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Dear Kiran

Network Asset Secondary Deliverables Rebasing Consultation


SSEN welcomes the opportunity to respond to this consultation and agrees with Ofgem's notice of intention to approve the Rebased Network Asset Secondary Deliverables (NASD) Targets under Special Licence Condition CRC 5D of the Electricity Distribution licence. However, we do have a number of comments which we have outlined below, and we have also provided answers to the specific questions posed by Ofgem in the attached annex.

Rebasing

SSEN acknowledges Ofgem's concerns regarding its data quality and the comments which Ofgem has made regarding the potential impact of any future improvements which we may make to our condition data. SSEN is committed to improving its data quality which is demonstrated through its Network Asset Data Improvement Programme, which includes the implementation of the new Work and Asset Management (WAM) Programme and the Condition Based Risk Management (CBRM) System.

As demonstrated in figures 1 and 2 of the Ofgem consultation document¹, SSEN's data improvements and the recent rebasing exercise has led to SSEN significantly aligning its target risk delta with other DNOs. As such we would challenge Ofgem's interpretation that ongoing data improvements should lead to a DNO undertaking a further rebasing exercise. As outlined within Part C of CRC 5D, a DNO must develop and submit for approval to the Authority a revised set of NASD (a rebased NASD) "within 26 weeks of implementation or modification of the Common Network Asset Indices Methodology (CNAIM)". Ongoing data improvements made by DNOs do not lead to a modification of the CNAIM and therefore SSEN's view is that such improvements should simply be captured through "Material Change", which would be

¹ 2017-03-03 Ofgem Network Asset Secondary Deliverables Rebasing Consultation

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consistent with how any other DNO would manage data improvement exercises during the price control. Future data improvements are part of all DNO's Information Gathering Plan (IGP) and it is our view that the rebasing of the Network Assets Workbook (NAW) should only be undertaken in extreme circumstances as it creates uncertainty with regard to the required improvements in asset health and criticality which a DNO must undertake during the price control. The significance of the material changes and its subsequent impact should be the trigger as to whether another rebasing exercise is required, rather than placing a requirement on a specific DNO.

NAW Asset Categories

SSEN acknowledges that we have a fewer number of asset categories in our NAW in comparison to the majority of other DNOs. As we have already indicated to Ofgem, we are keen to arrange a series of bi-lateral meetings with Ofgem to discuss how we are collecting more condition and risk associated data. This further information will allow us to populate the necessary HI/CI matrix and when this is combined with the agreed volumes in the Business Plan Tables, we can use this to establish a baseline position for our NAW secondary deliverables. We anticipate to progress the completion of the assessment of how we could include other relevant asset categories into the NAW, based on the information available.

Fluid Filled Cables

We accept Ofgem's challenge on Fluid Filled cables and we are proposing to present more details with regard to SSEN's policy and methodology currently used to assess Fluid Filled cables to the Reliability Working Group (RWG) with a view to consideration for either:

- A proposal to use the Reliability Mechanism for SSEN's policy on Fluid Filled cables to bring it into line with the other DNOs use of CNAIM; or
- To raise a proposed change to the CNAIM.

Currently, our preferred approach would be to utilise the Reliability Mechanism in RIIO-ED1 to explain SSEN's methodology to allow it to align with CNAIM and then propose further changes for RIIO-ED2 mechanisms. This would prevent the need to raise a change to the CNAIM, which if accepted, would subject all other DNOs to another rebasing exercise.

We would welcome the opportunity to discuss any of the points raised within this consultation response in further detail with Ofgem.

Yours sincerely

Sam Torrance
Networks Regulation

Annex - Consultation Questions

1. Do you agree that the Network Asset Secondary Deliverables Rebasing Requirements and Assessment Methodology document provides a suitable basis for the submission of the NASD rebasing and subsequent assessment methodology?

Yes, SSEN agrees that the NASD rebasing requirements and assessment methodology document provides a suitable basis for the submission of the NASD rebasing and subsequent assessment methodology.

2. Do you believe that the equally as challenging tests are comprehensive, appropriate and will result in a target risk delta that is equally as challenging? Where you disagree please clearly set out your reasoning and suggest how it could be improved to fulfil that objective.

Yes, SSEN believes that the ECTs are comprehensive, appropriate and will result in a target risk delta that is equally as challenging.

3. Do you agree with our intention to approve each of the DNO submissions and our view on each of the assessment criteria explained in Chapter 2? Where you disagree please clearly set out your reasoning and if possible suggest an alternative solution.

Yes, SSEN agrees with Ofgem's intention to approve each of the DNO submissions.