



Stephen Perry  
Ofgem  
9 Millbank  
London  
SW1P 3GE

One Waterloo Street  
Glasgow  
G2 6AY

9<sup>th</sup> May 2012  
0141 224 7179

Dear Stephen

**Consultation on conflicts in the Distribution Losses Incentive Mechanism and the data to be used in calculating its components.**

Thank you for giving SSE the opportunity to comment on the above consultation and the five options offered.

As SSE is not restating figures for 2009/10, many of the individual questions in Ofgem's consultation are not relevant to us. However the target setting and interaction processes are of concern, and we believe that in setting the losses target the underlying principle should be to employ recent data as this is likely to be of better quality.

Owing to fact that many DNOs are employing correction techniques to 2009/10 data to compensate for unintended consequences through GVQ, we believe that the losses target would be best set using data from 2010/11, i.e. Option 3.

Additionally with regard to Question 6, SSE believes that nominal values should be applied as described in Ofgem document 148/09 from December 2009.

I hope that Ofgem finds this useful and please contact me should there be anything else which we can provide.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Gareth Shields', written in a cursive style.

Gareth Shields  
**Networks Regulation**