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19 January 2015

Dear Maxine,

RIIO-ED1: statutory consultations for RIIO-ED1 – Charge Restriction Conditions, Standard Licence Conditions, Network Assets Workbook, PCFM and Price Control Financial Handbook

Scottish and Southern Energy Power Distribution welcomes the opportunity to respond to the above consultation.

We fully support the ENA response that has been submitted on behalf of all DNOs. We reiterate the key points of this response below, along with some additional issues that we raised at the informal consultation which have not yet been addressed.

Standard Licence Conditions

We have no additional comments in relation to the Standard Licence Conditions.

Charge Restriction Conditions

CRC 2C

- 2C.12 Error in the drafting for the incentive rate term (BM_t). BM_t should be adjusted for the effect of RPI in year t ($RPIF_t$) and not $RPIA_{t-2}$ as currently drafted.

CRC 2P

- The paragraph numbering is incorrect throughout

- 1A.9(c) Suggest amending reference to NINES integration costs as ‘implementation’ infers project allowance, which is covered in Legacy terms and outlined in Chapter 15 of the Financial Handbook
- 1A.10 Suggest changing “...fuel purchased for use by LPS, including any fuel costs...” to “fuel purchased for use by LPS and any fuel costs...”
- 1A.10 and all references – Suggest defining Contingency Arrangements as “any action required by the licensee to balance the supply / demand of energy on Shetland (excluding the operation of LPS or SVT)”

CRC 2Q

- Suggest inclusion of determination letter 22 April 2014 in licence as it does not appear to have been updated from the DPCR5 condition.

CRC 3F

- SSEH 3F.34 Suggest defining Shetland Uncertain Energy Costs: “Incurred by SSEH from the period 1 April 2015 until the implementation of the enduring solution (as directed by Ofgem).”
- SSEH 3F.27(c) Amend title to “relating”.
- 3F.34 Definition of Rail Electrification Costs should reference relevant authority as transport in Scotland is a devolved power.

More substantively, the definition of Specified Street Works Costs needs to be amended. The current definition is limited to costs associated with permits. Whilst this is appropriate for the relevant legislation that applies in England, the Traffic Management Act 2004, the legislation in Scotland, the Transport (Scotland) Act 2005, does not make use of permits but uses the Scottish Road Works Register. Ofgem recognised this in the ED1 Strategy Decision document and set out its intent that the costs should include those incurred as a result of complying with the relevant legislation in Scotland. We therefore propose that the definition is amended to the following to align with this policy decision and with the GD1 licence:

“Specified Street Works Costs means costs specified below that have been incurred, or are expected to be incurred, by the Licensee in complying with obligations or requirements arising under any orders or regulations made pursuant to Part 3 of the Traffic Management Act 2004 (or, in Scotland, the Transport (Scotland) Act 2005) that impose a permit scheme, or under any wider street works legislation applicable to the Licensee:

- (a) one-off set-up costs;
- (b) permit fee costs;
- (c) administrative costs arising from the introduction of permit schemes;

- (d) costs arising from the introduction of permit conditions;
- (e) costs arising from changes to working practices required by the introduction or alteration of any code of practice applicable to the Licensee;
- (f) costs arising from lane rental charges levied on the Licensee by highway authorities;
- (g) costs arising from changes to inspection fees payable by the Licensee;
- (h) costs arising from changes to the requirements imposed on the Licensee in respect of highway reinstatement; and
- (i) costs arising from the introduction of new congestion charging schemes or changes to existing ones.

as further clarified in the RIGs.”

Financial Handbook

Chapter 7

We note that due to the different versions of CRC 3F for different licensees, Chapter 7 of the Financial Handbook does not contain the correct cross-references for all licensees. The different structures of the three different versions of CRC 3F further complicates this. This could be resolved by having three different versions of Chapter 7 to align with the versions of CRC 3F.

Methodologies

We note that Ofgem has developed a number of the legacy methodologies, with a commitment in the Financial Handbook to develop the remaining methodologies by 31 March 2016. We look forward to continuing to engage with Ofgem on the development of these methodologies such that all parties fully understand the legacy requirements at this time.

If you have any questions on any of the above or would like to discuss further then please do not hesitate to contact me.

Yours sincerely,

Michael Ferguson
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