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By email only to louise.deighan@ofgem.gov.uk

Dear Louise

Notice under Part C of Standard Licence Condition 46 (Regulatory Instructions and Guidance) of the Electricity Distribution Licence of proposed modifications to the Regulatory Instructions and Guidance

Thank you for the opportunity to respond to the above Notice. This response is on behalf of UK Power Networks' three licence holding companies: Eastern Power Networks plc, London Power Networks plc, and South Eastern Power Networks plc.

We have set out in Appendix 1 the feedback on a small number of specific points raised in your consultation. For ease of reading we have referenced these to the Annex and point number in your log. In Appendix 2 we have included points which we raised in response to your earlier informal consultation. We are concerned that all but one of them remain open and are awaiting answers.

We also seek clarity in respect of any restatement of prior years. The formal notice states that these changes apply to the 2016/17 reporting year onwards, however discussions were held at the working groups where Ofgem stated that prior year restatement was required/possible.

We have also identified a small number of formula errors in Annex D (Secondary Deliverables) – although not part of this consultation, we would like to work with Ofgem to review and correct these. We have outlined these in Appendix 3.

In respect of any changes to the quality of supply workbooks, we urge Ofgem to ensure these are formally issued by the 7 April to ensure DNOs have time to populate and assure them, according to the DAG, mindful that the external deadline for submitted populated workbooks is the end of April.

As always we are keen to work with you to shape the RIGs and associated commentary such that it provides you with meaningful and helpful information in monitoring and understanding the current price control and the associated mechanisms, as well as collecting the relevant information for future reviews. We were pleased to engage with you recently on this topic, and as suggested, would be more than happy to present the key messages from our 2016/17 performance to you and

GEMA if this will be helpful in conveying how we rise to the challenge of delivering our outputs whilst maintaining a focus on costs to end customers.

We are supportive of work done to update the RIGs to remove errors, inconsistencies and superfluous tables, but believe there is still work to be done to achieve this across other elements of the returns. By way of examples:

- the Connections pack should be reviewed to ensure the appropriate level of detail is collected and made use of; and
- the BMoCS RIGs should be reviewed to ensure consistent interpretation by all DNOs.

As previously raised in the Cost and Outputs working group, we believe that Ofgem should consider faulted asset replacement in their consideration of HIs. Although they do not form part of the HI delta for ED1, assets replaced following a fault contribute to improving the health of the network and could be accounted for because they are already reported in the secondary deliverables workbook.

Finally, we note that across the suite of RIGs documents, Ofgem will now have a number of documents which are v2.0 and others which are v3.0. We propose that Ofgem increment those on v2.0 to v3.0 to avoid potential confusion when reading across the documents (e.g. a secondary deliverables document on v2.0 whose definitions are in a document glossary on v3.0).

We look forward to hearing from you in respect of the above. If you have any queries please do not hesitate to contact me.

Yours sincerely



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Appendix 1 – points in respect of your formal Notice

| Annex | Ofgem Reference Number | Proposed Change | UK Power Networks response |
|-------|------------------------|---|--|
| A | 2, 3 & 4 | Clarification of the boundaries between Faults and Asset Replacement. | We agree with the proposed changes to clarify the boundaries between Faults and Asset Replacement including the clarification of definitions and the introduction of Appendix 1 in Annex B. |
| A | 5 | The definition for Renewable Generation has now been added to Annex A. | We agree with the proposed definition for Renewable Generation but we will be restating our 2015/16 figures because with no definition in place we had not included Waste incineration (not CHP), Mini CHP (<1MW), Small CHP (>=1MW,<5MW), Medium CHP (>=5MW, <50MW), Large CHP (>=50MW), in our July 2016 E7 LCTs submission. |
| A | 8 | Repairs relating to operational communications will now be reported in CV11 Operational IT&T following a clarification of the definition. | We agree with the proposed classification but based on this change we will be restating our 2015/16 figures because this moves costs and volumes from the CV31 Repair & Maintenance Protection lines to CV11 Operational IT&T. Previously we have reported repairs for operational communication purposes in CV31. |
| A | 18 | Additions and disposal related to DG activity or assets adopted from ICPs will now be reported in V3 following a clarification of the definition of Asset Register – Other Movements. | We agree with the proposed classification of moving additions and disposal related to DG activity or assets adopted from ICPs to the V3 – Connections table. This will mean a restatement of volumes from V4 into V3 for 2015/16. |
| B | 1 | The M16 Forecast table is now broken down to the same level as the C1 Cost Matrix. | We see little value in splitting non op capex, CAI and BS further than was in the original version of M16. |
| C | 1, 2, 3 & 4 | The Financial Issues pack has been removed with only F2 and F8 remaining and now located in the Cost & Volume pack. | We agree with the proposed changes to remove the Financial Issues pack, and move F2 and F8 to the Cost & Volumes pack. |
| F | 4 | IIS stage file – formula in rows 10-10000 deleted to reduce the size of pack. Formula can be copied down by DNO when adding to the list. | Although we support the underlying aim (file size reduction) we are not able to support this change as it introduces a risk of data errors as checking formulas have been removed. |

| Annex | Ofgem Reference Number | Proposed Change | UK Power Networks response |
|-------|------------------------|---|---|
| G | 1, 2, 3 & 4 | CR2 and CR3 now contain extra columns to include ICPs and IDNOs, and 3rd party and DNO, respectively. | As previously communicated, we believe it is too late a change to implement at this stage. It will require going back retrospectively for data items that our systems have not split out, given there was not the requirement to do so previously. Implementing this change from 2017/18 onwards would make more sense. |
| H | 2 | Amended wording to take into account bank holidays when submitting the weekly BMoCS data. | <p>We note that the wording we previously provided does not appropriately cater for bank holidays which do not fall on a Monday.</p> <p>We propose the following wording which takes these circumstances into account:</p> <p>"For each Bank Holiday which takes place on the normal day of submission or during the six calendar days prior to the normal day of submission, the normal submission deadline of Tuesday is extended by one day for each Bank Holiday".</p> |
| H | 4 | Addition of "or enquire about" into Table 3.1 of the BMoCS section. | We are unclear as to why this is being introduced. We previously sought clarity in our response to the informal consultation but the justification for the change in this consultation was "for clarification". This does not give enough detail to allow us to understand the reasons behind it and until we have this we are unable to support it. |
| J | 6 | Clarification provided on the size of LCTs installed. | We source data on small scale generation from the Feed in Tariff database. We do this because we have found that we are not always informed of a generation connection under G83. However, the fields in this database are installed capacity and declared net capacity. We propose that for the "maximum export allowed" field in the RIGs, where the source is the Feed in Tariff database, DNOs should be allowed to use the total capacity field. To enable this, paragraph 4.45 of Annex J should be amended as the "not installed capacity" in brackets which has been added seems to prevent this. |

Appendix 2 – Open points from our previous response and earlier correspondence

1. Smart metering data capture

As mentioned in the RIGs review on 30 January, whilst the current ED1 RIGs facilitate the reconciliation of smart meter interventions with ONIs on an annual basis, we believe there is merit in revisiting the true-up period, particularly in light of current smart meter roll-out volumes from suppliers. An expanded true-up window back to the beginning of the ED1 period each year would enable interventions that are ultimately smart driven to be recorded as such in due course.

2. Connections into HVPs, LRR and Asset Replacement – interaction with Net to Gross (and with HIs for Asset Replacement)

We would welcome the inclusion on the issue log of a summary of our discussion around customer contributions associated with HVPs, LRR and Asset Replacement projects.

3. Development of a safety metric

Given the importance we place on safety, and as it is one of the RIIO outputs, we would like to work with you and the other DNOs to develop an industry-wide agreed metric which can be brought into the ED1 reporting framework.

4. Pensions Annex K

In our email to Ian Rowson and yourself, dated 18 January, we requested timescales for guidance and reporting packs to be issued for Pensions (Annex K). We would welcome your RIGs consultation setting out when this will happen, with DNOs being afforded sufficient notice such that they can comply with their DAG requirements.

5. Cost and Volumes commentary

The only change on the commentary template for Cost and Volumes relates to M16. We believe the commentary would be better focused on comparing forecast to allowances rather than BPDTs, which now date back to 2013-14.

6. The refinement of tree cutting management to be looked at in terms of risk and customer bandings

UK Power Networks' tree cutting strategy for ED1 has changed since we submitted our Business Plan in 2014. As explained during the cost visit, UK Power Networks has adopted a LiDAR based approach to surveying which enables the use of span risk ratings to prioritise cutting and the band rates to value the cut required in each span. This enabled UK Power Networks to develop a detailed, costed three year cutting plan. Benchmarking on a unit cost approach has its disadvantages in respect to this approach and lacks focus on customer numbers benefitting from risk based management of tree cutting. We would like to discuss both capturing and reporting the necessary information in the RIGs, as well as a new method for benchmarking which gives more emphasis to de-risking connected customers.

7. LI targets for ED1 given no “true-up” post Ofgem benchmarking
During the cost visit, we highlighted that the ED1 licence does not contain the Load Index targets. UK Power Networks has come up with a method for calculating these targets using the BPDTs, which we would like to share and develop further with your team. We would also welcome discussion with you and your colleagues in advance of work on introducing LI targets into the licence.
8. The inclusion of Distributed Generation in the M14 Drivers table
The M14 Drivers table would benefit from having additional information on Distributed Generation (Total DG installed in MW). It is currently only reported in the E7 LCTs table.
9. Development of Health Index for substations
This was previously discussed as part of the ED1 working groups and we would welcome the opportunity to revisit the work.
10. Flooding – develop a matrix which gives a view of the percentage of customers affected/unaffected by flooding
In order to expand the visibility of flood mitigation across the GB network, an additional entry to the CV16 Flood Mitigation table would bring across the number of customers from M14 and manual input cells for: customers mitigated; customers affected; and a formula cell for percentage of customers still at risk.
11. Totex drivers – not just MEAV
With greater focus on delivering outputs as opposed to inputs, we believe further thought is needed to determine what the most appropriate drivers to use are, which encourage innovation and efficiency, rather than being overly focused on physical assets.
12. Indirect allocations to HVPs
This is a new reporting requirement. We would like to walk you through how we have approached this, and also to understand how you intend to make use of this information.
13. Movement of directs to indirects and impact on reopeners in ED1
As set out during the October cost visit, our strategy for ED1 will result in movement of costs from directs to indirects. We will provide evidence of this through our annual reporting narrative and believe ongoing dialogue will help both Ofgem and UK Power Networks in terms of evaluating performance against re-opener thresholds, as well as more broadly in terms of efficiency.

Appendix 3 – Formula Errors in Annex D (Secondary Deliverables)

| Reference | Errors Identified |
|---|--|
| <p>Secondary Deliverables – Microsoft Excel Ofgem template formulae errors:</p> <p>Summary_by_Asset tab</p> <p>HCT_HV tab</p> <p>HCT_EHV tab</p> <p>HCT_132kV tab</p> | <p>Secondary Deliverables – Microsoft Excel Ofgem template formulae errors:</p> <p>Summary_by_Asset tab Formulae error in columns D, E, F, G, H, I, J, K, L, M, N, O row cell 161, 493. Nature: the SUM formulae is duplicating the values picking up HI1-HI5 grand totals as well as 4x5 matrix values. Asset Categories affected: 20kV CB (GM) Primary, 132kV CB (Gas Insulated Busbars)(ID) (GM)</p> <p>HCT_HV tab Formulae error in columns CS, CZ, DG, DN, DU, EB, EI, EP, EW, FD, FK, GO, GV row cells 557, 563, 569, 575, 581, 587, 593, 599. Nature: the Multiply formulae is picking up an incorrect asset category values from Asset Risk Values tab subsequently incorrect PoF x CoF for this asset category. Asset Categories affected: 20kV CB (GM) Secondary</p> <p>HCT_EHV tab Formulae error in columns ET, EU, EV, EW, EX row cells 457, 463, 469, 475, 481, 487, 493, 499, 705-708, 711-714, 717-720, 723-726, 729-732, 735-738, 741-744, 747-750, 755-758, 761-764, 767-770, 773-776, 779-782, 785-788, 791-794, 797-800, 805-808, 811-814, 817-820, 823-826, 829-832, 835-838, 841-844, 847-850, 855-858, 861-864, 867-870, 873-876, 879-882, 885-888, 891-894, 897-900, 905-908, 911-914, 917-920, 923-926, 929-932, 935-938, 941-944, 947-950, 955-958, 961-964, 967-970, 973-976, 979-982, 985-988, 991-994, 997-1000, 1005-1008, 1011-1014, 1017-1020, 1023-1026, 1029-1032, 1035-1038, 1041-1044, 1047-1050, 1055-1058, 1061-1064, 1067-1070, 1073-1076, 1079-1082, 1085-1088, 1091-1094, 1097-1100, 1105-1108, 1111-1114, 1117-1120, 1123-1126, 1129-1132, 1135-1138, 1141-1144, 1147-1150, 1155-1158, 1161-1164, 1167-1170, 1173-1176, 1179-1182, 1185-1188, 1191-1194, 1197-1200, 1205-1208, 1211-1214, 1217-1220, 1223-1226, 1229-1232, 1235-1238, 1241-1244, 1247-1250, 1255-1258, 1261-1264, 1267-1270, 1273-1276, 1279-1282, 1285-1288, 1291-1294, 1297-1300, 1305-1308, 1311-1314, 1317-1320, 1323-1326, 1329-1332, 1335-1338, 1341-1344, 1347-1350. Nature: the Multiply formulae is picking up an incorrect asset category values from Asset Risk Values tab subsequently incorrect PoF x CoF for this asset category. Asset Categories affected: 33kV UG Cable (Oil), EHV Sub Cable, 33kV CB (Air Insulated Busbars)(ID) (GM), 33kV CB (Air Insulated Busbars)(OD) (GM), 33kV CB (Gas Insulated Busbars)(ID) (GM), 33kV CB (Gas Insulated Busbars)(OD) (GM), 33kV Switch (GM), 33kV RMU, 66kV CB (Air Insulated Busbars)(ID) (GM), 66kV CB (Air Insulated Busbars)(OD) (GM), 66kV CB (Gas Insulated Busbars)(ID) (GM), 66kV CB (Gas Insulated Busbars)(OD) (GM), 33kV Transformer (GM), 66kV Transformer. Note, in relation to 33kV UG Cable (Oil) asset category formulae error repeated in column EW only.</p> <p>HCT_132kV tab Formulae error in columns CS, CZ, DG, DN, DU, EB, EI, EP, EW, FD, FK, GO, GV row cell 457. Nature: the Multiply formulae is picking up an incorrect asset category values from Asset Risk Values tab subsequently incorrect PoF x CoF for this asset category. Asset Categories affected: 132kV CB (Gas Insulated Busbars)(OD) (GM)</p> |
| <p>"Annex D - Secondary Deliverables" guidance document</p> <p>Page 15/16, paragraph 2.66.</p> | <p>Small typo error in relation to the "Secondary Deliverables – Annex D" document on Page 15/16 Refurbishment paragraph 2.66.</p> <p>Action: Please replace "due to Asset Replacement" to "due to Refurbishment" Also, subsequent paragraph's 2.67 subheading does not contain column cells reference (in brackets).</p> |