



Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

Giuseppina Squicciarini
Head of Regulatory Economics
Ofgem
9 Millbank
London
SW1P 3GE

Telephone: 01738 512909
Email: Claire.Ratthey@SSE.com

Date: 8th July 2011

Dear Giuseppina

National Grid Electricity Transmission System Operator Incentives from 1 April 2011

Thank you for providing SSE with the opportunity to comment on the above consultation. We have not provided detailed responses to the consultation questions. However, we would like to take the opportunity to reiterate our high level views.

We believe that Ofgem's final proposals provide a fair balance of risk and reward, and will improve the transparency and the accuracy of the scheme. We also welcome the introduction of the licence conditions which place a requirement on NGET to improve its modelling capability, and to further refine its methodology prior to the implementation of the next multi year SO incentive scheme.

We welcome the level of scrutiny Ofgem have given to the review. However, we note that the new incentive scheme will take effect after at least three months of the financial year have passed. We understand the reasons for delay. Nevertheless, we do not believe that the scheme should be applied retrospectively: by definition applying the mechanism retrospectively cannot influence NGET's behaviour.

Although we support the proposed methodology, and support the introduction of multi year incentive schemes, our concerns still remain in regards to the introduction of such a fundamental change in methodology over more than a one year period. Our preference would be for the new methodology to be tested over a one year period. If it were then found to deliver the desired outcomes, we would support the extension of the scheme to a multi year basis.

We understand that Ofgem does not intend to publically consult on the scheme within the two year period. However, we would gain some comfort if Ofgem were to conduct a mid point review of the new methodology to ensure it is on track to deliver the desired outcomes.

We hope you find this information useful. If you would like to discuss any of the point raised in more detail, please do not hesitate to contact me.

Yours sincerely

Claire Ratthey
Regulation