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Dear Tim,

**Further consultation on restatement of 2009/10 data and closing out the DPCR4 losses incentive mechanism**

Scottish and Southern Energy Power Distribution welcomes the further work that Ofgem has carried out in relation to determining and validating the final incentive values for the close out of the DPCR4 losses mechanism. Our responses to the Questions 7 and 8 of Chapter 3 of the consultation are set out below. Other than this we have no additional comments or information to provide further to that which we have provided in response to previous consultations.

In respect of Question 7 of Chapter 3, we strongly favour recovery of the incentive value over the first two years of RIIO-ED1. Whilst we understand that recovery in one year may not be appropriate, a recovery period of longer than two years would result in inter-generational transfers, which is not consistent with best regulatory principles.

In respect of Question 8 of Chapter 3, we consider that recovery should be made on a NPV basis using the vanilla cost of capital as applies during DPCR5.

It would be helpful both for DNOs and suppliers if notification of the timing of the recovery was provided at the earliest opportunity to minimise uncertainty around tariff setting.

Please do not hesitate to get in touch if you would like to discuss this further.

Yours sincerely,

Aileen McLeod  
**Head of Regulation, Networks**