

ED2 Draft Determination - Letter of Support.

The Freedom Group of Companies Ltd has pleasure in supporting SSEN regarding the recent Ofgem ED2 Draft Determination process.

As a Tier 1 provider of electrical and related civils work in both the SSEN South and North DNO footprints, Freedom is one of the key suppliers into SSEN on Substation related works on their 6.6kV to 132kV networks. Further, SSEN is a key customer of Freedom's and a result the outcome of any determination agreed between Ofgem and SSEN is of strategic importance to us as a business.

Our relationship with SSEN goes back 20 years and covers a wide range of services including construction work, asset replacement, network upgrades, automation, connections and asset refurbishment works. During this period we have collaborated closely with SSEN to meet changing business objectives to align with the needs of DPR1-5 and currently ED1.

Continuing this relationship into ED2 is a core aim for Freedom. We welcome the opportunity to take things forward with SSEN into ED2 to meet the changing needs of the network, the end customers it provides power to, and to the wider environment at an acceptable cost. We are committed to continuing to work with SSEN and striving to help them meet the objectives of ED2. Our future success is in part a function of SSEN's success, but at the same time we recognise that in turn SSEN need to seek innovation, efficiencies and cost minimisation from its supply chain; a challenge we accept and share.

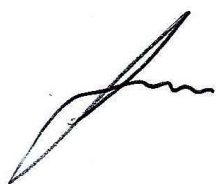
On a wider note, Freedom is a major contractor into most if not all of the DNO's. The services we provide to the different DNO's varies, but knowing the Ofgem criteria DNOs are trying to achieve helps drive our business accordingly. Having exposure to the wider market gives us an insight into a number of players and promotes shared learning and best practice.

In terms of our own labour market and our supply chain, these are currently under some pressure from events in the UK and the wider world. Post pandemic effects, inter country conflicts (real or perceived) and raw material price/availability volatility is a major concern for all. Currently we are seeing some raw materials increase in price well above the Retail Price Index. Further, many commodity prices are driven by world markets where recently there has been an imbalance between demand and supply resulting in price changes due to shortages. To a lesser effect, but still pertinent, is the fact that many world markets are traded in \$USD thereby introducing currency pressures too. Finally, quote validity has shortened generally and lead times have increased as the fight for scarce resources plays out on the world stage. We anticipate this trend will continue for the foreseeable future, so maybe some strategic purchasing is one mitigation to hedge the risk volatility brings?

We have also seen the experienced labour market shrink as a result of some leaving the market during Covid-19 and not returning. Our mitigation is to train and expand the knowledge of our people to close the knowledge gaps. Encouraging new people to come into the market is another strategy we have adopted to bolster shortfalls with links being established with colleges and skills training establishments to invest and develop new recruits. Retention of staff is also key and this can be a challenge at time. The labour market in the power distribution market is not large to start with. Suppressing poaching of staff and loss of people to other markets is important as this just forces prices up and impacts on both Freedom and SSEN.

In summary, The Freedom Group of Companies Ltd, is a major supporter of SSEN. We understand our role directly with SSEN, but also understand the wider role we have in helping them meet the agreements they have with Ofgem. We have evolved and changed as business significantly over time and anticipate this evolution will continue into ED2. This we welcome. Design and Build projects for example are increasingly becoming the norm these days as it helps reduce time and cost spent on interfaces between customer and contractor parties. No doubt there are other opportunities to map processes and reduce the parts of the process that add no value, yet add cost and time to a project. Freedom would willingly support SSEN in any such initiative.

Yours sincerely



James Allen
Power Solutions Director