

Timothy Wood

By email: Timothy.Wood@ofgem.gov.uk

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Dear Timothy

RIIO-2 Strategic Innovation Fund – Statutory Consultation on Licence Changes

Thank you for the further opportunity to respond to the proposed changes to the RIIO-2 Strategic Innovation Fund (SIF). SSEN is the trading name of Scottish Hydro Electric Transmission plc (SSEN Transmission), Scottish Hydro Electric Power Distribution plc (SHEPD), and Southern Electric Power Distribution plc (SEPD). As before, this response is submitted on behalf of those licensees.

In our previous response we noted that we were awaiting the provision of the SIF Governance Document. With this now being available we will take the time to review and establish how it helps with explaining requirements and the process at each stage before responding through the separate consultation on the document itself. We look forward to helping to shape positive changes when any such opportunity becomes available.

Having reviewed the provided issues log, we have noted that our previous comments submitted as part of our response of 6 May are not included. To ensure Ofgem have reference to these, please find the enclosed Annex and attached document that reiterates feedback provided to help inform the licence conditions.

Yours sincerely

Josh Henderson
Senior Regulation Analyst

Annex – SSEN feedback on Electricity Transmission (TO): Special Condition 5.8. The strategic innovation fund (SIFt)

Part A: Determination of the SIFt term, condition xx.4

This condition should take the form of a formula with separate terms of SIF Funding and SIF Returned Project Revenues. This will provide clarity to transmission licence as to the SIF Funding allowances to deliver Eligible SIF Projects with Ofgem able to determine adjustments to SIFRt in accordance with Part B (i.e. SIF Returned Project Revenues).

This approach is consistent with other licence conditions upon which the licensee is expected to return monies to consumers in certain circumstances (i.e. Price Control Deliverables). We have proposed updated drafting for XX.4 below (please also see submitted alongside this response for a full redraft of the proposed condition):

XX.4 The SIFt term is established in accordance with the following formula:

$$\text{SIFt} = \text{SIFff} - \text{SIFRr}$$

SIFff means the sum of SIF Funding allowances in accordance with Appendix 1.

SIFRt has the value of zero unless otherwise directed by the Authority in accordance with Part B.

In addition to the formula above, Ofgem would incorporate an Appendix to Special Condition 5.8 which can be updated in accordance with any directions issued by the Authority to issue SIF Funding or SIF Returned Project Revenues. It will provide a single source of the truth for licensees and ensure that the correct information is used in the calculation of the SIFt within the relevant Price Control Financial Model (PCFM).

Part C: The SIF Governance Document

As per the drafting suggestion above, SSEN would also expect the SIF Governance Document to include details of Ofgem's approach to Details of the Authority's methodology for calculating whether to direct a value in accordance with Part B (SIF Funding Return). This will ensure the process upon which Ofgem directs any reduction to SIF Funding is transparent and consistent across all licensees.

We have proposed updated drafting for XX.12 submitted alongside this response.