

By e-mail
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Your ref

Ikbal Hussain
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Our Ref

Date 22 January 2013

Contact / Extension

Jeremy Blackford
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Dear Ikbal

Statutory Consultation on RIIO ET1 Licence Modifications for SP Transmission

I am writing in response to the notices issued on 21 December 2012 in relation to the proposed licence modifications (special and standard conditions) for SP Transmission. I am also responding to the draft RIIO ET1 Financial Handbook issued with the licence notice.

We acknowledge the substantial work carried out by Ofgem and companies in developing these documents over some 18 months. We have some outstanding points, however, that we believe need attention in order to ensure as far as possible that these documents are accurate and robust. These are included in the attached comments tables and marked up versions of the licence conditions and Financial Handbook.

There are three specific issues that I would like to highlight in this letter.

1. *Special Condition 6I (Specification of Baseline Wider Works Outputs and Strategic Wider Works Outputs and Assessment of Allowed Revenue)*

We have previously pointed out to Grant and his team an apparent discrepancy in the licence baseline figures for Series Compensation in table 1 of this condition, and this is also mentioned in our attached comments.

2. *Special Condition 2M (Specification of Network Replacement Outputs)*

We have also contacted Ofgem regarding a discrepancy between Table 1 and Table 3 of the same condition. The attachment sets out the issue in more detail. We will send to Ofgem our proposed amended Table 1 to address this issue by the end of this week.

3. *Special Condition 6F (Baseline Generation Connection Outputs and Generation Connections volume driver)*

We have noticed a possible error in respect of the BSUE and BSHE values in table 1 of Special Condition 6F. We are discussing this with James Soundraraju at Ofgem and we will send to Ofgem the agreed amendment to address this issue by the end of this week.

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We would be happy to attend a meeting at your offices to clarify any of the points we have made

I hope that this is helpful but please contact me if you would like to discuss.

Yours sincerely



Jeremy Blackford
Regulation and Commercial
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cc. Grant McEachran (licence condition comments)
Peter Trafford (Financial Handbook comments)

Attachments Appendix - Detailed comment on Tables in Special Condition 2M (Specification of Network Replacement Outputs)
Marked up SPTL Special Conditions and Comments table
Comments Table on Standard Conditions (Electricity Transmission)
Marked up Financial Handbook and Comments Table

Appendix

SP Transmission - Special Condition 2M (Network Replacement Outputs)

Table 1 in Special Condition 2M, titled “Specification of Network Replacement Outputs” (Page 51), contains outputs volumes that include two non-load trigger projects (for the projects detailed in table 6.3 on page 49 of the RIIO T1 final proposals supporting document covering U and AT overhead line routes, and XD – XK – XM – XN overhead line routes). However Table 3 on page 54 sets out allowed expenditure which excludes these same non-load trigger projects. We therefore ask that Table 1 of Special Condition 2M is updated to remove the outputs associated with these trigger projects. Work is in hand to update Table 1 which we will send to you by the end of this week. .

Related to the above point, the RIIO-T1 Final Proposals state that these two non-load projects could be subject to within period determinations. The XD – XK – XM – XN overhead line refurbishment project would be triggered by the East Coast 400kV strategic wider works project, and the U and AT overhead line refurbishment project would be triggered through a combination of increased load related generation activity in the Scottish Borders, and addressing potential high 132kV easement costs. However, it is not clear in the current licence drafting how funding would be provided for these non-load projects other than through Special Condition 6I (“Specification of Baseline Wider Works Outputs and Strategic Wider Works Outputs and Assessment of Allowed Expenditure”) in which outputs are added to Table 3 of this condition following determination by the Authority. It is important that there is a mechanism for fully funding these significant high cost projects.