmission owner services);

$TOIncBCx_n$  — means the total capital expenditure allowance, comprised of the summation of capital expenditure across all relevant transmission investment projects specified in Annex A, expressed in 2004/05 prices in respect of the relevant year n, and shall take the value set out in the table below:

Total costs (£ million) 2004/05 prices	2009/10	2010/11	2011/12
$TOIncBCx_n$	0.000	9.447	6.240

$PIT_i$  — shall take the same meaning as given in paragraph 2 of special condition D2 (Restriction on Transmission Network Revenue);

5. — For the purposes of paragraph 4,  $TOIncACx_n$  shall be calculated in accordance with the following formula:

$$TOIncACx_n = TOIncCx_n - TOIncDCx_n$$

Where:

$TOIncCx_n$  — means the capital expenditure, expressed net of pensions contributions incurred by the licensee in the relevant year n associated with the relevant transmission investment projects specified in Annex A of this condition, as reported to the Authority pursuant to standard condition B15 (Price Control

Review Information). For the avoidance of doubt, the capital expenditure associated with  $TOIncCx_n$  shall be excluded from the term  $CX_n$  in paragraph 3 of special condition J7 (Capital Expenditure Incentive and Safety Net), and

$TOIncDCx_n$ —means the amount of capital expenditure incurred by the licensee in respect of the relevant year  $n$  associated with the relevant transmission investment projects specified in Annex A, in respect of which the Authority has issued a direction on or before 31 March 2012 in respect of relevant years from 1 April 2009 to 31 March 2011 and on or before 31 March 2013 in respect of relevant year from 1 April 2011 to 31 March 2012, that such investment is deemed inefficient in accordance with paragraphs 6 and 7 of this condition. It shall take the value of zero unless the Authority directs otherwise.

6. For the purposes of paragraph 5, before issuing a direction that certain capital expenditure is deemed inefficient, the Authority shall issue a notice to the licensee, specifying:
- (a) the amount of capital expenditure that the Authority proposes to deem inefficient;
  - (b) the reasons why the Authority considers that the capital expenditure referred to in sub-paragraph (a) is inefficient;
  - (c) the date, being of not less than 28 days from the date of the notice, by which the licensee may make representations to the Authority in respect of the notice; and
  - (d) the date by which the Authority intends to make a direction.
7. The Authority shall have regard to any representations made by the licensee in response to the notice referred to in paragraph 6 before making any direction in respect of paragraph 5.

#### 4. Not used

5. Not used

6. Not used

7. Not used.

**Part 2 - Information to be provided to the Authority in connection with Transmission**

**~~Asset Owner~~Investment Incentives Projects**

8. For each ~~transmission investment project i specified in Annex A to this condition~~Transmission Investment Incentives Project i, the licensee shall provide the Authority with the following in respect of funded pre-construction works and/or funded construction works (as applicable) and any further works:
- (a) not later than three months after the end of each relevant year t in which pre-construction works take place (or such later date as the Authority may notify to the licensee):
    - (i) a pre-construction technical report, setting out the technical milestones achieved in respect of the preceding relevant year and the extent to which the ~~transmission investment project~~Transmission Investment Incentives Project i complies with the key project milestones (as applicable) specified in Annex A to this condition for the relevant ~~transmission investment project~~Transmission Investment Incentives Project i, and
    - (ii) a pre-construction expenditure report, setting out an itemised report of the pre-construction expenditure incurred for the ~~transmission investment project~~Transmission Investment Incentives Project i in respect of the preceding relevant year.
  - (b) Not later than three months after the end of each relevant year t in which pre-construction works ~~commence~~are completed (or such later date as the Authority may notify to the licensee) an auditor's statement in respect of the expenditure incurred by the licensee and notified to the Authority in accordance with paragraph 8(a)(ii) of this condition in respect of each relevant ~~transmission investment project~~Transmission Investment Incentives Project i in the pre-construction period.
  - (c) Not later than three months after the end of each relevant year t in which construction works take place (or such later date as the Authority may notify to the licensee):

- (i) a construction technical report, setting out the technical milestones achieved in respect of the preceding relevant year and the extent to which the ~~transmission investment project~~Transmission Investment Incentives Project i complies with the output measures and key project milestones (as applicable) specified in Annex A to this condition for the relevant ~~transmission investment project~~Transmission Investment Incentives Project i, and
  - (ii) a construction expenditure report setting out an itemised report of the construction expenditure incurred for the ~~transmission investment project~~Transmission Investment Incentives Project i in respect of the preceding relevant year.
- (d) Not later than three months after the end of each relevant year t in which construction works are completed (or such later date as the Authority may notify to the licensee):
- (i) a post construction technical report, accompanied by a construction completion certificate from independent technical ~~advisors~~advisers, setting out the actual capability of the ~~transmission investment project~~Transmission Investment Incentives Project i and the extent to which the ~~transmission investment project~~Transmission Investment Incentives Project i complies with the output measures (as applicable) specified in Annex A to this condition for the relevant Transmission Investment Incentives Project i, and
  - (ii) an auditor's statement in respect of the expenditure incurred by the licensee and notified to the Authority in accordance with paragraph 8(c)(ii) of this condition in respect of each relevant ~~transmission investment project~~Transmission Investment Incentives Project i in the construction period.

9. The Authority may require the licensee to provide it with such information in such form and within such time as it may reasonably request which is, in the Authority's opinion, necessary in order to carry out any of its functions under this condition.

**Output measures adjusting event**

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9.  
10.

- (a) The output measures specified in Annex A to this condition in respect of funded construction works may be amended in accordance with this paragraph.
- (b) For the purpose of this ~~paragraph~~condition, an output measures adjusting event means a relevant amendment to the scope of the construction works (as defined in paragraph (3)(b)(ii) to this condition) which the Authority is satisfied is expected to cause a material change in the output measures specified in Annex A to this condition for the ~~transmission investment~~scheduled project i.
- (c) Where the licensee considers, and can provide supporting evidence that, an output measures adjusting event has occurred in relation to the ~~transmission investment~~scheduled project i, then the licensee shall give notice of that event to the Authority as soon as is reasonably practicable after that event has occurred and in any event prior to the commencement of relevant construction works (or at such later date as the Authority notifies to the licensee for the purposes of this subparagraph).
- (d) A notice provided under subparagraph (c) shall be accompanied by a statement from independent technical ~~advisors~~advisers setting out the amended scope of construction works and shall give particulars of:
- (i) the output measures adjusting event to which the notice relates and the reason(s) why the licensee considers that event to be an output measures adjusting event, identifying the scheduled project i to which the notice relates and including details of and reasons for the relevant amendment to the scope of construction works;
  - (ii) output measures adjustment proposed as a consequence of that event and how this output measures adjustment has been calculated; and
  - (iii) any other analysis or information which the licensee considers to be relevant to the Authority's assessment of that event.
- (e) Where the Authority receives a notice under subparagraph (c), the Authority

may seek any other analysis or information that the Authority considers relevant to the Authority's assessment of the event in order to reach a determination and shall take into account further information provided by the licensee for this purpose within one month of submission of the notice under subparagraph (c) (or such other date as the Authority notifies to the licensee for the purposes of this paragraph). Following consultation with other parties as it considers may be affected by its determination, the Authority shall then determine~~shall determine in accordance with subparagraph (f):~~

- (i) whether an output measures adjusting event has occurred in respect of the ~~transmission investments~~scheduled project i; and
  - (ii) where the Authority determines that an output measures adjusting event has occurred in respect of the ~~transmission investments~~scheduled project i, an output measures adjustment in respect of the ~~transmission investments~~scheduled project i.
- (f) Where the Authority makes a determination under subparagraph (e) that an output measures adjusting event has occurred, ~~following consultation with relevant parties,~~ the Authority ~~shall make~~may direct any necessary amendments to the output measures contained in Annex A for the relevant ~~transmission investments~~scheduled project i as a result of that event to reflect the determination under subparagraph (e).
- (g) The Authority may revoke a determination made under ~~this subparagraph (e) following consultation with~~with the consent of the licensee and may direct any necessary consequential amendments to Annex A.

## Annex A to Special Condition J12: Supplementary Provisions

- ~~1. The Authority may direct changes to this Annex A to amend the details of each transmission investment project i specified in this Annex A (referred to in this Annex A as “existing projects”) and/or add details of new transmission investment projects through the provisions of this Special Condition (referred to in this Annex A as “new projects”). The Authority will consult with interested parties prior to issuing a direction.~~
- ~~2. The licensee may request that the Authority direct changes to the pre-construction and construction costs, key project milestones and forecast output measures described in this Annex A through the provisions set out in paragraph 1 of this Annex A by giving notice to the Authority in such form as the Authority may from time to time require. The notice shall include the information set out in paragraphs 3 and/or 4 of this Annex A (as appropriate) and such other information as the Authority may require.~~
- ~~3. Where the notice in paragraph 2 relates to an existing project set out in this Annex A the licensee shall give particulars of:~~
  - ~~(i) the nature of the requested changes to Annex A;~~
  - ~~(ii) the reasons for the request, with relevant supporting evidence to include: project development plans, planning consent details and status, detailed design works, forecast cost year by year profiles, forecast cost breakdowns and construction programme;~~
  - ~~(iii) an up-to-date forecast of pre-construction and construction costs for the existing project;~~
  - ~~(iv) progress made towards achieving key project milestones for the existing project as specified in Annex A, and, where appropriate, an updated description of key project milestones in the form set out in this Annex A~~

(v) — progress made towards achieving forecast output measures for the existing project as already specified in Annex A, and, where appropriate, an updated description of forecast output measures in the form set out in this Annex A

(vi) — any other analysis or information which the licensee considers may be relevant to the Authority's consideration of the request.

4. — Where the notice in paragraph 2 of this Annex A relates to a new project the licensee shall give particulars of:

(i) — a description of the new project, including, where applicable, the associated needs case

(ii) — the nature of the requested changes to Annex A

(iii) — the reasons for the request, with relevant supporting evidence to include: project development plans, planning consent details and status, detailed design works, forecast cost year by year profiles, forecast cost breakdowns and construction programme.

(iv) — an up-to-date forecast of pre-construction and construction costs for the new project;

(v) — where appropriate, a description of key project milestones for the new project in the form set out in this Annex A

(vi) — where appropriate, a description of forecast output measures for the new project in the form set out in this Annex A

(vii) — any other analysis or information which the licensee considers may be relevant to the Authority's consideration of the request.

1. Not used.

2. Not used.

3. Not used.

4. Not used

1A. This Annex A sets out project details for funded pre-construction works and funded construction works (as applicable) in respect of scheduled projects. The Authority may direct amendments to this Annex A in accordance with the provisions of paragraph 3 and paragraph 10 of this condition.

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### Hunterston-Kintyre link

For the purposes of Special Condition J12 project details are specified below for this scheduled project in respect of:

- Funded pre-construction works.

#### 1. Cost allowances

<u>project costs</u> <u>(£ million)</u> <u>2009/10 prices</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
<u>Pre-construction cost allowance</u>	<u>0.000</u>	<u>0.296</u>	<u>0.197</u>	<u>0.000</u>

#### 2. Key project milestones

<u>Description of project milestones</u>	<u>Delivered by 1 April 2010</u>	<u>Delivered by 1 April 2011</u>	<u>Delivered by 1 April 2012</u>	<u>Delivered by 1 April 2013</u>
<u>For funded pre-construction works</u>		<u>Works at Hunterston – provide evidence to show:</u>  <u>Consents process: Consent-related work is in progress.</u>	<u>Works at Hunterston – provide evidence to show:</u>  <u>Electrical, Civil and cable route works: that the tendering process has completed and that contracts have been awarded.</u>	

Funding allowed to the licensee by the Authority through provisions of Special Condition J12:

**1. — Pre-construction and Construction costs**

<b>project costs</b> <b>(£ million)</b> <b>2004/05 prices</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
Pre-construction cost allowance	0.000	0.262	0.175
Construction cost allowance	0.000	0.000	0.000
Average asset value (AAVConTOInc <sup>1</sup> )	0.000	0.131	0.343
Depreciation (ConTOIncDepn <sup>1</sup> )	0.000	0.000	0.013

**2. — Key project milestones**

<b>Description of project milestones</b>	<b>Delivered by 1 April 2010</b>	<b>Delivered by 1 April 2011</b>	<b>Delivered by 1 April 2012</b>
Linked to pre-construction allowance		<b>Works at Hunterston</b> —provide evidence to show:  Consents process: Consent related work is in progress.	<b>Works at Hunterston</b> —provide evidence to show:  Electrical, Civil and cable route works: that the tendering process has completed and that contracts have been awarded.

Linked to construction allowance			
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## **SPTL-NGET Interconnection**

For the purposes of Special Condition J12 project details are specified below for this scheduled project in respect of:

- Funded construction works.

### **1. Cost allowances**

<u>project costs</u> <u>(£ million)</u> <u>2009/10 prices</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
<u>Construction cost allowance</u>	<u>0.000</u>	<u>4.927</u>	<u>1.142</u>	<u>24.485</u>

### **2. Key project milestones**

<u>Description of project milestones</u>	<u>Delivered by 1 April 2010</u>	<u>Delivered by 1 April 2011</u>	<u>Delivered by 1 April 2012</u>	<u>Delivered by 1 April 2013</u>
<u>For funded construction works</u>		<u>Eccles enabling works – provide evidence to show that:</u>  <u>Two new terminal towers have been installed between existing towers 192A and 193 to facilitate the diversion of the Stella West overhead line entry.</u>	<u>Series and shunt compensation works – provide evidence to show that:</u>  <u>All consents granted for Gretna, Moffat, Strathaven, and Eccles;</u>  <u>ITTs for all civil works, main substation plant and OHL deviations at</u>	<u>Series and shunt compensation works – provide evidence to show that:</u>  <u>All detailed design works completed.</u>  <u>ITT for series capacitor issued.</u>

			<u>Gretna,</u> <u>Moffat,</u> <u>Strathaven, and</u> <u>Eccles;</u>  <u>Place contracts</u> <u>for all civil</u> <u>works,</u> <u>substation</u> <u>works and</u> <u>OHL</u> <u>deviations at</u> <u>Gretna,</u> <u>Moffat,</u> <u>Strathaven, and</u> <u>Eccles;</u>  <u>Complete OHL</u> <u>deviations at</u> <u>Eccles.</u>	
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### 3. Forecast output measures

<u>Description of output measures for funded construction works</u>	<u>Bv 31 March 2012</u>	<u>Bv 31 March 2013</u>	<u>Upon completion (if not completed by 31 March 2013)</u>
<u>Enabling works at Eccles</u>	<u>Two new terminal</u> <u>towers of L12</u> <u>specification will have</u> <u>been installed</u> <u>between existing</u> <u>towers 192A and 193</u> <u>at Eccles substation</u> <u>site to divert the Stella</u> <u>West (ZA route)</u> <u>overhead line entry.</u> <u>The existing tower</u> <u>ZA192 will have been</u> <u>removed from the site.</u>		

<u>Series and shunt compensation works</u>	<u>Not complete.</u>	<u>Not complete.</u>	<u>By August 2015: Reduce the impedance of the Strathaven-Harker 400kV OHL by approximately 35%; Reduce the impedance of the Eccles-Stella West 400kV OHL by approximately 35%.</u>
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Funding allowed to the licensee by the Authority through provisions of Special Condition J12:

**1. ~~Pre-construction and Construction costs~~**

<b>project costs (£ million) 2004/05 prices</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
Pre-construction cost allowance	0.000	0.000	0.000
Construction cost allowance	0.000	4.374	4.015
Average asset value (AAVConTOInc <sub>£</sub> )	0.000	2.187	4.772
Depreciation (ConTOIncDepn <sub>£</sub> )	0.000	0.000	0.219

**2. ~~Key project milestones~~**

<b>Description of project milestones</b>	<b>Delivered by 1 April 2010</b>	<b>Delivered by 1 April 2011</b>	<b>Delivered by 1 April 2012</b>
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Linked to pre-construction allowance			
Linked to construction allowance		<p><b>Eccles enabling works</b>—provide evidence to show that:</p> <p>Two new terminal towers have been installed between existing towers 192A and 193 to facilitate the diversion of the Stella West overhead line entry.</p>	<p><b>Series and shunt compensation works</b>—provide evidence to show that:</p> <p>All consents granted for Gretna, Moffat, Strathaven, and Eccles;</p> <p>ITTs for all civil works, main substation plant and OHL deviations at Gretna, Moffat, Strathaven, and Eccles;</p> <p>Place contracts for all civil works, substation works and OHL deviations at Gretna, Moffat, Strathaven, and Eccles;</p> <p>Complete OHL deviations at Eccles</p>

### 3. — Forecast output measures

Description of output measures	By 31 March 2012	Upon completion (if not completed by 31 March 2012)
Enabling works at Eccles	Two new terminal towers of L12 specification will have been installed between existing towers 192A and 193 at Eccles substation site to divert the Stella West (ZA	

	route) overhead line entry. The existing tower ZA192 will have been removed from the site.	
<b>Series and shunt compensation works</b>	Not complete.	By August 2015: Reduce the impedance of the Strathaven Harker 400kV OHL by approximately 35%; Reduce the impedance of the Eccles Stella West 400kV OHL by approximately 35%

## Western HVDC link

For the purposes of Special Condition J12 project details are specified below for this scheduled project in respect of:

- Funded pre-construction works
- Funded construction works.

### 1. Cost allowances

<u>project costs</u> <u>(£ million)</u> <u>2009/10 prices</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
<u>Pre-construction cost allowance</u>	<u>0.000</u>	<u>5.419</u>	<u>4.922</u>	<u>0.000</u>
<u>Construction cost allowance</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>2.600</u>

### 2. Key project milestones

<u>Description of project milestones</u>	<u>Delivered by 1 April 2010</u>	<u>Delivered by 1 April 2011</u>	<u>Delivered by 1 April 2012</u>	<u>Delivered by 1 April 2013</u>
<u>For funded pre-construction works</u>		<u>HVDC link – provide evidence to show that:</u>  <u>Network analysis studies and resulting decision on converter, cable route and landing points have been completed.</u>  <u>Physical layout drawings and</u>	<u>HVDC link – provide evidence to show that:</u>  <u>Pre-contract design is complete.</u>  <u>Contracts are drawn up over the year with suppliers by 1 April 2012.</u>  <u>Converter station land acquisition or</u>	

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		<u>final decision of substation locations have been completed.</u>  <u>Equipment standards and specifications for design choice have been completed.</u>  <u>Sea-bed survey is complete.</u>  <u>Consultations and environmental assessments are progressing in accordance with program.</u>  <u>Optimised tender design for firm price has been completed.</u>	<u>options complete.</u>  <u>Pre-application consultation and environmental assessment works complete.</u>  <u>Planning application submission to appropriate bodies complete.</u>	
<u>For funded construction works</u>				<u>Hunterston East 400kV substation – provide evidence to show that:</u>  <u>Design Works Complete.</u>  <u>GIS Switchgear Contract placed.</u>

### 3. Forecast output measures

<u>Description of output measures for funded construction works</u>	<u>By 31 March 2012</u>	<u>By 31 March 2013</u>	<u>Upon completion (if not completed by 31 March 2013)</u>
<u>Hunterston East 400kV substation</u>		<u>Not complete.</u>	<u>Commission Hunterston East 400kV substation, comprising eight bays of GIS, by 31st Dec 2015, in accordance with the delivery programme for the wider Western HVDC Link project.</u>

Funding allowed to the licensee by the Authority through provisions of Special Condition J12:

#### ~~1. — Pre-construction and Construction costs~~

<del>project costs</del> <del>(£ million)</del> <del>2004/05 prices</del>	<del>2009/10</del>	<del>2010/11</del>	<del>2011/12</del>
<del>Pre-construction cost allowance</del>	<del>0.000</del>	<del>4.811</del>	<del>4.374</del>
<del>Construction cost allowance</del>	<del>0.000</del>	<del>0.000</del>	<del>0.000</del>
<del>Average asset value</del> <del>(AAVConTOInc<sub>t</sub>)</del>	<del>0.000</del>	<del>2.406</del>	<del>6.878</del>
<del>Depreciation (ConTOIncDepn<sub>t</sub>)</del>	<del>0.000</del>	<del>0.000</del>	<del>0.241</del>

## 2. ~~Key project milestones~~

<b>Description of project milestones</b>	<b>Delivered by 1 April 2010</b>	<b>Delivered by 1 April 2011</b>	<b>Delivered by 1 April 2012</b>
Linked to pre-construction allowance		<p><del>HVDC link: provide evidence to show that:</del></p> <p>Network analysis studies and resulting decision on converter, cable route and landing points have been completed.</p> <p>Physical layout drawings and final decision of substation locations have been completed.</p> <p>Equipment standards and specifications for design choice have been completed.</p> <p>Sea bed survey is complete.</p> <p>Consultations and environmental assessments are progressing in accordance with program.</p> <p>Optimised tender design for firm price has been completed.</p>	<p><del>HVDC link: provide evidence to show that:</del></p> <p>Pre-contract design is complete.</p> <p>Contracts are drawn up over the year with suppliers by 1 April 2012.</p> <p>Converter station land acquisition or options complete.</p> <p>Pre-application consultation and environmental assessment works complete.</p> <p>Planning application submission to appropriate bodies complete.</p>
Linked to construction allowance			

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## East-West upgrade

For the purposes of Special Condition J12 project details are specified below for this scheduled project in respect of:

- Funded construction works.

### 1. Cost allowances

<u>project costs</u> <u>(£ million)</u> <u>2009/10 prices</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
<u>Construction cost allowance</u>	<u>0.000</u>	<u>0.000</u>	<u>0.761</u>	<u>15.244</u>

### 2. Key project milestones

<u>Description of project milestones</u>	<u>Delivered by 1 April 2010</u>	<u>Delivered by 1 April 2011</u>	<u>Delivered by 1 April 2012</u>	<u>Delivered by 1 April 2013</u>
<u>For funded construction works</u>			<u>East-West upgrade – provide evidence to show that:</u>  <u>Consents granted for XH route OHL deviation;</u>  <u>ITTs issued for all civil works, main substation plant, and OHL deviations at Smeaton, Currie, Kaimes;</u>	<u>East-West upgrade – provide evidence to show that:</u>  <u>ITTs issued for all civil works, main substation plant, and OHL deviations at Smeaton, Currie, Kaimes;</u>  <u>Contracts placed for all civil works,</u>

			<u>ITTs issued for 400kV cable and cable installation, and 400kV switchgear at Torness;</u>  <u>ITTs issued for XH Route OHL deviation / reinsulation;</u>  <u>Place contracts for all civil works, main substation plant, and relevant OHL deviations at Smeaton, Currie, Kaimes;</u>  <u>Place contracts for 400kV cable and cable installation, and 400kV switchgear at Torness;</u>  <u>Place contracts for XH Route OHL deviation / reinsulation.</u>	<u>main substation plant, and relevant OHL deviations at Smeaton, Currie, Kaimes.</u>
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### 3. Forecast output measures

<u>Description of output measures</u>	<u>By 31 March 2012</u>	<u>By 31 March 2013</u>	<u>Upon completion (if not completed by 31</u>
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<u>for funded construction works</u>			<u>March 2013)</u>
<u>East-West upgrade</u>	<u>Not complete.</u>	<u>Not complete.</u>	<u>By August 2015:</u>  <u>Uprate the Strathaven-Wishaw-Kaimes-Smeaton 275kV circuits to 400kV operation;</u> <u>Install a second cable per phase on the Torness-Eccles No.1 and No.2 400kV circuit.</u>

Funding allowed to the licensee by the Authority through provisions of Special Condition J12:

1. — Pre-construction and Construction costs

<b>project costs</b> <b>(£ million)</b> <b>2004/05 prices</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
Pre-construction cost allowance	0.000	0.000	0.000
Construction cost allowance	0.000	0.000	0.677
Average asset value ( $AAV_{ConTOInc}^1$ )	0.000	0.000	0.338
Depreciation (ConTOIncDepn <sup>1</sup> )	0.000	0.000	0.000

~~2. — Key project milestones~~

<del>Description of project milestones</del>	<del>Delivered by 1 April 2010</del>	<del>Delivered by 1 April 2011</del>	<del>Delivered by 1 April 2012</del>
<del>Linked to pre-construction allowance</del>			
<del>Linked to construction allowance</del>			<p><del><b>East-West upgrade</b></del>  <del>—provide evidence to show that:</del></p> <p><del>Consents granted for XH route OHL deviation;</del></p> <p><del>ITTs issued for all civil works, main substation plant, and OHL deviations at Smeaton, Currie, Kaines;</del></p> <p><del>ITTs issued for 400kV cable and cable installation, and 400kV switchgear at Torness;</del></p> <p><del>ITTs issued for XH Route OHL deviation / reinsurance;</del></p> <p><del>Place contracts for all civil works, main substation plant, and relevant OHL deviations at Smeaton, Currie, Kaines;</del></p> <p><del>Place contracts for 400kV cable and cable installation;</del></p>

			and 400kV switchgear at Torness;  Place contracts for XH Route OHL deviation/ reinsulation.
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### 3. ~~Forecast output measures~~

<del>Description of output measures</del>	<del>By 31 March 2012</del>	<del>Upon completion (if not completed by 31 March 2012)</del>
<del>East-West upgrade</del>	<del>Not complete.</del>	<del>By August 2015: Uprate the Strathaven- Wishaw-Kaimes-Smeaton 275kV circuits to 400kV operation; Install a second cable per phase on the Torness-Eccles No.1 and No.2 400kV circuit</del>