

Steven McMahon
Deputy Director
Ofgem
10 South Colonnade
Canary Wharf
LONDON
E14 4PU

By email only to: Steven.McMahon@ofgem.gov.uk and Timothy.wood@ofgem.gov.uk

25 June 2021

Dear Steve

RIIO-ED1 Green Recovery Scheme – Statutory Consultation on proposed modifications to the licence conditions and Price Control Financial Instruments

Thank you for the opportunity to comment on the above statutory consultation, dated 28 May 2021. This response should be regarded as a consolidated response on behalf of UK Power Networks' affected distribution licence holding companies: Eastern Power Networks plc; London Power Networks plc; and South Eastern Power Networks plc.

We are broadly comfortable with the changes and our feedback on the drafting is contained in the appendix to this letter. In particular, we seek clarity on the values to be populated in Appendix 1 and Appendix 2 as these are required for us to fully check the licence condition.

My team is happy to discuss the feedback in more detail, in this respect please contact Paul Measday in the first instance.

Yours sincerely

Basil Scarsella
Chief Executive Officer
UK Power Networks

Copy: Timothy Wood, Ofgem
Suleman Alli, Director of Customer Service, Strategy, Regulation & IS, UK Power Networks
James Hope, Head of Regulation & Regulatory Finance, UK Power Networks
Paul Measday, Regulatory Returns & Compliance Manager, UK Power Networks

Appendix

1. In paragraph 3N.1 we believe that “values” in “GRS values” should have a capital v and then other instances of this would need updating accordingly.
2. Paragraph 3N.6 refers to a formula in paragraph 3N.5 – there is no formula in paragraph 3N.5 – we believe this should reference 3N.3.
3. It would be beneficial for the definition of Agreed Schemes to refer to Ofgem’s letter of 24 May 2021¹ as the link to that letter might not be obvious to all readers.
4. We require visibility of the figures for our three DNOs that are to be populated in the tables in Appendix 1 and 2 as this will allow us to fully check how the licence condition will affect our DNOs. By way of an example, it is not clear whether our DNOs’ schemes which Ofgem approved as per its publication of 24 May 2021² actually constitute Agreed Schemes. According to the licence, an Agreed Scheme must:
 - a. be approved by the Authority – we believe the publication of 24 May achieves this requirement; and
 - b. for which expenditure in ED1/ED2 is accommodated under the total cap (TGRS) set by the Authority in Appendix 1.

Without a value for TGRS it is ambiguous as to whether schemes will qualify.

5. Building on the need for values for TGRS, the clarification in the second paragraph of page 4 of the covering letter is appreciated although we seek further clarity that where the letter refers to “below the total cap” this means the relevant TGRS value.
6. In respect of the same paragraph of the covering letter we seek confirmation that as discussed between Sul Alli and yourself, all spend on green recovery schemes will be treated as LRR expenditure. We also seek clarity that such costs which are incurred in RIIO-ED2 but are for Green Recovery Schemes commenced in RIIO-ED1 will be treated as LRR expenditure under the RIIO-ED1 price control and associated close out arrangements.
7. Finally, moving back to the licence condition, in the definition of Green Recovery Scheme Project Costs it would be beneficial to clarify in the second limb that “any costs incurred” are in fact “any costs directly or indirectly incurred”. This would then align with the opening sentence of that definition.

¹ https://www.ofgem.gov.uk/system/files/docs/2021/05/dno_green_recovery_scheme_decision.pdf

² Ibid

