

FAO: Joe Draisey
Ofgem
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23 June 2023

By e-mail: joe.draisey@ofgem.gov.uk

Dear Joe

Consultation on SSENT's Non-Operational IT Capex Re-opener Draft Determination

We welcome the opportunity to respond to Ofgem's consultation on its Draft Determination regarding SSENT's Non-Operational IT&T Capex Reopener.

We have set out detailed our responses to Ofgem's consultation questions below:

Q1. Do you agree with our Draft Determination for the Integrated Project Management project?

We agree with Ofgem's Draft Determination for the Integrated Project Management project. We will consider Ofgem's feedback carefully ahead of our planned reopener submission (during the window scheduled for late Summer 2023.)

Q2. Do you agree with our Draft Determination for the System and Network Planning project?

Ofgem has disallowed 1/6th of the requested amount as "there are currently no major changes to the RRP process." We do not agree with this Draft Determination.

The original impetus for this initiative was to prepare SSENT for the changes anticipated regarding digitisation of the Regulatory Reporting Pack (RRP). Ofgem previously informed us (at the "Data and Digitalisation Steering Group" on 28 July 2022) that the Transmission Operators (TOs) should be aware of their intention to overhaul and digitise the RRP process. At that meeting, Ofgem outlined its proposals to improve the RRP submission process and the overall technology landscape which supports the RRP. For example, Ofgem outlined its intention to create a more structured way to submit data and have it accepted, with microservices being developed to allow automatic data submission using APIs. Ofgem indicated that resource would be required from TOs to support that initiative.

Whilst no firm timelines were provided at that time, we were led to believe that this initiative was progressing and TOs should start doing the anticipatory groundwork to prepare for this. We intuit from Ofgem's Draft Determination ("there are current no major changes to the RRP") that this work may have been deprioritised.

However, this does not remove the need for this vital improvement work. There is a continuing requirement for SSENT to provide Regulatory Reporting to a high standard with the requisite level of probity and governance. Regulatory Reporting is a crucial lynchpin of oversight providing accountability for consumers. Our current processes require a significant amount of manual intervention. We are proposing to improve our processes to remove some of this manual work. This will facilitate delivery of the required regulatory reporting at the scales envisaged going forward. If we wait until the T3 business planning cycle to apply for the requisite funding, we risk entering into a period of substantial change on the back foot. This does not represent a conscientious and timely approach. We have a firm belief that this is a no-regret investment which should be done on a timely basis. It will increase the efficiency and effectiveness of our current processes thereby setting us up for success ahead of T3 and delivery of our portfolio of ASTI projects.

Q3. Do you agree with our Draft Determination for the RIIO-T3 IT Strategy and Planning project?

Ofgem has rejected the full amount of allowances requested as it considers planning for future price control periods as a business-as-usual activity funded through baseline Total Expenditure (totex) allowances. We do not agree with this Draft Determination.

We accept that the requirement to prepare for the RIIO-T3 price control has been fully anticipated since the outset of the RIIO-T2 price control. However, we did not include a request to fund this activity within our T2 business plan as we thought this could be subsumed within BAU (i.e. given the scale of the price control and SSENT's business growth forecast at the outset of T2).

Developments in the intervening period since T2 kick-off have changed the context. For example, the growth anticipated from ASTI alone represents a paradigm shift for SSENT. Our nine proposed strategic investment projects (enabling 10.7GW of renewable generation capacity to connect to our network) amount to ~£9bn of additional unforeseen investment. To put this in perspective - this is equivalent to e.g. building a small town with around 43,000 homes; dualling the A9 (80 miles) three times; building five Queensferry Crossings; or, building twelve London Olympic stadiums. There is now significantly more work required to prepare for the next price control than could have originally been anticipated.

Q4. Do you agree with our Draft Determination for the Small IT Changes project?

Ofgem has rejected the full amount of allowances requested as it considers the examples of activities given (e.g. small hardware purchases or software upgrades) as a business-as-usual activity funded through baseline Total Expenditure (totex) allowances. We do not agree with this Draft Determination.

Our original submission argued that, based on the current RIIO Framework, there are certain activities that could be funded by a move to a ‘freedom and accountability’ regime. There are many small incremental projects for which ex ante benchmarking and cost assessment are idiosyncratic and complex; but, where monitoring of outputs and outcomes might be relatively easy.

We had proposed a use-it-or-lose-it pot of money for this initiative. This would provide the flexibility for SSENT to bring forward solutions which required rapid deployment of small sums which would be otherwise unforeseen as part of, e.g. wider strategic price control planning. We continue to believe there is a case for small IT change activities to be funded under an ex-post monitoring model given the nature of the investment required.

In line with the response given to Q5 above, we did not include a request to fund this activity within our T2 business plan as we believed this could be subsumed within BAU (i.e. given the scale of the price control and SSENT’s anticipated growth). The context has shifted since the kick-off of T2 and there is now significantly more “small IT change” work than was originally anticipated. The anticipated growth from ASTI and the impact of the COVID-19 pandemic cannot be overstated. These two key factors have driven a step change in how we currently (and plan to) run our business. COVID-19 has driven the move to large-scale hybrid working which necessitated e.g. office refits plus changes in policy on provision of IT equipment for home working. These are activity sets which were unforeseen at the time of the T2 business planning.

Q5. Do you agree with our Draft Determination for Project TReNDS?

This response should be redacted before publication on Ofgem’s website.

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[Redacted]

[Redacted]



We trust that the points in our response below are clear but please do not hesitate to contact us if further clarification is required.

Yours sincerely

David Howie
Regulation Manager, SSEN Transmission