Scottish & Southern Electricity Networks
TRANSMISSION

Anthony Mungall
Commonwealth House
32 Albion Street
Glasgow
G1 1LH

20 October 2023

Dear Anthony,

This response is prepared on behalf of SSEN Transmission[1], part of the SSE Group, responsible for the electricity transmission network in the north of Scotland.

We welcome the opportunity to respond to Ofgem's consultation on proposed adjustments as part of the RIIO-ET1 Close out process. We agree with the scope of the RIIO-ET1 closeout process and we welcome the engagement on the scope and topics to date. We submitted our Performance Assessment Submission (PAS) to Ofgem back in July 2022 in which we set out the value of the closeout adjustments which we believed should be made along with our justification and evidence demonstrating our performance against each of these closeout areas.

In general, we agree with Ofgem's assessment of SSEN-Transmission (SSENT)'s performance against these areas and its minded-to position on proposed adjustments following this assessment. However, there are areas which we would welcome further clarity and one incidence where we believe the proposed adjustments are incorrect. These are set out below.

1. **Adjustments for Enhanced Physical Site Security Costs**

As outlined in Ofgem's consultation document, Ofgem's Closeout Methodology Decision recognised that Electricity Transmission Operators may have incurred costs during RIIO-ET1 on Physical Security Upgrade Programme (PSUP) projects, for which they have not received funding (i.e. the UK Government has directed that work is required). We fully support this methodology and clearly outlined costs which we incurred, in this case as part of our PAS to Ofgem in 2022. However, we note that the consultation document does not reflect these requested adjustments for SSENT. Through our engagement with Ofgem since the publication of this consultation, we understand that this omission has simply been a typographical error and table 4.1 of chapter 4 for SHET should actually state "4.08" rather than "0" which would reconcile with the value reported in Ofgem's accompanying data file. For completeness, this value should also be reflected in table 1 of the Executive Summary and the "Adjustments for Enhanced Physical Site Security Costs" should reflect the sum of the update values in table 4.1 to read as +2.83 rather than -1.25.

We also note that Ofgem's data file references some legacy costs in the RIIO-T2 period which relate to a RIIO-T1 PSUP project. However, we note that the consultation does not reference this at all, and we would welcome clarity from Ofgem as to how this will be dealt with. We assume that Ofgem will accept and fund the costs but are unclear whether the adjustment will be made automatically or a cost submission will be needed.

[1] Following a minority stake sale which completed in November 2022, SSEN Transmission is now owned 75% by SSE plc and 25% by Ontario Teachers' Pension Plan Board. SSEN Transmission encompass the licenced entity Scottish Hydro Electric Transmission Plc Registered in Scotland No. SC213461

2. Adjustments for crossover projects without volume driver

We welcome Ofgem's decision to account for the associated indirect allowance for the crossover projects without volume driver and we agree that this allowance should be set at the T2 Opex Escalator rate of 10.8%. This equates to an additional allowance of £4.96m (2018/19 prices) and we recommend that this should be executed in the same way as the direct cost for advanced construction in T1 agreed through the T2 business plan. This would mean adjusting the legacy T1 Price Control Financial Model (PCFM) in the row for Special licence condition 6I (Baseline and Strategic Wider Works). Any adjustment to revenue will then need to be reflected in the T2 PCFM and annual iteration process.

We hope the adjustments and clarifications outlined above are relatively straightforward, however please let me know if you would like to discuss any of these points in more detail.

Yours sincerely

Sam Torrance
Senior Regulation Manager