SP Transmission – detailed comments on draft RIIO T1 Financial Handbook issued July 2012

| Respondent details SP Transmission | | [Jeremy Blackford, Jeremy.blackford@scottishpower.com, tel. 0151 609 2346) | | | |
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| **No.** | **Condition number / RIIO tracking number** | **Condition name** | **Page/Paragraph Ref** | **Comments** | **Suggested alternative drafting (please use tracked changes wherever possible)** |
| | Glossary | | | How do these relate to definitions in the licence? e.g MOD term, SO, TO. | |
| | Introduction | | Page 6, 2<sup>nd</sup> paragraph | Forms part of Special Condition ETC57 | } }eliminate Inconsistency |
| | ET1 Price Control Financial Model and the Annual Iteration Process | | Page 10, para. 1.2 | Please review statement in first sentence regarding calculation of $MOD_t$ in light of ETC20, part C para. 20.6, where $MOD_t$ is described as difference between updated base revenue value and $PU_t$ value in licence. | Consistent definition of $MOD_t$ needed. |
| | ET1 Price Control Financial Methodologies | | Page 14, para 2.4 | The methodologies are subordinate to the special conditions of the licence | } |
| | ET1 Price Control Financial Methodologies | | Page 16, para 2.6 | Refers to the 'Finance Supporting Document' in the RIIO-T1 Final Proposals | Refer to fast-tracked proposals for SPTL and SHETL |
| | ET1 Price Control Financial Methodologies | | Page 17, para 2.10 sub-para headed Actual Expenditure | Is deflation to 2009-10 price necessary before entry to the PCFM or is it undertaken within the model? Which RPI data (e.g. average for regulatory year or March) is to be used | Clarify calculation for deflation to 2009-10 prices. Note para 4.8 says all inputs and outputs are in constant 2009-10 prices |
| | ET1 Price Control Financial Methodologies | | Page 18, para 2.11 | Does cost efficiency automatically reduce the licensee's notional equity issuance costs? | Clarify impact of cost efficiency on licensee's notional equity issuance costs |
| | Tax liability allowance adjustments driven by tax trigger events – financial adjustment methodology | | Page 26, para 4.1 | Sub-paragraphs start at (c) What is the cut-off date for existing rules etc? | Clarify cut-off date for existing rules, after which a tax trigger event may occur. Note the cut-off date for fast-tracked companies may be earlier than for others. |
| | Tax liability allowance adjustments driven by tax trigger events – financial adjustment methodology | | Page 27, para 4.8 | Deflation to 2009-10 prices on the basis of actual RPI data. | Clarify which RPI data (e.g. average for regulatory year or March) is to be used. Regulatory year basis would be preferable on consistency grounds. |

| | Corporate debt – allowed percentage cost financial adjustment methodology | | Page 36, para 5.8 | Omits credit rating of bonds | Refer to A and BBB rated bond indices |
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| | Corporate debt – allowed percentage cost financial adjustment methodology | | Page 37, para 5.10, sub-paragraph headed Step 2 | What is the definitive source of these Markit iBoxx series e.g. Bloomberg, Datastream or Mark-it?<br><br>Are the reference labels those of a particular data provider? | Clarify source of Markit iBoss series |
| | Corporate debt – allowed percentage cost financial adjustment methodology | | Page 38, para 5.10, sub-paragraph headed Step 3 | Series reference for i and r appear to be incorrect | i should be IUDMNZC<br>r should be IUDMRZC<br>Clarify source of data is Bank of England |
| | Wider Works Outputs – allowed expenditure financial adjustment methodology | | Page 46 , following blank paragraph 8.10 | Refers to RIIO-T1 Final Proposals | Refer to fast-tracked proposals for SPTL and SHETL |
| | Wider Works Outputs – allowed expenditure financial adjustment methodology | | Page 47, para 8.11 | Refers to paragraph 10.12 | Correct cross-reference |
| | Appendix 1 - Glossary | | Page 59 | Totex – a definition is also needed for ET totex | |

Supporting Document 4: Response template for RIIO-T1 & GD1- First licence drafting consultation