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Sent by e-mail

Dear Patrick

Re: Consultation on DNOs' request for directions to disapply the notice periods set out in the electricity distribution licence SLC 14.11 and in clause 19.1A of DCUSA Section 2A in regulatory years 2023/24 and 2024/25

We welcome the opportunity to provide comments to Ofgem ahead of their final decision on whether to issue directions to disapply the Distribution Network Operator (DNO) obligation to publish distribution use of system (DUoS) charges with 15 months' notice for 2023/24 and 2024/25. This response represents the views of SSE Energy Solutions (SSE Energy Supply Limited).

We can understand the principal reason for the DNOs' request (i.e. the risk that they may set inaccurate DUoS prices for the above mentioned charging years due to final determinations on DNO allowed revenue under RIIO-ED2 being unknown due to exceptional circumstance, with resultant potential for over/ under recovery and associated price volatility). However, it is also our strong belief that suppliers require as much notice as possible of DUoS charging in order to budget, quote and price customers effectively. As Ofgem recognises in their Consultation Letter, the approved DCUSA modification DCP178 considered the relevant evidence and proved that the benefit of sufficient advanced notice of DUoS charges for suppliers and customers, particularly large business consumers, outweighed the forecasting risks of DNOs. As such, a 15 month notice period was established as the most appropriate notice period.

In light of the above, we have not provided individual responses to the questions in this consultation, however we request Ofgem consider the below key points as part of their decision making process on this issue:

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- Every year DNOs publish Annual Review Packs which have a 5-year forecast of DUoS tariffs. We encourage that the requirement for DNOs to continue publishing this 5-year forecast view each year, including in advance of the final RIIO-ED2 determinations, is formally acknowledged in the determination regardless of the outcome on whether or not the normal DUoS notification period is disapplied. These DUoS forecasts are an important point of reference that suppliers utilise in budgeting, quotation and pricing strategies, and will provide at least some level of security to these supplier activities ahead of DUoS charges being finalised, especially if there is to be a much shorter notice period than usual.
- We note that Ofgem's Consultation Letter states there is no intention to reopen 'the overarching decision' previously given with DCP178 to set the notice period for DUoS charges at 15 months. We support this position and agree that further consideration of the 'normal' notice period for DNO provision of DUoS charges is out of scope of this consultation.
- Allowed revenues primarily feed into the fixed charge. Other charges, such as the Red Amber Green (RAG) charges, the capacity charge, exceeded capacity charge and the reactive power charge, are far less sensitive to the allowed revenues. Therefore, the uncertainty of the allowed revenues will impact on only the fixed charge. The DNOs could still publish the final charges with 15 months' notice for all DUoS charges except for the fixed charge. This would allow the DNOs to avoid any risk with inaccurate pricing while allowing suppliers to price most of the DUoS charges accurately for consumers.
- If the decision is made to disapply the notice periods for DNOs to publish DUoS tariffs for 2023/24 and 2024/25, it inevitably results in significant uncertainty for suppliers and customers for two out of the five years in the price control. We have concerns that with future price controls, there could be repetition of this uncertainty with the setting of DUoS tariffs for two years within every five year period. We would welcome a review by Ofgem of how their final price control determinations and the setting of DUoS tariffs with 15 months' notice can be managed going forwards.

We would be happy to discuss our response further with Ofgem.

Yours sincerely,

Megan Coventry

Senior Regulation Analyst – Business Energy GB

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