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for energy consumers

Company Secretary
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Date: 15 September 2015

Dear Company Secretary,

Approval of statement pursuant to paragraph 6 of Special Condition 8C (Basis of transmission owner charges) of SHE Transmission plc's electricity transmission licence.

In July 2015 we invited views on proposed changes to SHE Transmission plc's (SHE Transmission) and SP Transmission plc's (SPT) Statements of the Basis for Transmission Owner Charges. These statements show the basis on which SHE Transmission and SPT will charge National Grid Electricity Transmission plc (NGET) for the services it provides. The statements are revised annually.

This letter sets out the reasons for our decision to approve changes to the charging statement for SHE Transmission. It also states our intention to change the way in which we approve the charging statements in future.

Background

SHE Transmission and SPT own the high-voltage transmission networks in the north and south of Scotland respectively. They provide services to NGET, the system operator for the national electricity transmission system, who provides transmission services to users of the electricity transmission network. The Scottish TOs charge NGET for these services and NGET pass these charges on to users.

Under their respective Electricity Transmission Licences (the Licences), SHE Transmission and SPT must have a statement, approved by the Authority, showing how they will charge NGET for the services provided. The statements can be used by NGET or parties seeking to connect to the Scottish TOs' transmission systems to estimate the charges they may be subject to.

The statements cover charges for the following services:

- Transmission Owner (TO) services
- connections to the licensees' transmission system
- outage charges

Connection charges are bespoke, ie they're based on the actual costs of a given connection. Therefore, the statement only provides indicative charges for connection assets from which parties seeking to connect to the transmission system can estimate the possible connection charge.

Under Special Condition 8C(5) of the Licences, SHE Transmission and SPT must revise these statements at least once a year to ensure that the information set out in these continues to accurately reflect how the TOs charge. Special Condition 8C(6) of the Licences further requires that the Authority approve any changes which are made.

We note that our approval of the TOs statements is based on whether these statements accurately reflect how the TOs charge for the services described. It does not in any way constitute approval of the TOs actual charges for providing services.

SHE Transmission's Proposed changes

In response to our consultation on the 2014/15 statements, concerns were raised that there were significant differences between the indicative charges for SHE Transmission and SPT¹. Since then, the two companies have worked with NGET to develop a more consistent approach to calculating their indicative charges for connection assets. This is reflected in revised indicative charges for connection assets in the 2015/16 charging statements together with additional notes explaining what the indicative charges include.

Both TOs have also made changes to daily charge-out rates for different grades of staff.

Response to consultation

We received one response to our consultation from NGET. They encourage SHE Transmission and SHE transmission to ensure future versions of the Scottish TO's charging statements remain consistent with a number of potential future changes to the Connection and Use of System Code.

Our views

We welcome the changes SPT have made in conjunction with SHE transmission to improve the consistency of their indicative charges for connection.

We note and welcome NGET's response. We encourage all TOs to continue to work together to ensure the statements accurately reflect future changes to the CUSC and to facilitate the timely and co-ordinated submission of charging statements to us each year.

¹ We discussed this in our decision on the 2014/15 statements which can be found here <https://www.ofgem.gov.uk/electricity/transmission-networks/charging>

Authority's decision

We have considered whether the proposed changes in the statement submitted by SHE Transmission are consistent with the requirements of Special Condition 8C (5) of the Licenses and SHE Transmission's wider licence and statutory obligations. We have also taken into account our principal objective and general duties in considering the statement. We are satisfied that approval of the changes to the statement is consistent with these.

Pursuant to Special Condition 8C (6), the Authority hereby approves the revisions in the statement annexed to this letter.

Changes to our approach to approving the statement

We also note that we are currently developing proposals to improve the process for producing and approving the Scottish TOs' charging statements. We expect to consult on these proposals in October 2015.

If you have any queries about this letter, please contact Donald Smith on 0141 331 6014 or at donald.smith@ofgem.gov.uk.

Yours faithfully,

Kersti Berge

Partner, Transmission

Duly authorised on behalf of the Authority