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for energy consumers

Company Secretary
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Date: 6 July 2016

Dear Company Secretary,

Approval of the form of SP Transmission plc's charging statement for 2016/17.

SP Transmission plc's (SPT) charging statement shows the basis on which SPT charge National Grid Electricity Transmission plc (NGET) for the services it provides. The statement are is revised annually. This letter sets out the reasons for our decision to approve the form of SPT's charging statement for the charging year 2016/17.

Background

SPT owns the high-voltage transmission network in south of Scotland. 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. SPT charges NGET for these services and NGET passes these charges on to users.

Under their respective Electricity Transmission Licences (the Licences), SHE Transmission and SPT must have a statement showing how they will charge NGET for the services provided. The form of this statement must be approved by the authority. This statement 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 the form of the statement each year.

We note that our form approval of SPT's statement 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. We have recently made changes to how we approve SPT's charging statements to make this clear and to streamline the process for approval.¹

SPT's Proposed changes

SPT propose to change the date from 2015 to 2016 and to add an illustrative list of 'abnormal services' which may be reflected in the site specific charges. These are:

- *progression of work required other than in an orderly fashion in accordance with normal engineering policies and practices thus imposing additional costs;*
- *transformer/Substations sites not provided to SPT in suitable locations at normal prices or rents, taking account of both cable access and access by personnel;*
- *loads with abnormal characteristics, which affect the security standards of service on the system, for example, arc welders and large motors.*

Authority's decision

We have considered whether the proposed changes in the statement submitted by SPT are consistent with the requirements of Special Condition 8C (5) of the Licenses and SPT'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. We consider that the illustrative list of abnormal services will help connecting customers to understand additional costs they may face.

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

This letter constitutes a notice pursuant to section 49A of the Electricity Act 1989.

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,

Frances Warburton

Partner, Energy Systems

Duly authorised on behalf of the Authority

¹ Further information is available on our website <https://www.ofgem.gov.uk/publications-and-updates/decision-modify-special-condition-8c-basis-transmission-owner-charges-and-change-way-statements-basis-transmission-owner-charges-are-produced>