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Our ref

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Date

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15 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

I am writing on behalf of Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc, Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) plc in response to the above Statutory Consultation published on 17 December. This response is specific to WPD and is in addition to the joint ENA response.

Slow Track CRCs

Our understanding was that the CRCs published for the Slow Track Companies would not apply to WPD, unless they were modified under CRC4C in relation to updated stipulated values or to address material financial detriment.

Network Assets Workbook/SLC51/CRC5D

One area that we would like to highlight is that although SLC51 (Network Asset Indices Methodology) will be common to all DNOs, it will need to be able to operate within a common methodology framework to two divergent versions of CRC5D (Assessment of Network asset Secondary Deliverables). In particular in the Slow Track version of CRC5D some new undefined terms have been added to at paragraphs 18 and 22. These provisions have not been included in any previous consultation.

Part (b) of the Slow Track Clause 5D.18 has additional wording relating to 'Average Probability of Asset Failure' and 'Average Consequence of Asset Failure' being used in calculation of the deliverable. We note that these are capitalised, to suggest defined terms, but no definition is included in Part F of the CRC.

Also clauses 5D.19 to 5D.22 of Slow Track CRC5D are introduced, which make provision for Ofgem to issue notice to the DNO to revise the Average Probability of Asset Failure' and 'Average Consequence of Asset Failure'.

WPD's CRC5D specifies that the Network Asset Workbook (NAW) was published on 21st May 2014 (see definition of Network Asset Workbook in the existing CRC). The provisions for updating the NAW under WPD's CRC 5D.18 are limited to rebasing the Network Asset Secondary Deliverables to be consistent with the Common Network Asset Indices Methodology, to remain as equally challenging as those set out in the Network Assets Workbook that was applicable at 1 April 2015 and to be in the same format as the Network Assets Workbook.

Financial Handbook

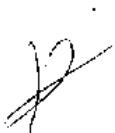
With regard to the Financial handbook, our preference is for Ofgem to merge WPD's Part 1 of the Financial Handbook with the Slow Track/Legacy Financial handbook and update common content as appropriate whilst retaining differences due to WPD's Fast Track determination and CRCs.

The ENA response has highlighted that there are some discrepancies between the MSword version of the Financial Handbook issued by Ofgem and the PDF version on the website. Some of these differences relate to references to rows in the PCFM where, for example, the pdf version references the fast track PCFM but the word document references the slow track.

Given that currently the slow-track and fast track versions of the PCFM are different, Ofgem must be mindful of this when making references to PCFM rows and ensure that these are correct for both slow and fast track licensees. We appreciate that there will be an exercise to align the common content of the PCFM at some point but, until this is done, two sets of references will be required. We have found this issue in paragraphs 14.11, 14.17 and 14.23 of the Handbook.

We will continue to work with Ofgem and other DNOs to finalise the Financial Handbook.

Yours sincerely



ALISON SLEIGHTHOLM
Regulatory & Government Affairs Manager