

By E-mail

Kiran Turner
Network Analysis
Ofgem
9 Millbank
London
SW1P 3GE

Date

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Contact / Extension

Malcolm Bebbington
0141 614 5838

Dear Kiran,

Network Asset Secondary Deliverables Rebasing Consultation

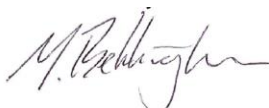
We welcome the opportunity to respond to Ofgem's Network Asset Secondary Deliverables (NASD) Rebasing Consultation published on the 3rd March 2017. We have set out our response to your questions in Annex A.

The development of the Common Network Asset Indices Methodology (CNAIM) has been a transparent collaboration to establish a common basis for defining outputs and measuring DNO performance. We have fully embraced the methodology and embedded it into our asset management decision making processes. Going forward we anticipate that CNAIM will lead to optimised asset management decisions with significant benefits for UK electricity customers, for example enabling RIIO ED1 and RIIO ED2 totex benchmarking to be calibrated by asset health and network risk.

Our view is that the NASD Rebasing submissions are reflective of the above principles and deliver outputs which as a minimum meet the original RIIO-ED1 targets. Hence we are supportive of Ofgem's intention to approve DNOs' submissions.

If you have any queries on this response or any further questions, please do not hesitate to contact me.

Yours sincerely,



Malcolm Bebbington
Distribution Network Manager
SP Energy Networks

Annex A

Question 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?

We agree that the document provides a detailed description of the framework to complete the implementation of CNAIM through rebasing of RIIO-ED1 NASD.

The principles of the rebasing are clearly defined to ensure that the restated intervention plan reflects the principles from the original intervention plan as closely as possible.

The subsequent assessment methodology is also adequately covered and the equally challenging tests are defined to ensure that DNOs do not benefit from softening their non-load related targets.

Our original RIIO-ED1 agreed targets have been translated using CNAIM in strict alignment with these key principles.

Question 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.

Our view is that the equally as challenging tests are comprehensive, appropriate and will result in a target risk delta that is at least equally as challenging as the original RIIO-ED1 target.

Test 2 only accepts equal intervention volumes as a valid outcome. However Test 1 also accepts higher risk point targets and similarly Test 3 accepts lower volumes of consequential interventions. Hence it is certain that DNOs will end with more challenging target risk deltas than originally agreed.

Nevertheless there is some flexibility embedded in the assessment process for instances where Test 1 or Test 3 fail therefore slightly reducing the target delta. It is accepted that there could be valid reasons for such failures which DNOs have explained.

Given the relative magnitudes of the two above effects our view is that the rebased plans will be equally challenging, if not more.

Question 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.

We agree with the view that all DNO submissions have justified their price control start data set; have appropriately restated the intervention plan through a combination of generic work programmes and named schemes; and have successfully passed the equally as challenging test results or provided adequate level of supporting justification.

Therefore we support Ofgem's intention to approve each of the DNO submissions.