

The Viscount Ridley DL
House of Lords
London
SW1A 0PW

18 February 2020

Dear Lord Ridley,

I have been asked by Lord Duncan of Springbank to answer your questions (HL467, HL468 and HL469) in relation to the Western Link high-voltage direct current (WHVDC) subsea cable.

You asked what annual standing charge on the consumer has been permitted by Ofgem to the owners of the WHVDC between Hunterston and Deeside; and for how many years that charge has been permitted.

Annual electricity transmission revenues for the relevant regulated network companies are allocated to consumers via the transmission network charging regime. There is no direct link between a specific transmission project or link and the charge on a consumer's bill. However, we have provided the outputs of analysis to show the approximate impact of the WHVDC project on the average residential electricity customer.

The total allowance for the WHVDC was £1.3bn in today's price base. This allowance is then charged to users of the system via their energy bills. The impact of the WHVDC on an average residential bill (assuming 3.1 MWh residential consumption) is approximately 80p in 2019/20 in nominal terms.

All capital investments are returned to the transmission companies within 45 years, the depreciation rate set by Ofgem to reflect asset lives. The cost per household will therefore be lower as time passes to reflect the declining value of the asset.

You asked what plans, if any, the government will have to require Ofgem to publish the calculations behind the approved rate of return allowed to the owners of the Western Link interconnector.

The allowances for the network companies, including the allowance for WHVDC, are publicly available. These were made available as part of Ofgem's final determination of the RIIIO-T1 price control. Both the [National Grid Electricity Transmission's](#) and [Scottish Power Transmission's](#) final proposals can be found on the Ofgem website.

Lastly, you asked if there are any plans to investigate the late delivery of the WHVDC and whether negligence in construction or operation of that interconnector may expose consumers to additional costs.

On 28 January 2020, we launched an investigation into National Grid Electricity Transmission and Scottish Power Transmission for the delivery and operation of the WHVDC.

The investigation will review the performance of National Grid Electricity Transmission and Scottish Power Transmission in delivering the cable. It will consider whether its late delivery means they breached special licence condition 6I of their Electricity Transmission Licences, which specifies the expected delivery date of the WHVDC subsea cable. Additionally the investigation will consider compliance with standard licence condition D2 (provision of transmission services) and section 9(2) of the Electricity Act 1989 (provision of economical, efficient and co-ordinated services). The investigation will also examine potential breaches relating to the operation of the cable.

The opening of this investigation does not imply that we have made any findings about non-compliance by National Grid Electricity Transmission or Scottish Power Transmission.

In regard to any additional costs to which consumers may be exposed, delays to the project may have, in some cases, resulted in additional costs to the system in the form of constraint costs. As part of our investigation we will consider how much, if any, can be attributed to any licence breaches we might find, and whether it is possible and appropriate to require the return of any such costs to consumers.

I hope this information will address your questions, but if I can be of further assistance in this or any other matter, please don't hesitate to let me know. A copy of this letter will also be placed in the House of Lords library.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'JBearley', written in a cursive style.

Jonathan Brearley
Chief Executive