

Geoff Randall (Electricity Transmission) / Mick Watson (Gas)
Ofgem
9 Millbank
LONDON
SW1P 3GE

By email only to: mpr@ofgem.gov.uk

12 January 2016

Dear Geoff and Mick,

Consultation on a potential RIIO-T1 and GD1 mid-period review

Thank you for the opportunity to comment on this consultation. 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" throughout. Please note that our response is not confidential and can be published via the Ofgem website.

We welcome the early consultation by Ofgem on the potential for T1 and GD1 mid-period reviews and the open and transparent process being conducted to inform stakeholder input into the decision. We note Ofgem's acknowledgement that for ED1, the mid-period review scope, details and process are more detailed than T1 and GD1 and that the proposed scope outlined in this consultation should not be seen as setting a precedent for ED1. We expect this to remain the case.

The scope of the ED1 mid-period review of output requirements is specified in the ED1 Strategy Decision¹ as being restricted to cover:

- *material changes to existing outputs that can be justified by clear changes in government policy (e.g. if government policy on climate change changes, a higher or lower level of delivery or performance may be needed)*
- *introducing new outputs that may be needed to meet the needs of consumers and other network users.*

The hurdle for initiating mid-period reviews should be set appropriately high so as to not inadvertently create two price controls each of four years length. This would of course come with the added risk of negative impacts on financing through damage to investor confidence and therefore result in increased costs for consumers.

¹ https://www.ofgem.gov.uk/sites/default/files/docs/2013/02/riioed1decuncertaintymechanisms_0.pdf

Finally, we note that one area of work for the mid-period review you have identified is where regulatory clarifications are required. We believe that there are other mechanisms for achieving this, such as amendments to RIGs (or even licence conditions) following consultation with stakeholders.

If you have any questions or queries on this repose then please do not hesitate to contact me in the first instance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'James Hope', followed by a stylized flourish.

James Hope
Interim Head of Regulation, UK Power Networks

Copy Geoff Randall, Ofgem
 Mick Watson, Ofgem
 Paul Measday, Regulatory Returns & Compliance Manager, UK Power Networks