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Dear Lesley

Consultation on regulatory measures to address the effects of gross volume correction and other settlements data adjustments on the distribution losses incentive mechanism

Thank you for giving SSE the opportunity to respond to the above consultation. Ofgem is aware through previous discussions that we do not collect data in the manner described in the consultation and we have no intention of amending our DPCR4 submission.

Notwithstanding the above, we have set out our thoughts on those parts of the consultation which we feel we can contribute on the Annex attached.

We would reiterate to Ofgem that we do not intend to use either of the methodologies suggested, nor intend to resubmit our losses for DCPR4. We would also caution against introducing a complex or uniform methodology for correcting errors, where a simple adjustment or replacement of a figure would suffice.

I hope Ofgem finds the information provided useful and please contact me should you wish to discuss anything further.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Gareth Shields', with a long horizontal flourish extending to the right.

Gareth Shields
Networks Regulation

Annex.

CHAPTER: Two

***Question 1:** Do you think we have identified the main data/billing adjustment techniques used by electricity suppliers and their impacts?*

As we are not aware of suppliers' adjustment techniques, we are unable to respond to this question.

***Question 2:** Are there any other factors you think we should take into consideration in assessing the impact of settlement data volatility?*

We have not looked at these in detail enough to comment.

CHAPTER: Three

***Question 1:** Do you agree with the general principles and constraints we have identified with respect to the correction of data used for the losses incentive scheme?*

n/a

***Question 2:** Do you think we have identified the only two practical methodologies for normalising losses incentive data for 2009-10? If not, what other approaches do you think we should consider?*

n/a

***Question 3:** Do you agree that Options 1 and 2 are distinct approaches such that a hybrid incorporating the best points of each is unachievable?*

We agree that the two approaches are distinct to the point that a hybrid of the two is not possible.

CHAPTER: Four

***Question 1:** Have we identified the important strengths and weaknesses of each option? If not, what additional points should be considered?*

n/a

***Question 2:** Do you think that the impact of particular factors on SF data can be clearly identified? Can a recessionary impact be separated from other factors such as extreme weather? How important is it for the purposes of the adjustments methodology to also take account of other variables affecting SF data such as extreme weather conditions?*

n/a

***Question 3:** Do you consider that both methodologies can deal equally well with all types of settlements data correction?*

No. We do not consider that both of these methodologies work with all types of settlements data correction.

Some errors are of a known magnitude and can be corrected simply. SSEPD's 2009/10 losses data contained errors that need to be corrected in such a manner

Question 4: *Should Option 2 allow DNOs to select different “normal” periods or is there a case for setting a standard period? What would the benefits or drawbacks be of selecting a standard “normal period” across all DNOs? Would the selection of different “normal” periods substantially affect the outcome?*

n/a

Question 5: *Do you support our preferred approach to have a single methodology that would be used across all DNOs that have adequate evidence of abnormally high settlement data corrections?*

No, we do not support Ofgem's approach to have a single methodology across all DNOs. Simple errors should employ simple correction techniques. A single methodology across all DNOs may overcomplicate error correction.

Question 6: *Do you consider that Option 1 should be that single methodology? If not please give reasons for your response.*

We do not agree that there should be a single methodology for the reasons given in our responses to the questions above.

Question 7: *Are suppliers still undertaking significant levels of settlement data adjustments? What has been the impact of the changes to the BSC to limit the use of GVC, and what will be the impact of P274? Are ongoing settlement data adjustments likely to be on the same scale as those observed for 2009-10?*

n/a

CHAPTER: Five

Question 1: *Do you agree that in calculating the LRRM, the selected adjustment methodology should be applied to the 2009-10 losses reported under both the DPCR4 and DPCR5 methodologies?*

We do not intend to apply either of the methodologies to our losses calculations for 2009/10.

Question 2: *Do you believe that either Option 1 or Option 2 could be applied to the 2009-10 losses re-reported under the DPCR5 common reporting methodology?*

n/a

Question 3: *Do you agree that in setting the DPCR5 ALP we should not include any settlements data adjustment?*

No, we do not agree with this. Elexon document EL01866 of 24th February 2011 highlights an error which affects 2009/10 data reported using the DPCR5 methodology. This error would materially affect DPCR5 ALP unless corrected.



***Question 4:** Do you believe that the type of adjustment (GVC, DMX or other) impacts how the targets should be calculated? If so, how should this be done?*

The error described in Question 3 requires a simple correction. The magnitude is known and could be confirmed by Elexon.