



To: Generators, Suppliers, Distribution Network Operators, Ofgem, System Operator, Other Interested Parties

From: National Grid, Scottish Hydro Electric Transmission, Scottish Power Transmission

13th March 2017

Dear Colleague,

Network Output Measures: ensuring we deliver value for money

Thank you for your input so far in helping us, the UK's onshore electricity transmission network owners (Transmission Licensees), shape how we will run our businesses under the RIIO-T1 price control regime.

One aspect of this regime is the Network Output Measures arrangements. These aim to make sure the Transmission Licensees invest consumers' money wisely in their networks. This includes ensuring that we invest in the right assets at the right time – minimising the burden on current customers without creating unnecessary costs for future customers, and showing that our investments meet our statutory and licence obligations.

We have a methodology that sets out how we calculate these Network Output Measures. This is based on a number of factors, including asset condition and criticality (how critical the asset is to the network). This allows us to define a monetised value of the risk associated with the lead assets on our network

Special Condition 2M of the Electricity Transmission Licence describes a set of network replacement outputs, which define the level of network risk that will be left on the transmission systems on 31 March 2021 (the end of RIIO-T1). These outputs enable us to identify the work we need to do to manage our assets, so we can deliver a known level of network risk. The aim is to assure our stakeholders that we will maintain our network performance in future price control periods.

The amended methodology statement with our proposed changes has been uploaded onto each Transmission Licensee's website. We have also written a summary document, which outlines the changes we have proposed and includes a set of questions which we would like you to consider. You can find these at:

NGET: <http://www.talkingnetworkstx.com/current-consultations.aspx>

SP Transmission: www.spenergynetworks.co.uk/pages/tnoms

SHE Transmission: <https://www.ssen-transmission.co.uk>

We are also planning two workshops where we will present our proposals and give you the opportunity to ask questions and provide feedback. These will be held at the Grand Central Hotel in Glasgow on 21st of March and at the Radisson Blu Grafton in London on 23rd of March.

The format of the events will be identical and all three transmission owners will be present at each one. We would be very pleased if you are able to join us at either event. If you would like to attend, please contact us at any of the email addresses below

NGET: Box.ETAM.NOMsConsultation@nationalgrid.com

Scottish Power Transmission: TNOMsConsultation@spenergynetworks.co.uk

SHE Transmission: transmission.review@sse.com

Even if you are unable to join us at one of the workshops, we would be pleased to receive your feedback on the proposals. If you would like to submit a comment or question please contact us via any of the email addresses above by 31st March 2017, with the consultation running for the statutorily required period. The Transmission Licensees will work together to collate these comments and will respond to you accordingly.

Thank you again for your interest in our work - we look forward to hearing from you.

Yours faithfully,

David Wright
Electricity Transmission Asset Management Director, National Grid

Craig McTaggart
Acting Head of Transmission Network, Scottish Power Transmission

Heather Bain
Asset Manager, Scottish Hydro Electric Transmission