



**SP ENERGY
NETWORKS**

Regulation & Commercial

Thomas Mackenzie
Ofgem,
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Date
19th August 2014

Contact
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Dear Tom,

Statutory consultation on changes to licence condition CRC 14 in relation to closing out the DPCR4 losses incentive mechanism

We welcome Ofgem's proposal to amend special licence condition CRC14 in order to ensure that licensees are not unfairly penalised for under/over recoveries of revenues as a result of closing out the DPCR4 losses incentive mechanism.

The amendment to CRC14 as drafted in the statutory consultation correctly reflects the objective by providing for the value for the penalty interest rate adjustment ('the PRt term') applied to the licensees in any Regulatory Year to the over and under recoveries of revenue, to be set in a direction given by the Authority. This ensures that licensees are not unfairly penalised.

Yours sincerely,

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