



Office of the Chief Executive

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Hannah Nixon
Senior Partner, SG&G: Distribution
Ofgem
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29 April 2014

Dear Hannah

Re: UK Power Networks response to RIIO-ED1 statutory consultation on WPD CRCs and all DNO SLCs

Thank you for the opportunity to respond to the above statutory consultation dated 28 March. This response should be regarded as a consolidated response on behalf of UK Power Networks' three distribution licence holding companies: Eastern Power Networks plc, London Power Networks plc, and South Eastern Power Networks plc. For convenience, the three licensees are collectively referred to as "UK Power Networks" in this response. Please note that our response is not confidential and can be published via the Ofgem website.

We are pleased to see that the draft licence conditions (both SLCs and CRCs) and the handbook have progressed since the two earlier consultations and the "page turning" undertaken on both, however there are still drafting issues in these which have been outlined in the ENA response and its associated appendices (that I can confirm that we support).

In our response to your Part 1 consultation (that closed on 7 February) and also in numerous licence drafting working groups and RIIO meetings attended by my colleagues we have stated that we do not accept that the notice period for changes to RIGs or Guidance documents provides sufficient time for licensees to implement system changes or provide staff training required for changes to data reporting, or plan and implement new initiatives to meet revised criteria.

The requirement for such a restriction has been borne out by experiences in DPCR5 and in the RIIO-ED1 Business Plan submission process: our business plan submission was driven from our business as usual management systems and all our costs and volumes were reconciled and auditable to these systems. Therefore the late change (requested on 5 March 2013 for submission on 1 July 2013) to include on-going efficiencies on a line by line basis within the relevant RIGs tables caused significant disruption for UK Power Networks and we were only just able to meet this requirement.

A second example is in the sheer volume of business plan template changes within the final month before resubmission of the business plan in March 2014. Thirty changes (of varying scale) were required, again putting at risk UK Power Networks' compliance with the requirements.

The impact of such material changes to guidance part way through a regulatory year is potential licence breach for misreporting or breach of data assurance requirements, or failure to meet new criteria relating to incentives or penalties.

We are supportive of a default requirement to give at least 3 months' notice prior to the beginning of the regulatory year to which changes apply. This could have a built in process such that, with

the agreement of all licensees, Ofgem can reduce the notice for changes that are not material or do not require a longer time period to implement.

The issue regarding 3 months' notice is also made in the ENA letter on behalf of the ten electricity distribution licensees who are Distribution Services Providers and who have not been fast-tracked in the RIIO-ED1 process.

We urge you to reconsider your position in this area to avoid potential delays to the finalisation of the RIGs in the lead up to the start of RIIO-ED1 and also any disagreements over proposed RIGs changes during RIIO-ED1.

We have identified that the current reopener windows for CRC3G in respect of load related expenditure leave DNOs with an exposure for the period between the May 2020 window and the end of the price control. We believe that it is appropriate that DNOs are given a reopener window in line with the one Ofgem have at the end of the RIIO-ED1 price control period to ensure any changes to LRE in the final years of the price control can be considered. We would be grateful for your consideration of this proposal.

Finally, we note the change to SLC50 regarding the submission of the business plan by the slow track DNOs. DNOs must now report against the March 2014 submission in their annual business plan reports. However, this revision does not cater for any commitments made in this version of the plan that Ofgem chooses not to fund through its final determination process later this year e.g. our business plan commitment to reduce oil leakage volumes is dependent on Ofgem approving our fluid filled cable replacement plans..

We will continue to work with you and your team to ensure a fit for purpose licence and Financial Handbook is available for all DNOs as this is in Ofgem's, stakeholders' and the DNOs' interests. We look forward to working with Ofgem to progress these through the slow track process, if you have any queries please do not hesitate to contact Keith Hutton in the first instance.

Yours sincerely



Basil Scarsella
Chief Executive Officer

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 Jane Jellis, Ofgem
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 Ben Wilson, Director of Strategy & Regulation & CFO, UK Power Networks
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