

Northern Powergrid – attachment to letter of 19 January 2015 – “RIIO-ED1: Notices under Section 11A(2) of the Electricity Act 1989”

REFERENCE	COMMENT
SLC 11	We observe that the licence modification cannot be made until SI numbers have been assigned to the two guaranteed-standards-related statutory instruments, given that these are to be cited in the text of this condition, and that further modification may be required later this year, if the splitting out of supplier obligations from the Electricity (Standards of Performance) Regulations (ESOPR) into a separate SI also creates the need for the distributor obligations in the ESOPR to be lodged within a separate, more appropriately named SI.
SLC 12	We do not object to the proposed modification of paragraph 12.6, but observe that this will not ensure that SLC 12 is consistent with the standards outlined in the Connection Guaranteed Standards of Performance, as stated in Ofgem’s 17 December 2014 consultation document, because of the facility under the relevant guaranteed standards for the clock to be paused whilst any further information that is identified as necessary (i.e. beyond the minimum information) is provided.
SLC 13C	<p>We still maintain that changes are needed to remove ambiguity.</p> <ul style="list-style-type: none"> (i) In paragraph 13C.3(c) the comma should be removed after ‘Service’ in the second line, to help clarify that the subclause beginning with the word ‘except’ relates to “do not require any modification” at the start of the first line rather than to the opening words of Para 13C.3. (ii) At the very end of the definition of ‘Reinforcement Costs’, “the premises” should be changed to “any of those premises”. <p>At the same time, the grammatical error of applying the singular pronoun “a” to the plural noun “premises” in the opening line of para 13C.3 should be corrected. This could be done by simply removing the word “a”, or by removing the words “a Domestic or business”, since these last three words are superfluous, there being no other kind of premises beyond Domestic or business.</p> <p>We find the reason stated by Ofgem in the log that accompanied the statutory consultation for not heeding our suggestion, namely that it would not be in line with Ofgem’s stated policy of only making substantive changes at this point in the process (i.e. at the informal-consultation stage), to be unacceptable.</p>
CRC 2C	Shouldn’t the definition of ‘Complaint’ used for the purpose of this condition be aligned to the scope of complaints that are capable of being referred to the ombudsman (i.e. as per the definition of ‘consumer complaint’ in the Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008)?
CRC 2D	We repeat our previous observation that it is inaccurate to refer to customers being interrupted – it is, of course, their electricity supplies that are interrupted. We understand that Ofgem doesn’t wish to alter the wording as it is long-established. For our part we don’t think this wording has caused any problems and are raising the point here simply because it is inaccurate.
CRC 2E	<p>With regard to paragraph 2E.12, the penalty for failure to meet the minimum standards in a market segment is a set value regardless of the severity of the failure or the extent to which it actually affected customers – this does not meet the ‘better regulation’ principle of proportionality.</p> <p>This has not been <i>explicitly</i> consulted on during the ED1 process (the strategy decision, the December 2013 decision on connections incentives and the draft/final</p>

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	determinations). The documents were silent on this issue, so there has been no consideration of a different approach or highlighting for consultation of the implications of the approach taken. We did make representations that there should be scope for scaling of a penalty and no reasons have been given for Ofgem’s failure to provide for this.
CRC 2F	With regard to the tables in Appendix 1, the approach to rounding in the licence is relatively ‘blunt’ and could confer rewards or penalties that are more or less than the amounts intended. Over the RIIO-ED1 period as a whole the effect could be material.
CRC 2J	It is unclear what is meant by the term ‘customers’ in the fourth line of paragraph 2J.11. The Second Tier and Discretionary Funding Mechanism, as defined in paragraph 2J.6, is stated to address recovery by, and apportionment among, relevant distribution network operators of specified monies: there is no reference there to these being paid to ‘customers’ (whatever is intended by that term).
CRC 3E	<p>With regard to the figures in Appendix 1, unit costs are not consistent with the calculation of the opening value of SMAE (i.e. opening allowances). It appears that the 75%:25% IQI interpolation step has not been included in arriving at these unit costs and they are based on Ofgem’s view of our allowances. This means that, if volumes exactly matched those used in arriving at the final determination value of SMAE, the adjusted SMAE value would be different, which is illogical.</p> <p>NPg opening unit cost should be higher (after IQI interpolation) as NPg was subject to a negative unit cost adjustment in the disaggregated cost assessment.</p> <p>NPg unit cost should be £354 (rather than £332). The financial impact, if actual volumes were the same as used in the final determination, would be £1.5m: i.e. if NPg’s volumes exactly matched those used in arriving at the final determination value of SMAE, NPg would lose £1.5m.</p>
CRC 5G	We have separately communicated with Chris Watts on what we believe to be an error in the way the percentage calculations have been made for the purposes of this condition.
CRC 5K	<p>With regard to Part B, we remain disappointed that Ofgem has allowed to remain in place an anomalous disapplication procedure whereby electricity distributors are disadvantaged <i>vis à vis</i> other regulated energy network operators. We are similarly disappointed that Ofgem has never responded to the papers that NPg submitted on this matter two years ago.</p> <p>With regard to Part F, it is unclear to us that the CMA would go beyond quashing the Authority’s decision by directing the licensee to serve a Disapplication Notice, which is essentially a creature of the licence rather than the Electricity Act.</p>
Price Control Financial Handbook	With regard to section 2(ii) of chapter 15 (DPCR5 Tax adjustment), we have previously requested the rationale and substantiation for the manner in which an adjustment is made to reflect the changed basis for setting tax liability allowances in the RIIO-ED1 period, but we do not think Ofgem has provided this.