



Electricity Distribution Price Control Review – Review of process Response by SP Energy Networks

Summary

SP Energy Networks welcomes the opportunity to comment on the open letter issued on 2 March 2010.

We think that there were a number of positive aspects to the process applied by Ofgem for the review. The approach and methodology for setting investment allowances was relatively uncomplicated and well understood. Also, there was a good level of engagement on the part of Ofgem management and staff in terms of accessibility and constructive dialogue. The working groups were generally helpful in the review process. The process for the exchange of confidential information via Ofgem's extranet appears to have been successful and we would support its continued use for other projects in future.

Aspects of the process which were less satisfactory included a tendency for amended information requests to be issued with very short timescales for responses. There did not always appear to be coordination of such requests across different parts of Ofgem. The process for establishing operating cost allowances was another less successful aspect of the review. The main contributory factor here, we feel, was the sheer complexity of the benchmarking exercise. For the future, consideration should be given to a more transparent approach in this area.

We also think that more consideration should be given to a coordinated (i.e. joint stakeholder/Ofgem) approach to consumer research. This should include, where possible, eliciting the views of customers as policy develops over the price review process. The views of suppliers alone should not necessarily be taken as being representative of customers themselves.

Our detailed comments on the process are set out below.

1. Information on process provided by Ofgem

The overall plan of the review was highlighted well in advance. Towards the end of the review period there were difficulties in meeting timescales in some areas, such as the issue of draft RIGs. Also, as set out below, we see room for improvement in coordination and clear communication of information requests.

A particular concern relates to the area of efficiency benchmarking. We found it difficult to reproduce the published benchmarking results within consultation timescales using the information made available to us. We think that there is scope to improve the transparency and level of supporting information in future reviews.

2. Accessibility of Ofgem

In general, we did not have a problem with being able to raise queries or issues at the right level and responses to issues raised were in most cases received in a timely fashion.

3. Accessibility of decision documents

We think that the range of material issued by Ofgem, including press releases, information sheets, and appendices for the more technical material alongside the main decision and consultation documents meant that the proposals were generally accessible by interested parties. However, there is room to improve the visibility of the development of policy, for example by referencing source documents, for parties that are not experts in a particular area.

4. Opportunities for interested parties to express views and influence the process.

We believe that interested parties had sufficient opportunity to express their views on policy issues relating to DPCR5, whether through consultation papers, workshops, stakeholder working groups or bilateral meetings.

5. Project planning and setting of timelines for deliverables and responses

The governance of the FBPQ template was not wholly satisfactory, and multiple versions were issued in short spaces of time leading to significant rework in populating the 'current' version. Also, the detailed timelines for issuing documents were often revised, with knock-on impacts for DNOs' internal planning. The guidance for population of some templates was not always clear, and in some cases changed a number of times during the submission process lifecycle. There was therefore significant scope for different interpretations by DNOs as they populated the tables.

The timelines for the review and resubmissions of tables did not always seem to take into account the complexity of the revisions. Also, questions came from different areas of Ofgem which overlapped with previous questions and answers. This suggested that coordination of information requests at Ofgem appeared to be an issue. All of these aspects should be reviewed for the future.

6. Process for information requests, including type, form and level of information.

We have set out in section 5 above a number of concerns with the process for information requests. In our view, these were reflected to some extent in published figures during the review, which indicated significant differences in DNOs' interpretation of information requests in some areas such as connections. We believe that these difficulties could have been reduced or avoided by the use of 'dry runs' on samples of data, greater openness with companies on objectives for requests and improved planning.

7. Level of resources employed by Ofgem to deliver the project.

We do not have the impression that the level of resources deployed by Ofgem was a significant issue for the project, except perhaps towards the end of the review process where there appear to have been some significant issues in meeting planned timescales (for example in issuing draft RIGs documents).

8. Number, type and form of meetings, working groups and workshops.

We think that the range and frequency of meetings, working groups and workshops was broadly appropriate to the project.

9. Issues arising from process relevant to implementation of RPI-X@20 project

We think that there is an issue relating to stakeholder engagement that may be relevant to RPI-X@20. We believe that there is a case for considering systematic market research, coordinated across stakeholders, to elicit the views of customers, rather than the current fragmented arrangements for customer research. This should if possible take into account the development of policy over the price review process so that customers' views are taken into account over the period of the review. We do not believe that the views of system users, such as suppliers, should be taken as necessarily reflecting the views of customers themselves.