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Dear Thomas,

Minded-to consultation on SHE Transmission's additional funding request and opening asset value for the Beaulieu-Denny electricity transmission project

Thank you for the opportunity to respond to the above consultation. This is a non-confidential response on behalf of the Centrica Group, excluding Centrica Storage.

We have not been able to form a view on the impact of the proposed Asset Value Adjusting Event (AVAE) and Opening Asset Value (OAV) on project and allowed revenues or the appropriateness of the proposed OAV. We have not been able to reconcile the values presented in the consultation with the results of our modelling based on the data in Schedule C of SHETL's transmission licence, data in determinations on other applications for additional allowances and AVAEs and the algebra in Special Condition 3J. In order to provide a view on the appropriateness of the proposed adjustments to project revenues we would need the data that would allow us to derive the values from the algebra in Special Condition 3J.

We continue to believe that forecasts of the impact on allowed revenues should be included in consultations of this nature¹, in order to improve the transparency and predictability of network charges. We continue to believe such forecasts are beneficial to stakeholders. Including a forecast of the impact on SHETL's allowed revenues and the timing of the recovery of retrospective project revenues would have assisted us, and other stakeholders, to engage with this consultation.

We hope you find these comments helpful. Answers to the consultation questions are below. Please contact me if you have any questions.

Yours sincerely,

Andy Manning
Director, Network Regulation, Forecasting and Settlements

¹ See British Gas response. <https://www.ofgem.gov.uk/publications-and-updates/consultation-sp-transmission%E2%80%99s-request-amended-revenue-allowance-beaulieu-denny-project>

Answers to consultation questions:

Question 1. Do you agree that the additional £26.9m should be reflected in revenues during the construction and post-construction periods?

Question 2. Do you agree that the Opening Asset Value for SHE Transmission's part of the project should be set at £453.9m

We have not been able to fully assess the impact of the proposals on either project or allowed revenues. We have not been able to reconcile the values presented in the consultation with the results of our modelling based on the data in Schedule C of SHETL's transmission licence, data in determinations on other applications for additional allowances and AVAEs and the algebra in Special Condition 3J.

Question 3. Is there any other relevant information that we should take into account before finalising our decision?

We continue to believe that forecasts of the impact on allowed revenues should be included in consultations of this nature², in order to improve the transparency and predictability of network charges. Including a forecast of the impact on SHETL's allowed revenues and the timing of the recovery of retrospective project revenues would have assisted us, and other stakeholders, to engage with this consultation.

² See British Gas response. <https://www.ofgem.gov.uk/publications-and-updates/consultation-sp-transmission%E2%80%99s-request-amended-revenue-allowance-beaulieu-denny-project>