

Transmission licensees,
generators, suppliers, consumer
groups and any other party who
has an interest in the
transmission arrangements

Direct Dial: 020 7901 7046
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Date: 30 November 2015

Dear Stakeholder,

Decision on National Grid Electricity Transmission plc's Opening Asset Value for the England-Scotland Interconnector project

The England-Scotland Interconnector project is an electricity transmission investment to increase network capacity between England and Scotland. It has been jointly delivered by National Grid Electricity Transmission plc (NGET) and SP Transmission Limited (SPT).

The project is funded under the Transmission Investment for Renewable Generation (TIRG) mechanism. The TIRG conditions¹ require us to determine the post-construction Opening Asset Value (OAV).² This letter determines the OAV for NGET's part of the project, which, in turn, determines the revenue that NGET receives for the project during the 5 years following construction.

We consulted in October 2015 on our proposals for the OAV and the year in which the 5-year post-construction period should begin.³

Our decision

- The OAV will equal the forecast OAV set out in NGET's licence, £105.983 million.
- The post-construction period will begin in 2011-12, the year after the project outputs were delivered.

Our decision confirms the proposals we put forward in our consultation. We are satisfied that NGET has appropriately complied with the overall output to deliver the additional boundary capability in 2010-11, as envisaged by the original funding arrangements.

The figure of £105.983 million represents the value of the final works at the end of construction that was forecast in NGET's licence, £120.755 million, less the amount already recovered through depreciation by NGET during construction. The actual cost incurred by NGET was £122.160 million. We have based the OAV on the forecast cost, in

¹ Special Condition 3J of National Grid Electricity Transmission's electricity transmission licence

² For each TIRG project, the forecast OAV set out in Schedule C of the TIRG condition is referred to as "ETIRGORAV", whilst the OAV that we are determining here after construction is referred to as "SAFTIRG"

³ <https://www.ofgem.gov.uk/publications-and-updates/consultation-national-grid-electricity-transmission-s-opening-asset-value-project-england-scotland-interconnector>

line with the TIRG policy intent to incentivise efficient delivery. The overspend will therefore not be shared with consumers during the post-construction period.

Our consultation document gives further details on the project and our reasoning.

Response to our consultation

We received one response, from NGET. It welcomed our view that it had delivered the required output measures and agreed with our proposed OAV and year for commencement of the post-construction period.

Next steps

Our decision confirms NGET's revenue allowances for the project for the post-construction period (from 2011-12 to 2015-16) which have already been set in NGET's licence. No amendment to these allowances is needed.

Should you wish to discuss the issues raised in this document, please contact Thomas Johns at thomas.johns@ofgem.gov.uk or on 020 7901 7046.

Yours faithfully,



Geoff Randall,
Head of RIIO, Electricity Transmission