

Ian Marlee
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Dear Ian,

CMP213 Project TransmiT – ScottishPower additional memorandum

I am writing in response to your open letter dated 16 December 2013, which updated on Ofgem's progress in respect of Project TransmiT and detailed the likely next steps.

In particular, the letter suggested that in principle April 2015 was now considered to be a more appropriate implementation date and that alternative information on the modelling of the impact of Ofgem's minded to position had been received very late in the consultation process.

Whilst we remain of the view that April 2014 would have been a wholly appropriate date for implementation of CMP213, given the extended period of time that these proposals have been under consideration and the potentially negative impacts on new low carbon generation projects currently under development, we agree that this is now impracticable.

We are reassured that Ofgem's minded to position to implement WACM2 remains unchanged at this time. In support of this position we have conducted a review of the new evidence presented to Ofgem, in particular the evidence prepared by NERA Economic Consulting and Imperial College London on behalf of RWE npower dated 9 October 2013 "Project TransmiT: Modelling the Impact of the WACM2 Charging Model". We consider that this new evidence is unreliable in a number of material areas including the assumptions made around power purchase costs, plant closures, new generation build, carbon savings and the impacts on transmission system investment. Accordingly, we do not believe it constitutes a sufficient reason for Ofgem to reverse the clear vote of the panel in favour of WACM2 or the other options that were also supported.

The attached memorandum provides some additional detail on our main areas of concern with the additional evidence presented to Ofgem, which we would ask to be taken into consideration in the Authority's final decision on this proposal.

Yours sincerely,



Rupert Steele
Director of Regulation