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31 August 2010

Dear Paul,

Request for relief from the consequences of over-recovery on the basis that accelerated gross volume corrections may have distorted losses reporting

SSE welcomes the opportunity to comment on the request for relief from the consequences of over-recovery where measures / actions outside the DNOs' control have caused the DNO to exceed the bounds set out in the Distribution Licence.


Interest rate adjustments to over recoveries

We agree with the high level principle that where a DNO can demonstrate that actions outside of its control have resulted in it exceeding the over recovery threshold and therefore being subject to the more penal interest rates, it is reasonable for Ofgem to take steps to provide relief from the penal interest rates that apply. However, key to this will be being able to demonstrate that the 'threshold breach' is as a result of actions that are outside the DNO's control. In most cases, there will be a number of factors contributing to an over recovery position.

Notwithstanding this, we understand Ofgem's minded to position as set out in paragraph 17 and believe this is a pragmatic way forward.

Adjustments to tariffs during 2010-11

We are less clear that it is appropriate to modify charge restriction condition 3 of the affected licensees in an effort to minimise use of system charging volatility to customers. As noted by Ofgem, any such changes to use of system charges are unlikely to be passed on to customers. As such, we believe this licence change is not wholly necessary.



I hope this is useful input. Should you wish to discuss any of the above in more detail, please do not hesitate to contact me.

Yours sincerely,

Malcolm J. Burns
Regulation Manager