



Inveralmond House  
200 Dunkeld Road  
Perth PH1 3AQ

Sheona Mackenzie  
Senior Policy Manager, Electricity Transmission  
Ofgem  
3<sup>rd</sup> Floor, Cornerstone  
107 Regent Street  
Glasgow G2 2BA

email: Malcolm.burns@sse.com  
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Dear Sheona,

## **Consultation on the proposed Kintyre Hunterston reinforcement**

SSE welcomes Ofgem's consultation on its project assessment, under the RIIO-T1 Strategic Wider Works (SWW) arrangements, of the proposed Kintyre Hunterston reinforcement. This project is the first that SHE Transmission has sought funding for under the new SWW process. We have worked closely with Ofgem and its consultants to ensure that all necessary information has been provided to allow a comprehensive project assessment to be undertaken.

We note Poyry's independent assessment of the project and Ofgem's initial views on the proposed SWW output and allowed expenditure. Whilst we are generally comfortable with Ofgem's initial views we do believe there has been a misunderstanding around the purpose and certainty of 'provisional sums' as set out in our costs and outputs submission. These 'additional scope items' (ASIs) are not the same as conventional risks or contingency allowances and should not therefore be considered as part of the risk pot or treated as such. For this reason, we strongly disagree with the assessment undertaken by Poyry.

ASIs are included within the appropriate elements of our detailed cost estimate to provide an essential cost provision that enables us to effectively manage the project delivery. ASIs have historically arisen during project delivery from known events that cannot be adequately defined at the outset. Examples include slope stability determination, sea-bed compaction and stability, horizontal directional drilling in non-homogeneous rock formation and unpredictable weather conditions. These are certain costs, for certain required tasks; what is different is that the activity that drives the cost is uncertain until the project is underway. We have therefore used our experience from previous projects to provide a best estimate where we have identified the need for an ASI in particular elements of our detailed cost estimate. ASIs will inevitably lead to an increase in cost through contractual provisions as registered by the respective Contractor or Supplier. Their prudent use therefore aligns with best project management practice.

As such, we strongly disagree with Poyry's recommended removal and reallocation of our 'provisional sums' into the risk register in effect disallowing a valid cost item and exposing SHE Transmission to undue additional risk. We firmly believe that these ASIs are legitimate costs which, based upon historic evidence, will happen during the delivery and execution. We would welcome further discussion with Ofgem on this matter before it determines on the project assessment and suggest this topic is on the agenda for the proposed project review meeting planned for 26 October.

Yours sincerely,

Malcolm J. Burns  
**Senior Regulation Manager**