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Your ref

Our Ref

Date 28 March 2011

Contact / Extension

Jeremy Blackford
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Dear Mark

Low Carbon Networks (LCN) Fund - Notice and proposed version 4 of the LCN Fund Governance Document issued on 2 March 2011

I am writing on behalf of SP Distribution and SP Manweb in response to the Notice and draft revised LCN Fund Governance Document issued on 2 March 2011.

We have some representations on the draft document as set out below.

Introduction

Paragraph 1.18

We think that "Method" should be defined as "the **proposed** way of solving the problem, or a **possible** way of solving the problem, as the context requires." (our emphasis). This would more readily cater for references to the "most efficient method currently in use on the GB Distribution system", which in many cases may not have been applied to the particular problem concerned.

Section One

Allowable First Tier Expenditure

(Engagement with Customers)

Paragraph 3.14

This requires a customer engagement plan to be submitted for approval at least two months prior to initiation of customer engagement. This will have a significant impact on timescales for implementation of projects. In addition, the reference to proposed interactions with customers whose supply is to be interrupted is superfluous as the DNO will be carrying out such interactions regularly as part of its normal licensed activity.

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In previous discussions, mention has been made of a common plan across DNOs and projects that could apply, with departures from this to be subject to Ofgem approval. We think that that would be much more workable and avoid potentially protracted delays in schemes getting under way. We also think that the notice period for approval should be 1 month rather than 2 months, in order to facilitate timely implementation of projects.

(Data Protection)

Paragraph 3.16

For similar reasons to those set out above in relation to customer engagement, a common approach to data protection should apply, with departures from these to be subject to Ofgem's approval. As in the case of customer engagement, the notice period for approval should 1 month rather than 2 months.

Section Two

Second Tier Funding Mechanism

Initial Screening Process

(Deemed approval of ISP)

Paragraphs 2.5 and 2.27

We think that a response should apply, whether positive or negative, for all ISPs, within a 20 working day period. A deemed approval mechanism is not appropriate in case of misdirected mail etc. As only 7 DNO groups are involved we do not think that this imposes an unreasonable burden on Ofgem.

Table 2.1

Under 'Information required' there is a requirement to demonstrate that the Method "has the potential to deliver the Solution at a lower cost than alternative methods" – i.e. a different specification than set out in paragraphs 2.12 and 2.13. We prefer the reference to 'alternative methods' as this is less restrictive, but in that case paragraphs 2.12 and 2.13, which refer to minimum cost current methods should be edited accordingly.

Full Submission

Paragraph 3.6

The references to charging methodology do not take account of Condition 22A following recent amendments in relation to the "CDCM" common distribution charging methodology.

Paragraph 3.19

We think that "revenue included in the DNO's Full Business Plan Questionnaire" should read "costs included in the DNO's Full Business Plan Questionnaire".

Paragraphs 3.59-3.60

We think that the DNO should be able to point to benefits in the energy supply chain other than those relating to distribution alone. It is counter-intuitive that savings in generation and transmission costs (say) are to be ignored in bids for project funding, as this may mean that projects that promise benefits many times their costs could be ruled out of consideration. We think that this should be reconsidered.

(Customer Protection)

Paragraph 3.85-3.86

Please see comments made above in relation to Customer Engagement for first tier projects. There should be a common approved plan, with departures from this subject to specific approval.

(Data Protection)

Paragraph 3.90

Please see comments above in relation to Data Protection for first tier projects. There should be a common approved plan, with departures from this subject to specific approval.

I hope that this is helpful but please contact me if you would like to discuss.

Yours sincerely



Jeremy Blackford
Regulation and Commercial
SP Energy Networks