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for energy consumers

Company Secretary
Scottish Hydro Electric Transmission plc
Inveralmond House
200 Dunkeld Road
Perth PH1 3AQ

Email: David.McCrone@ofgem.gov.uk

Date: 11 May 2018

Dear Company Secretary,

Approval of the form of SHE Transmission plc's charging statement for 2017/18

SHE Transmission plc's (SHE) charging statement shows the basis on which SHE charge National Grid Electricity Transmission plc (NGET) for the services it provides. The statement is revised annually. This letter sets out the reasons for our decision to approve the form of SHE's charging statement for the charging year 2017/18.

Background

SHE owns the high-voltage transmission network in North of Scotland. SHE provides services to NGET, the system operator for the national electricity transmission system, which provides transmission services to users of the electricity transmission network. SHE charges NGET for these services and NGET passes these charges on to users.

Under their respective Electricity Transmission Licences (the Licences), SHE and Scottish Power Transmission (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, i.e. they are 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 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 SHE's statement is based on whether it accurately reflects **how** SHE charges for the services described. It does not in any way constitute approval of SHE's actual charges for providing these services. We have recently made changes to how we approve SHE's charging statements to make this clear and to streamline the process for approval.¹

SHE's proposed changes

SHE propose to make the following changes to the form of their statement.

- Add an explanation of capital contributions towards connections in line with 'CMP248 *Enabling capital contributions for transmission connection assets during commercial operation*'²
- Add a number of minor non material changes for additional clarity or to align wording with the CUSC.

Authority's decision

We have considered whether the proposed changes in the statement submitted by SHE are consistent with the requirements of Special Condition 8C (5) of its Licence and SHE'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 form of 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 341 3993 or at David.McCrone@ofgem.gov.uk.

Yours faithfully,

Chris Brown

Head of Electricity Network Charging, 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>

² <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Modifications/CMP248/>