

To:

SP Transmission plc
Company Number SC189126
1 Atlantic Quay
Robertson Street
Glasgow
G2 8SP
Great Britain

NOTICE UNDER SECTION 11A(2) OF THE ELECTRICITY ACT 1989

The Gas and Electricity Markets Authority (the Authority) hereby gives notice pursuant to section 11A(2) of the Electricity Act 1989 (the Act) as follows:

1. The Authority proposes to modify the electricity transmission licence held by SP Transmission plc (SPT) granted or treated as granted under section 6(1)(b) of the Act by correcting the calculation of the annual incentive revenue allowance for projects undertaken under the Transmission Investment for Renewable Generation (TIRG) mechanism in paragraph 3J.7 of Special Condition 3J (Transmission Investment for Renewable Generation).
2. The reason why the Authority proposes to make this licence modification is to correct errors in the formula in paragraph 3J.7 that were inadvertently introduced by modifications made for RIIO-T1.¹ The formula determines the term $ETIRG_t^i$. $ETIRG_t^i$ is the annual incentive revenue allowance for each TIRG project and is calculated for each of the five years following the end of construction. If the errors are not corrected, in years where SPT has TIRG projects that are within the incentive revenue period, the annual allowed revenue for SPT could be calculated incorrectly.
3. The effect of the proposed modifications is to ensure that the correct post-construction allowance is provided for each TIRG project undertaken by SPT, in line with the policy aims of the TIRG mechanism. Specifically, we propose that:
 - a. in the formula for $ETIRG_t^i$ the two $SAFTIRG^i$ terms are corrected to refer to $SAFRTIRG^i$;
 - b. in the same formula, the $ETIRGC_t^i$ term should be multiplied by the $SAFRTIRG^i$ term rather than be added to it;
 - c. the first definition of $SAFTIRG^i$ is corrected to refer to $SAFRTIRG^i$
4. A copy of the proposed modifications has been published alongside this Notice (in Appendix A to this notice) and is available on the Ofgem website (www.ofgem.gov.uk).
5. Any representations with respect to the proposed licence modifications must be made on or before 21 November 2014 to: Thomas Johns, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to Thomas.Johns@ofgem.gov.uk
6. All responses will normally be published on Ofgem's website. However, if respondents do not wish their response to be made public then they should clearly

¹ RIIO-T1 refers to both the Transmission Price control period that covers the period 2013-2021 and the work that went into setting the associated regulatory arrangements, including modifications to associated licence conditions. Further detail on the RIIO-T1 price control can be found here: <https://www.ofgem.gov.uk/network-regulation---riio-model/riio-t1-price-control>

mark their response as not for publication. Ofgem prefers to receive responses in an electronic form so they can be placed easily on the Ofgem website.

7. If the Authority decides to make the proposed modifications it will take effect not less than 56 days after the decision is published.

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Kersti Berge
Partner, Electricity Transmission
Duly authorised on behalf of the
Gas and Electricity Markets Authority

24 October 2014

Appendix A: Proposed modifications to paragraph 3J.7 of Special Condition 3J in SPT's Transmission Licence

1. In paragraph 3J.7, in the formula for $ETIRG_t^i$, for the term " $ETIRGC_t^i +$ " **substitute** " $ETIRGC_t^i \times$ ".
2. In paragraph 3J.7, in the formula for $ETIRG_t^i$, for each occurrence (twice occurring) of the term " $SAFTIRG^i$ " **substitute** " $SAFRTIRG^i$ ".
3. In paragraph 3J.7, after the definition of $ETIRGC_t^i$, for the first occurrence of the term " $SAFTIRG^i$ " **substitute** " $SAFRTIRG^i$ ".