## **OFGEM RIIO-ED2 Draft Determination Consultation response, August 2022**

## This response is submitted by the SSEN Customer Engagement Group

**Summary**

The conclusion of the RIIO-ED2 decision making process now coincides with social and economic pressures across the UK which were unforeseen when this process began. Indeed, these pressures have intensified significantly since the final Business Plans were submitted by DNOs in December 2020. This makes equating some decisions in this Draft Determination difficult to relate back to the priorities set out by the regulator at the beginning of the RIIO2 process in 2018.

It is not the role of DNOs to provide direct financial support to bill payers. However, we do believe the companies have a role to play in mitigating bill impact through efficient management of the network and giving support to customers and communities to maximise opportunities to reduce energy usage and participate in local energy schemes. During the Business Plan consultation period, 77% of SSEN canvassed consumers agreed there was a role for the DNO to support domestic energy efficiency opportunities. We acknowledge Ofgem’s rationale for not supporting SSEN’s ‘Energy Efficiency Accelerator for Smarter Networks’ and ‘Local and community flexibility market stimulation’ CVP but we would urge Ofgem to consider and support the role DNOs can play in this current energy cost crisis, as part of any package of UK-wide measures, in its work with UK and devolved governments over the coming weeks and months and address this in the Final Determination.

Whilst we understand the reasons for shifting priorities, we are concerned that Ofgem has assessed these 2023-28 Business Plans against a Future Energy Scenario that maps Net Zero transition at the ‘slowest’ pace to achieve UK Government policy and this has resulted in an artificially low baseline of network investment needs which will be adjusted based on demand during the period through significant application of Uncertainty Mechanisms and Re-Openers. The cost to bill payers associated with these mechanisms has been, to date, less transparent than details reported against baseline costs and outputs. We recommend this is addressed by specific, transparent reporting of these costs and outputs alongside the existing performance reporting activities. We would also point out that a lower baseline programme of work with some key work covered by uncertainty mechanisms does not provide a clear pipeline of work for suppliers and manufacturers. The consequence of this could lead to market pressures on resource planning as well as overall delivery costs.

Priorities emerge and adjust over time but the social and economic situation added to significant network management policy changes; for example, Access Reform, Distribution System Operation, as well as additional work identified to address environmental impact; Storm Arwen and potentially the impact of increasing temperatures across the UK, will put even further calls on the use of Uncertainty Mechanisms and Re-Openers. We would urge Ofgem to address the transparency of the ongoing actual costs of delivering network needs through the RIIO2 period.

**Response to specific consultation questions**

**Core Methodology**

**Core-Q1. Do you agree with our proposals for the enduring role of the CEG?**

We support this proposal.

We have been consistently impressed with the level of interaction, openness and responsiveness that SSEN have adopted in its relationship with the CEG. This is continuing, with plans already in place to establish an enduring CEG.

Specifically, we believe the CEG can provide useful insight and scrutiny to the delivery of the RIIO-ED2 work programme in these areas;

* focusing on the needs and preferences of local stakeholders, particularly consumers, in assessing the impact of support for vulnerable customers
* regarding the Net Zero transition; the CEGs are well placed to understand how DNOs are addressing/implementing these policies tailored to local and regional needs and expectations
* the delivery of the stakeholder engagement strategy, including assessment of reputational based outputs particularly customer service and environmental topics. We would value Ofgem producing comparative reporting on the more technically complex environmental topics to support understanding of relative performance as they currently do for key topics such as customer service, supply interruptions etc., please refer to our response to Core Question 11.
* the delivery of Business Plan ambitions (outcomes as opposed to outputs) and the impact these are making on customers
* an assessment of the cumulative effect of UMs/reopeners on service benefits and how the DNO is engaging with customers and stakeholders on the need for and delivery of UMs/reopeners

We propose the enduring groups produce regular, published reports on their work.

**Core-Q2. Do you see value in the CEGs working together to deliver more coordinated and comparative reporting on some of the DNOs' Business Plan commitments?**

We agree there is value in CEGs working together to exchange best practice around how companies put their stakeholder needs at the heart of their proposals, particularly customer service performance and how companies engage with stakeholders on the use of Uncertainty Mechanisms and re-openers. We also believe CEGs can share best practice around holding companies to account for those RIIO- ED2 commitments which are not monitored by Ofgem through the regulated reporting mechanisms.

We do not support a role for CEGs in providing comparative reporting. Our value lies in our focus on local and regional factors. Resourcing CEGs to create nationwide ‘league table’ analysis/reporting to the standard of robustness and accuracy demanded by Ofgem and the companies would not be an efficient or effective use of money.

**Core-Q3. Do you agree with our proposal to adjust allowances [for load-related expenditure] to £2.68bn to account for the concerns highlighted by our assessment? Core-Q65. Do you agree with** **our proposed assessment approach for primary reinforcement? Core-Q67. Do you agree with our proposed assessment approach for secondary reinforcement?**

We have concerns that the detailed bottom-up evidence provided by SSEN, based on extensive stakeholder engagement, hasn’t been adequately used by Ofgem to inform its assessment of disaggregated load-related expenditure. We note that Ofgem’s comments on to the load related Engineering Justification Papers (EJPs) were generally positive. For example, Ofgem notes: “we consider that SSEN has provided sufficient evidence to demonstrate a need for investment and has presented sufficiently robust optioneering and options selection for the majority of the primary reinforcement investments”. However, Ofgem states “our EJP review was used as a qualitative reference, but the recommendations do not directly feed into the disaggregated model at this stage.”

This type of approach was appropriate in RIIO-ED1 where the wasn’t the equivalent of EJPs and there was a sampling approach for CBAs. For RIIO-ED2 the EJPs and associated CBAs should be given greater weight within the disaggregated modelling as they provide more targeted and accurate evidence.

**Core-Q4. Do you agree with our proposed secondary reinforcement volume driver and LV services volume driver and the associated controls?**

In principle, we welcome the proposed secondary reinforcement volume driver, the LV services volume driver, and associated controls. These are important in providing DNOs with flexibility to adjust their levels of activity to meet changing levels of demand associated with decarbonisation, while providing associated protection to customers. However, we note that it is very important that the unit costs for these volume drivers are set an appropriate level. If they are set too high, then the mechanisms will not provide appropriate protection to customers. If they are set too low and do not reflect an efficient level of costs, they could act as a barrier on necessary work being undertaken.

We note that Ofgem has presented very limited information in Draft Determinations on how it is ensuring the unit costs in these volume drivers are set at an appropriate level with reference to the historical and forecast costs that the DNOs have presented.

**Core-Q5. Do you agree with our proposed LRE re-opener?**

We welcome Ofgem’s proposed LRE to address uncertainty primary reinforcement and the impacts of increases in demand driven by Access SCR implementation. However, as noted in our earlier comments we consider it’s important to have an appropriate balance between baseline expenditure and the uncertainty mechanisms given the long lead time for primary reinforcement and the proposal that the reopener will not be triggered until year 3 of the price control.

**Core-Q11. Do you agree with our proposed approach for the Annual Environmental Report ODI-R?**

We support the requirement for the DNOs to produce an Annual Environmental Report. However we would hope that Ofgem itself will scrutinise the DNO performance in this area and not simply leave the task to stakeholders who – as we have observed from various environmental stakeholder events we have observed - have neither the resources nor the expertise to provide challenge on technically complex energy sector specific issues like SF6 or losses.

Even as a CEG, while we can and have looked at SSEN’s performance in these areas, we do not have the resources to look across companies to assess SSEN’s relative performance which is important in judging how they have coped with a changing external context, for example. Ofgem has an important role to help in making reputational regulation effective by providing this comparative information and signalling that this is an area that it considers important.

On the specific issue of losses, we highlighted in our report on the Business Plan that we were concerned about the apparently very low level of spend on addressing losses and that in part this was because some of the spend was included under other headings (where investment was primarily driven by other factors but upgrading equipment would also reduce losses). Given the importance of losses on customer bill impact and system efficiency (as highlighted by Sustainability First) there is a real need for much clearer reporting of losses and the impacts of different actions that companies are taking. We are not equipped as a CEG to do this on Ofgem’s behalf.

**Core-Q12. What are your views on the proposed mid-period review on DNO environmental performance and their progress to targets?**

As per our answer to Q11 it is important that Ofgem provides comparative information (and scrutinises the evidence provided) at the mid period review.

Whilst we are keen to see progress being assessed other than simply at the end of ED2, we would hope that in most areas the companies would translate their goals into annual targets as a key step in planning how targets will be met and these annual targets will be reported against.

**Core-Q13. Do you agree with our consultation position for the DNOs' EAP proposals in RIIO-ED2 as set out in this document? (Further detail included in Appendix 1 of this document)**

We are pleased that Ofgem has now made clear that companies must have SBTi targets that align with 1.5 degrees. However, we are concerned that this does not necessarily flow through into funding being allowed for projects that underpin SSEN’s plans for how it can meet that target. Specifically, the proposal to disallow SSEN’s PCD on SF6 given that this is a highly potent, long-lived greenhouse gas. We understand that Ofgem and SSEN are continuing to discuss the evidence provided in the CBA for this investment and hope that this will address Ofgem’s concerns. We support SSEN’s proposals for nature based solutions for carbon removal which we see as distinct from other companies’ proposals around offsetting. SSEN’s proposals are aimed at removing residual emissions in 2045, recognising that the trees take time to grow and absorb carbon. SSEN are not using these carbon benefits to make early net zero claims. As such we understand SSEN’s proposals to be in line with the SBTi Net Zero guidelines. The proposal has strong support from expert stakeholders as also providing biodiversity benefits.

The AER also covers the important area of climate resilience (which is clearly key to provision of safe and reliable energy supplies). In our report on SSEN’s Business Plan we noted that resilience to wind was not explicitly considered as part of climate resilience and we are pleased that Ofgem has provided for a reopener to deal with any lessons from Storm Arwen. In recent weeks we have also seen the impact of extreme heat on fault levels in the network. While probably less significant than storm impacts, we would hope that this might prompt Ofgem to ensure that all DNOs are looking widely at the full range of climate impacts.

**Core Qs 18 to 21 on the Enhanced Reporting Framework for Digitalisation and the Digitalisation Reopener and Core Q79 Do you agree with our proposed approach to assessing Non-Operational, Operational and Business Support IT&T costs?**

We support Ofgem’s approach proposed enhanced reporting framework associated with IT/OT and Digitalisation spend, and the associated reopener.

However, we are concerned that some of the key outcomes in SSEN’s business plan for customers and other stakeholders such as improved connections performance for smaller and large connections, achievement of the reliability targets, the development of DSO capabilities, and use of flexibility services, may be put at risk because of the disallowance of associated IT/OT spend. Many of these IT/OT EJPs have been assessed as ‘partially justified’ based on a generic concern about deliverability risks without specific issues being raised.

**Core-Q27. Do you agree with our proposal to introduce a new whole system strategic planning Licence Obligation?**

We support the introduction of the licence condition related to whole system strategic planning, recognising the benefits such approaches have in terms of unlocking an optimised, decarbonised future energy system. Such planning will require a step change in current processes; and require an increased focus on working in partnership with wider stakeholders and the sharing of data and network planning assumptions through methods such as Local Area Energy Planning. Such activity has resource implications that need to be accounted for in terms of people, developing digital tools and data management; and we support Ofgem's decision to provide SSEN baseline funding for an Embedded Whole Systems Support Service for Local Authorities (building on an initial CVP proposal). Given the innovation in this space (and the fact various DNOs are offering similar proposals) we suggest progress in this area is closely monitored to understand and promote best practice; and we support the proposal for future guidance to drive consistency in approach.

**Core-Q28. What are your views on the digital tools that could be used to support this?**

Digital tools are a key input to supporting whole systems strategic planning. Such tools should focus on clearly conveying relevant network data to inform whole systems approaches. For example, digital tools should convey data layers related to network capacity, asset condition, energy demand and generation to inform modelling and identification of interventions to support decarbonisation, for example flexibility or the rollout of low carbon technologies. Equally, such tools should use data from other sources to ensure whole systems based solutions, for example data on future planning applications from local authorities should be utilised to predict future energy demands.  Such tools need to be robustly tested with stakeholders to ensure they are useful and pitched at the capabilities of the user. As a key principle, digital tools (and their outputs) should be interoperable and consistent across DNOs and able to be consumed by non-technical stakeholders. We suggest that the ENA or a similar body be tasked to support this. Consistency in approach is particularly important in situations where multiple DNOs cover a single region - for example Greater London which is serviced by both SSEN and UKPN.

**Core-Q29. Do you agree with our proposed target and thresholds for the deadband, maximum reward and penalty?**

We support the approach to setting proposed targets and thresholds related to customer service and customer complaints and agree these should be informed by historical ED1 performance. In terms of measuring performance against these targets and thresholds in ED2; we question the appropriateness of engaging by means of telephone interviews exclusively through to 2028; and suggest scope be maintained for other means of engagement in the future to inform this area of performance assessment.

**Core-Q30. Do you agree with our proposed approach to working with DNOs to implement Storm Arwen actions related to customer satisfaction?**

We support the proposed approach to implementing actions related to customer satisfaction post Storm Arwen. The cross-DNO impacts of Storm Arwen provide an opportunity to calibrate DNO processes and responses and inform consistent actions for future adverse events.

**Core-Q32. Do you agree with our proposal to remove the activities proposed from DNOs' baseline allowances?**

We note proposals to remove activities related to energy efficiency that form part of vulnerability strategies and acknowledge the complexity of this decision given the current energy price crisis. We note that SSEN’s final business plan incorporated a CVP related to energy efficiency but rather than being linked to vulnerability it was linked to flexibility market stimulation - which the CEG did not support given the benefit it was assessed to provide. We note however that in the case of this CVP, 77% of domestic customers supported SSEN having a role in supporting energy efficiency measures; and challenge suggestions of this representing ‘scope creep’ of DNOs, particularly in the context of whole systems energy planning. Given this, we suggest that energy efficiency measures should remain an area of ongoing focus in ED2, particularly for vulnerable and fuel poor customers; and expect Ofgem to provide more policy clarity in this space including support through innovation funding or other mechanisms.

**Core-Q33. Do you agree with our proposals for the Consumer Vulnerability ODI-F?**

**Core-Q34. Do you agree with the performance metrics we are proposing to include in the incentive and the approach to setting targets and associated deadbands, performance caps and penalty collars? If not, please explain why and give details of your preferred alternative.**

We support the introduction of a new consumer vulnerability incentive; and recognise that the use of common metrics and stretch targets have potential to drive consistent improvements in services across all DNOs through a penalty and reward framework. We support the proposal to introduce an independent assurance process to track progress against key vulnerability metrics. This will be key to supporting comparisons across DNOs and supporting reliable measurement of performance. We support the five metrics for performance on vulnerability as described; however, we stress the need to account for regional variations and stakeholder feedback/experiences in measuring these targets.

Given the use of a SROI measurement is novel, we would appreciate Ofgem reviewing how this is working in practise at the mid period to endure there are no unintended consequences emerging.

**Core-Q35. Do you agree with our proposal for the Annual Vulnerability Report ODI-R?**

**Core-Q36. Do you agree with the proposed content of the annual report? If not, please explain why and give details of your preferred alternative.**

We support proposals for an annual vulnerability report; and agree that the annual requirement will drive year-on-year focus on performance and delivery. We agree with the five key areas that the report should cover. We suggest that the report also considers incorporating a ‘year in review’ highlighting examples of best practice or areas of concern (and measures taken to address) so that lessons can be learnt and knowledge shared across the wider sector. We also suggest that this annual report could include input of an independent stakeholder view on performance, for example, from the enduring CEG.

**Core-Q43. Do you have any views on what else could be done to help speed up connections to the distribution network and or develop a standard for the overall (i.e., end to end) time to connect?**

Reinforcing networks to accommodate new connections (both minor and major) requires certainty and can involve long planning and delivery lead times, particularly if there are upstream impacts on primary distribution or transmission networks. This can delay the speed of new connections being delivered, particularly for major connections customers such as housing developers or transport operators. Given this, strategic investment informed by robust network planning and stakeholder engagement will be key to ensuring the timely provision of new connections. In addition, networks should be flexible to optimise and shift loads, and best utilise existing assets to speed up connection timelines. The proposed balance between baseline allowances and uncertainty mechanisms and reduced decarbonisation ambition in ED2 with an artificially low baseline has potential to undermine the pace of new connections to the distribution network, presenting risks around unacceptable delays and poor performance.

We consider that is important the Connections Guaranteed Standards of Performance focus on the overall (end to end) time to connect as well as individual elements of the connections process to ensure that best overall outcome for connections work.

**Core-Q48. Do you agree with how we have characterised the operation of the current CML methodology and our reasons for changing to setting targets in line with our CI methodology?**

We consider the revision in approach for setting the CML targets is reasonable. However, we are concerned about the disconnect between how the targets have been set and the associated baseline cost allowances. We have concerns about the achievability of the targets given the proposed reductions to non-load related expenditure in areas such as LV and HV underground cable replacement, tree cutting and cuts in associated IT/OT expenditure. SSEN has presented strong evidence to the CEG and in the business plans about rising volumes of faults for LV and HV underground cables and associated faults costs and this issue has also been seen during the recent heat wave. Good LiDAR evidence was presented for tree cutting. It is important that an appropriate level of investment is carried out to ensure the future reliability and resilience of the network.

We also note that SSEN’s proposed costs for two new control centres have been disallowed despite the needs case being considered valid on the grounds that the costs are at an early stage of development. We question why no project development allowances have been proposed and why there isn’t an option for an uncertainty mechanism to address the investment requirements once the development work has been carried out. The control centres play a key role in the overall operation and reliability of SSEN’s network.

**Core-Q47. Are there alternatives to reducing the revenue cap that you think would better balance increases in reliability and the cost to consumers than reducing the revenue cap?**

We note than in reducing the revenue cap for the IIS incentive Ofgem has significantly reduced the overall incentive rewards that are available for good performance as part of the price control and is placing more weight on reputational incentives. Based on the proposals only 1.95% RORE upside is available across all the financial incentives. An alternative option would be to rebalance the incentives to place more value on other key areas such as the DSO incentive or in relation to the environment.

**Core-Q54. Do you agree with our proposed approach on NARM? Core-Q73. Do you agree with our proposed assessment approach on asset replacement? Core-Q74. Do you agree with our assessment approach to refurbishment?**

It is an important point of principle that the NARM monetised risk targets should be consistent with the baseline cost allowances for asset replacement and refurbishment, as was followed as part of the RIIO-ED1 arrangements. We are concerned that Ofgem has not revised the RIIO-ED2 monetised risk targets to be in line with its proposed RIIO-ED2 cost allowances. This may drive the wrong behaviours by the DNOs in terms of cutting areas of expenditure not covered by the NARM to increase expenditure on NARM activities to meet the targets, rather than driving optimisation of the full range of asset replacement activities to meet customer requirements.

We note that Ofgem has not estimated the scale of the impact of its proposed changes in non-load related expenditure on the monetised risk targets.

**Core-Q63. Do you agree with our proposed approach to pre-modelling normalisations, and adjustments?**

We are concerned about the impact of disallowance of the elements of the SSEN’s proposed company specific factor for the Scottish Islands relating to helicopter flights, island flights, accommodation, and ferries. Together with the rejection of the PCD for island standby generation and the submarine cable volume driver, this may put reliability for the Scottish island communities at risk.

**Core-Q89. Do you agree with our proposed assessment approach for environmental reporting?**

The position on fluid filled cables needs clarification given the environmental impact. Ofgem’s SSEN annex categorises the EJP as unjustified although the EJP is considered valid, and the CBA supports the chosen option. Ofgem has noted a concern that the leakage reduction might not be delivered, but the Core Methodology document says costs have been allowed subject to further justification.

We note that the Ofgem template does not use the latest cost of carbon that was produced by BEIS and ask Ofgem to review proposals on the current cost of carbon calculation.

**SSEN Annex**

**SSEN-Q2. What are your views on our proposals for SSEN’s bespoke ODIs?**

We are content that the bespoke ODIs are now covered by the common DSO incentive or by expectations around wider stakeholder engagement.

We do have concerns about the decision to reject many of the PCDs. Having a PCD help make it clear to stakeholders whether or not SSEN have delivered on specific, significant commitments. For example, on subsea cables (which are of particular concern to the relevant communities) having a PCD would in our view be much more transparent than including this within NARMs. We are also confused by the suggestion in relation to other PCDs (standby generation and oil filled cables) that SSEN has not identified a “delivery risk” which would justify a PCD. Our understanding is that the idea of the PCD is that it is there to protect consumers, so that if SSEN fails to deliver on a commitment the funding can be clawed back. We would not expect SSEN to be saying at this stage that the investment is uncertain but past experience is that companies will look to make savings where they can – which was why PCDs were introduced. We would like to see Ofgem holding companies to account for delivery of significant elements of spend.

**SSEN-Q3. What are your views on our proposals to reject SSEN’s CVP relating to Embedded Whole Systems Support Services for Local Authorities and its CVP relating to supporting broadband to island communities through DNO assets?**

On the Embedded Whole Systems Support Services our understanding is that Ofgem has accepted the funding proposed as part of baseline but has declined to provide a CVP reward. We are happy with this position. Our priority is to ensure that SSEN is adequately funded to undertake the step change in local authority engagement that we see as needed in ED2, recognising as well the limited resources that are available to LAs.

On broadband to island communities, we understand Ofgem’s position and hope that SSEN will continue to explore possible commercial or other funding routes to enable this to move forward.

**SSEN-Q4. What are your views on our consultation position to accept SSEN’s CVP to protect marine biodiversity (life below water)?**

We warmly welcome Ofgem’s proposed position as the CEG had unanimously supported this CVP given the wide range of benefits it would deliver and the extensive engagement that SSEN had undertaken with experts in the field. We are aware SSEN is continuing to engage to ensure the deliverability of the projects and very much hope that Ofgem will maintain its position at Final Determination.

**SSEN-Q5. What are your views on our consultation position to accept and partially reward SSEN’s CVP for personal resilience plans?**

We are pleased that Ofgem has proposed to at least partially accept and reward this CVP. Again, the CEG had strongly supported SSEN’s proposal. While we agree that the battery packs are the most tangible element of the proposal – and clearly do go above and beyond BAU – we had also seen merit in extending the PRPs more widely to ensure that in depth conversations were had on support that might be needed in an emergency. We hope that SSEN and Ofgem will be able to agree on a way forward to include funding for PRPs for a wider set of customers.

**SSEN-Q6. What are your views on our proposal for SSEN’s ‘Energy Efficiency Accelerator for Smarter Networks’ and ‘Local and community flexibility market stimulation’ CVP?**

We understand why Ofgem has rejected this CVP.

As we said in our report on the Business Plan, the CEG recognised that the CVP addressed important issues around making more use of energy efficiency as an alternative to reinforcement and ensuring “no-one left behind” in the energy transition but had significant concerns about value for money and the lack of network benefits in the proposal. As such the CEG was clear it did not support the CVP in its current form but would like to see SSEN explore other routes such as innovation funding to take these ideas forward.

**SSEN-Q8. What are your views on our proposals for SSEN’s bespoke UMs?**

We are concerned about Ofgem’s proposed rejection of SSEN’s proposed volume driver for reactive cable replacement given the uncertainty involved, the materiality of the costs, and the importance of these links for maintaining reliability for Scottish Island communities. We consider this mechanism to be a good risk management approach and pragmatic. As noted in our January CEG report, we consider that the UM would allow SSEN to speed up the replacement of a failed cable to restore resilience and reduce the reliance on back-up generation and we consider this to be in the interest of customers.

We’re concerned about Ofgem’s related rejection of the reopener for additional cable decommissioning activities if required by Marine Scotland. We consider that this proposed reopener addresses potential changes in regulations by Marine Scotland that would mandate enhanced monitoring or removal of subsea cables and therefore the volume of work is largely outside SSEN’s control.

We are also disappointed by Ofgem’s proposed rejection of the Ash dieback reopener. Ash dieback is a clear, material risk that both SSEN and other DNOs are facing, and there isn’t yet enough information to know the volume and costs of work to remove dead and diseased trees. SSEN has proposed a pragmatic approach of completing a survey early in RIIO-ED2 and then using the reopener based on the costs of the work identified. Events such as Storm Arwen in November 2021 reinforce the need for robust tree management to ensure the ongoing resilience of the network for customers

**SSEN-Q9. What are your views on our proposal for a re-opener [for Hebrides and Orkney Whole System solution costs]? Do you think this is the most suitable mechanism to mitigate investment decision risks in this area?**

We welcome Ofgem’s proposal to accept the reopener for the Hebrides and Orkney Whole System solution. As noted in our January CEG report, we consider that taking a broad Whole System approach to this set of challenges is the best long-term approach for customers and creates the potential for decarbonisation gains by reducing reliance on diesel back up generation. We consider that a reopener mechanism is the best approach for addressing the uncertainty. However, we note that it will be important that stakeholders can input and provide scrutiny of this mechanism as it is applied in RIIO-ED2 to help ensure the best outcome.

**SSEN-Q10. What are your views on our proposal for a re-opener to deal with the uncertain costs associated with Shetland? Do you think this is the most suitable mechanism to mitigate investment decision risks in this area?**

We also welcome Ofgem’s proposal to accept the reopeners for costs associated with the supply of energy to the Shetland Islands and we support the further work to improve the definitions of the reopeners. We consider these are the most suitable mechanisms for addressing the risks associated with the extended interim arrangements for Shetland, the enduring solutions costs and link contribution costs. Again, we note that it will be important that stakeholders can input and provide scrutiny of these mechanisms as they are applied in RIIO-ED2.

* Ends