

John Kennedy
Ofgem
10 South Colonnade
Canary Wharf
London
EH14 4PU

08 July 2026

Dear John,

Changes to RIIO-ED2 Load Related Expenditure volume drivers: statutory consultation.

1. We welcome the opportunity to respond to Ofgem's Changes to the RIIO-ED2 Load Related Expenditure (LRE) Volume Drivers: Statutory Consultation. This response is submitted on behalf of Scottish Hydro Electric Power Distribution (SHEPD) and Southern Electric Power Distribution (SEPD), collectively referred to as SSEN Distribution.
2. Following Ofgem's February 2026 consultation on the review of the LRE volume drivers, we welcomed the opportunity to engage further through a series of working groups established to address concerns raised by SSEN Distribution and other DNOs. We appreciate Ofgem's acknowledgement of the feedback we provided through our March 2026 consultation response and subsequent working groups.
3. In our previous response, we highlighted concerns regarding the evidence, data and calculations used to inform Ofgem's proposed decision, including the proposed updates to ex-ante allowances, which would have resulted in a reduction for SSEN Distribution. Following further engagement, Ofgem has acknowledged these concerns and revised the proposed allowances. We consider the updated allowances to be more proportionate and better aligned with the volumes expected to be delivered during the remainder of the RIIO-ED2 period.
4. While we welcome Ofgem's revisions to both the unit rates and ex-ante allowances, we are disappointed that the revised unit rates will apply only to Years 4 and 5 of RIIO-ED2. As noted in our previous response, Ofgem's justification for revising the rates is that an error was identified in the methodology applied. Consequently, DNOs should not be disadvantaged by the effects of a methodological error that was outside of their control. We therefore consider that the revised unit rates should be applied across the full RIIO-ED2 period to ensure that funding is provided on a fair and consistent basis.
5. Looking ahead, Ofgem should have due consideration to the implications of having two agreed rates within RIIO-ED2 when setting unit rates for proposed LRE Volume Drivers in ED3. When benchmarking, DNOs should not be unfairly disadvantaged as a result of the lower unit rate that applied during the first part of RIIO-ED2. This would not provide an appropriate basis for assessing efficient costs over the period.

6. We do not have any comments regarding the proposed drafting of the licence, however, note that the numbering in the appendices does not align, for example, for Southern Electric Power Distribution plc the numbering starts at 18.9.1 but should be 3.9.1. This is likely a formatting error.
7. We are happy to discuss any of the points we have raised. If you have any questions, please contact me or Louise Muirhead (louise.muirhead@sse.com).

Yours sincerely

Rachael Robertson
Head of Regulatory Finance