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Dear Duncan

Transmission Price Control Review Reporting Rules (“the rules”)

I am writing in response to Robert Hull’s letter of 21 February asking for comments on the form and content of the draft rules and price control review reporting pack (PCRRP).

In general, Scottish and Southern Energy supports the principal of regulatory reporting as a means to improve the price control review process. In particular, we support the objective of reducing the information requirement at the price control review through focused annual reporting. However we have a number of concerns about the draft rules and PCRRP, and I set these out below.

As we have previously discussed with Ofgem, we remain concerned about the submission date of 31 July. In order to allow for the efficient accommodation of the distribution and transmission workload, we have proposed that Scottish Hydro Electric Transmission Limited’s (SHETL) PCRRP is submitted on 30 September. We would be grateful if Ofgem could provide, as a matter of urgency, clarification on process by which the Authority will issue directions to allow this later submission.

We have a further concern relating to the volume of data that is proposed to be collected in the PCRRP. SHETL is a relatively small business and providing this information will impose a

significant demand on our limited resources. This is a particular issue with regards to the proposed capex tables which, in our opinion, require an excess of detail. We continue to believe that the information requirement should be proportionate to the size of the business and should not impose a regulatory burden that is disproportionate to the benefits of the submission.

In many instances, the purpose of the information request is unclear. We believe that for regulatory reporting to be successful, and achieve the objective of improving the price control review process, the reason that information is being requested and how that data will be used should be clear to all parties. It is clearly not appropriate, nor efficient, to collect data for collecting data's sake.

It is also concerning that Ofgem propose to use information provided in the PCRRP submission to make comparisons with data submitted during the transmission price control review (TPCR) and the allowances. These reporting rules, and in particular the definitions, have been developed subsequent to the TPCR determinations; hence, such comparisons would not be like-for-like. Further, the proposed PCRRP requires information in significantly greater detail than was requested during the TPCR and was detailed in the final determinations so, in many instances, such comparisons will not be possible. Again, these are particular issues with regards to the proposed capex tables.

Finally, we have a specific comment with regards to the reporting process. Appendix 5 to the draft instructions and guidance describes supporting information that should be supplied with the PCRRP. We agree that this is unlikely to be required every year and, if it is necessary, this information should be discussed with Ofgem when they visit to review the submission rather than as a formal submission each year.

I hope that these comments are helpful, and please give me a call if you wish to discuss these issues further.

Yours sincerely,

Malcolm Burns
Regulation Manager