

RIIO-2 Team
RIIO Price Controls
Ofgem
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Date
17 June 2021
Contact / Extension
Lynne Bryceland
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Dear Timothy,

RIIO-2 Strategic Innovation Fund – statutory consultation on licence conditions (RIIO-2 Strategic Innovation Fund (SIF) Consultation)

This response is from SP Transmission (SPT) which holds the transmission licence for the south and central Scotland. SPT is part of SP Energy Networks (SPEN) and the wider Iberdrola group. We welcome the opportunity to respond to the RIIO-2 Strategic Innovation Fund (SIF) Statutory Consultation. We are supportive of the introduction of the SIF and look forward to building on our track record of identifying and delivering innovative solutions to network issues.

SPT has comments on the draft RIIO-2 SIF licence condition (the RIIO-2 SIF Licence Condition) included by Ofgem in the RIIO-2 SIF Statutory Consultation, which we detail below. References to drafting are references to the draft RIIO-2 SIF Licence Condition as issued by Ofgem on 20 May 2021.

1. Price Control Financial Model (PCFM)

The SIFt term has been added to the Price Control Financial Handbook (PCFH), but has not yet been added to the PCFM, which needs to be updated.

2. Special Licence Condition 5.8.10

We cannot comment on whether or not SPT can comply with the SIF Governance Document, since the draft SIF Governance Document has only recently been published by Ofgem on 2 June 2021. Comments are due to Ofgem on the draft SIF Governance Document by 30 June 2021 (i.e. after the due date for representations on the RIIO-2 SIF Statutory Consultation). We are therefore currently in the process of reviewing the draft SIF Governance Document. We reserve our rights to comment fully on this obligation until we have reviewed the draft SIF Governance Document and we have responded to Ofgem's consultation on the draft SIF Governance Document.

Given the timing of any decision to be made by Ofgem on the draft SIF Governance Document and the RIIO-2 SIF Statutory Consultation, Ofgem should consider postponing making a decision on

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the RIIO-2 SIF Statutory Consultation until licensees have had an opportunity to comment on the draft SIF Governance Document and review any decision made by Ofgem on it.

3. Special Licence Condition 5.8.10 Part D

Part D of the RIIO-2 SIF Licence Condition provides a mechanism for the Authority to direct changes to the SIF Governance Document, with 28 days consultation. However, the SIF Governance Document contains the majority of the key provisions upon which this RIIO-2 SIF Licence Condition relies. It is inappropriate that the Authority can change the SIF Governance Document following a 28-day consultation with no obligation on the Authority to take account of representations which are duly made. Part D should therefore also contain a provision requiring the Authority to consider any representations that are duly made.

We provide comments in this response on the draft RIIO-2 SIF Licence Condition with a view to working with Ofgem to ensure that this condition operates fairly, consistently, transparently, proportionately and cohesively.

Our comments and this letter are submitted to Ofgem entirely without prejudice to SPT's rights, including those under the Electricity Act 1989, and SPT's ongoing appeal of the RIIO-T2 licence modifications to the Competition and Markets Authority. All of SPT's rights are reserved.

Yours sincerely,



Lynne Bryceland
Policy and Licence Manager