

Ian Marlee
Senior Partner
Smarter Grids and Governance: Transmission
Ofgem
9 Millbank
London
SW1P 3GE

Duncan Burt
Head of Commercial Operation
duncan.burt@nationalgrid.com
Direct tel +44 (0)1189 363131
Mobile +44 (0)7766 698321

www.nationalgrid.com

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Dear Ian,

NGET's Internal System Operator incentive scheme 2012/13:

Submission of Notice of proposed outage cost adjusting event under Special Condition AA5A Part 2(iv), paragraph 23 of National Grid Electricity Transmission plc's Transmission Licence

As part of the National Grid Electricity Transmission (NGET) System Operator (SO) Internal Scheme for 2012/13, NGET had an allowance for costs incurred for payments to Scottish Transmission Owners¹ (Scottish TOs) for the movement of outages, 'outage change costs' during the relevant year 2012/13 of £1,300,914.77².

Where actual costs vary from this figure by more than the materiality threshold of £300,000 (the outage threshold amount) then the licensee should submit an outage cost adjusting event notice to the Authority within three months of scheme end, which for the 2012/13 year is end-June 2013³.

For the relevant year 2012/13, NGET has incurred, or reasonably expects to incur, outage change costs totalling £247,511.73.

¹ The Scottish Transmission Owners are Scottish Power Transmission Limited and Scottish Hydro Electric Transmission Limited

² NGET's Transmission Licence, Special Condition AA5A, Part 2(ii), paragraph 15C put in place an allowance for outage changes (ONT) of £1,146,800 in 2009/10 prices. The formula in paragraph 15C allows an adjustment to the term ONT using the IRPI index which is defined in paragraph 15A. Consequently, the term ONT, adjusted to reflect 2012/13 prices for the relevant year commencing 1 April 2012, is equal to £1,300,914.77

³ Provisions of Special Condition AA5A, Part 2(ii), paragraphs 22 and 23 of the licence (as at 31st March 2013) set out the process to adjust the costs recovered through an outage cost adjusting event. As described within Paragraph 23(d) notice of an outage cost adjusting event should be submitted to the Authority not later than three months after the end of the relevant year.

In accordance with Special Condition AA5A Part 2 (iv), paragraph 23, the particulars of this notice are as follows:

- (i) The total estimated outage change cost for the relevant year 2012/13, at £247,511.73, is £1,053,403.04 less than the allowance of £1,300,914.77. The difference between the actual cost and the allowance is greater than the outage threshold amount of £300,000 and therefore NGET proposes that this constitutes an outage cost adjusting event under Special Condition AA5A Part 2 (iv), paragraph 22(a)(i).
- (ii) For the relevant year 2012/13, NGET has incurred, or reasonably expects to incur, outage change costs totalling £247,511.73.
- (iii) We therefore propose that the allowed income adjustment (ION_t) should be -£1,053,403.04. For the avoidance of doubt, we are proposing that our allowed income for Internal SO costs for the relevant year should be reduced by £1,053,403.04 to reflect the lower level of outage change costs incurred in the relevant year.
- (iv) Details of the individual outage change costs are contained in Annex 1 of this notice.

In Annex 1 we have provided a breakdown of these costs by individual outage change request.

Please do not hesitate to contact me or Lucy Hudson on 01926 653509 if you would like to discuss or request further information in regard of any of the matters raised in this notice.

Yours sincerely,



Duncan Burt

Annex 1 - Breakdown of outage change costs for 2012/13

Section A 2012/13 Outages already invoiced				
NG Ref No:	TOGA	Outage Description	TO Ref No:	Cost
SP-12-0001	SP070636	Wishaw 275/27kV SGT5	SPOCR0001-12	£1,000.00
SP-12-0002	SP100238, SP100649, SP110665, SP111400	KINCARDINE - KINTORE 275KV CCT	SPOCR0002-12	£181,671.18
SP-12-0004	SP120700	GLENROTHES - WESTFIELD	SPOCR0003-12	£1,000.00
SP-12-0005	SP110922, SP120861	CRYSTAL RIG - SMEATON & STRATHAVEN-TORNES	SPOCR0004-12	£28,447.80
Subtotal:				£212,118.98

Section B 2012/13 Outages to be invoiced				
NG Ref No:	TOGA	Outage Description	TO Ref No:	Cost
SSE-12-0001	SH41976	BEAULY-STRATHBRORA 275KV CCT	SSE/12/AA	£18,458.98
SSE-12-0002	SH39172, SH46072	Tealing SGT 1 / Tealing SR 1 Line Breaker L35	SSE/12/BB	£2,846.27
SSE-12-0003	SH39391	KILLIN - ERROCHTY (ELW)	SSE/12/CC	£8,942.50
SSE-12-0004	SH39176	TEALING 275 kV SVC TEAL SCT1/SVC	SSE/12/EE	£942.50
SSE-12-0005	SH30346	Kintore SR 3	SSE/12/DD	£4,202.50
Subtotal:				£35,392.75
Total				£247,511.73