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Dear Hannah,

RIIO-T1/GD1: Office of National Statistics review of Retail Prices Index (RPI) methodology

This response is provided on behalf of SSE and SGN. We welcome Ofgem's letter in relation to the Office of National Statistics (ONS) Consultation on Possible Options for Improving the Retail Prices Index (RPI) and the acknowledgement that it is appropriate to consider the impact on network companies of any change to the methodology to calculate the RPI arising from the current ONS review. The Energy Networks Association has responded on behalf of its members and we fully endorse the views set out in that response.

In particular, we would emphasise the following points:

- Any changes to the calculation of the RPI will clearly have differing impacts on networks depending on where they are in their price control reviews i.e T1, GD1 or ED1, but will raise the same issues and at the same time. We do not believe, therefore, that Ofgem's concern about companies potentially applying for a re-opener at different times is valid. In our view, it is not necessary to complicate matters by setting a re-opener application window and suggest instead that a commitment by the T1 and GD1 Final Proposals, supported by an appropriate decision letter, to **re-open, and consult on, all price controls as soon as any change to RPI is confirmed / finalised**. This approach would be more proportionate and minimise regulatory costs.
- It is clear that any change in RPI will have a material effect on all networks, impacting on allowed revenues, costs and the indexation of the RAV. Therefore, a materiality threshold would be an unnecessary complication and is not appropriate. Our suggestion above would avoid the need for any trigger mechanism at all and, in our view, be a pragmatic and efficient solution.
- For ED1 any impact on a DNO's cost base above the new RPI could be handled through the RPE (real price effects) allowance and by ensuring that real cost of debt index and real cost of equity are calculated to take this change into account.



I hope that our comments are useful. If you would like to discuss any of the points raised above then please call.

Yours sincerely

Malcolm Burns

Senior Regulation Manager