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Dear Tom,

**Consultation on SP Transmission Ltd's opening asset value for the B5 Boundary electricity transmission project**

On behalf of Scottish Hydro Electric Transmission (SHE Transmission), we read with interest the consultation on the proposed regulatory treatment for the Scottish Power Transmission (SPT) B5 Boundary project. Our response to the consultation questions are provided below.

**1. Do you agree that the OAV should equal the value specified in the TIRG condition for the B5 Boundary project?**

The consultation letter states that the costs were incurred efficiently and, on that basis, we agree that the OAV should equal the value specified in the TIRG condition, in accordance with the principles with the TIRG mechanism.

We note Ofgem's view that as the scope of works has not changed, the expenditure must be efficient as it is less than the forecast. We believe this is a reasonable conclusion for relatively simple projects but would note that more complex projects may require a more comprehensive assessment of efficiency.

**2. Do you agree that the post-construction period should have started in 2011-12?**

As the consultation letter states that the outputs were delivered in 2010-11, we agree that the post-construction period should start in 2011-12.

**3. Do you agree that SPT should restate its historical allowed project revenues for the B5 project to account for it entering the post-construction period one year too early?**

We agree that the approach proposed seems to be proportionate, giving consideration to the detriment (or lack of) suffered by consumers. We welcome the improvement in Ofgem's methodology from previous determinations.

**4. Do you agree that SPT should also restate its historical allowed project revenues for the Beaulieu-Denny project to account for the historical reduction in revenue allowance specified in the November Asset Value Adjusting Event (AVAE) decision?**

We agree with this approach as a proportionate treatment of such matters and welcome the precedent that the intent should be to restate incorrect historical allowed revenues rather than impose a more penal adjustment.

**5. Is there any other relevant information that we should take into account?**

We remain concerned that the opening asset values for TIRG projects are not being assessed in a timely manner. Similar to our response to the consultation on the opening asset value for SPT's component of the Sloy project, we do not know the factors that have delayed the assessment of the opening asset value for this project.

Yours sincerely,

Jen Carter

**Networks Regulation, Transmission**

