

James Hope
Ofgem
9 Millbank
London
SW1P 3GE

Your ref
145/12
Our Ref
Jane Wilkie
Date
20 November 2012
Contact / Extension
0151 609 2093

Dear James

Consultation on our minded-to position for the determination of re-opener applications in respect of additional income associated with Rising and Lateral Mains under the fifth electricity distribution price control review (DPCR5)

Please find below the SPEN response to the question raised in relation to the consultation.

Question 1: Do you agree with the proposed adjustments to the revenues associated with RLM for the two DNOs, SPD and SPM?

We welcome Ofgem's recognition of the continued need to fund the modernisation of Rising and Lateral mains within the remainder of DPCR5. We have presented Ofgem with our legal argument for responsibility for inspection, repair and maintenance of Rising and Lateral Mains, regardless of ownership and are pleased that Ofgem have accepted our case. We are also supportive of Ofgem's ongoing consideration of the issue particularly in relation to funding within the RIIO-ED1 period.

The costs provided for both SPD and SPM are based on estimates of the work required by property type and an assessment of the ongoing unit costs. Given the limited benchmarking data available to Ofgem we consider the comparison between SPD and SPM unit costs delivered to date to be the only available. SPM unit costs to date are a little higher than average for flats and a little lower than average for multi-storey flats, whereas in SPD the opposite is true. SPM costs are based on a smaller sample so benchmarking at the average delivered across both licenses seems fair. We also agree that customer numbers is the most appropriate measure of the volume required.

We therefore support Ofgem's proposed adjustment to revenues associated with RLM, allowing us to complete modernisation to the supplies of around 70,000 customers.

Yours sincerely



Scott Mathieson
Regulation & Commercial Director

cc: Sara McGonigle

New Alderston House, Dove Wynd, Strathclyde Business Park, Bellshill, ML4 3FF

Telephone: 0141 614 0008

www.scottishpower.com