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Your ref

Our Ref

Date

7th September 2015

Contact / Extension

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(By email to:
Matthew.Berry@ofgem.gov.uk)

Dear Matthew,

SP Energy Networks Response to Notice as required under Part C of Charge Restriction Condition (CRC) 2G (The Losses Discretionary reward)

This letter sets out the response of SP Distribution and SP Manweb to this notice and its appendix.

There are some aspects of the proposals that we believe will raise concerns for stakeholders in relation to Transparency and Knowledge Sharing. Refinements that could deal with these concerns whilst strengthening the incentive and its potential outcomes are set out below.

Much of the proposal is robust and will help DNOs and our stakeholders to better understand network losses and the effect of Low Carbon Technology (LCT) uptake on these. A key activity for DNOs and stakeholders during the ED1 period is to develop tools to help understand the holistic impact and costs of LCT uptake, including situations where increased distribution network losses are part of a wider efficient and environmentally sound solution.

Transparency: The assessment of DNOs losses submissions, both the initial assessment and the subsequent detailed assessment would be strengthened by the use of a stakeholder panel. Drawing from the experience of other incentive and innovation funding mechanisms we suggest that this panel is made up of a combination of customer representatives and technical experts closely associated to the IET. To minimise timescales and set up costs we suggest that this panel could be drawn from the existing members of the Stakeholder Engagement and Network Innovation Competition panels.

Knowledge Sharing: Given the importance of this subject to all customers and stakeholders compliance with this requirement must be tested stringently before a DNO qualifies for any reward. Experience from other incentive mechanisms where this is also set out as a requirement, shows that some parties have not effectively engaged in sharing best practice where this requirement is not robustly tested at both the initial and detailed assessment phases.

I hope that this feedback is helpful in finalising your proposals and governance arrangements.

Yours sincerely,



Jim McOmish
Head of Distribution Network

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