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Mr M Watson
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15 June 2017

Dear Mick

Statutory consultation on a proposal to modify the ED1 Price Control Financial Handbook

This response represents the views of Northern Powergrid (Northeast) Limited and Northern Powergrid (Yorkshire) plc.

Please find below a number detailed comments on the proposal issued on 18 May 2017. For the avoidance of doubt, I would confirm that, if Ofgem acts on these items, we do not believe that the changes will be sufficiently material for a further consultation to be required.

Our comments are as follows:-

- **Payment history allowances** - Paragraph 3.38: As Ofgem is aware, we believe the payment history allowance calculation (Vrr) should include the variance in the two years between the valuation date and the date of reset of base allowance. We accept that, when combined with the PBAPA formula, Ofgem's proposal would appear to give the same overall answer as the alternative method we proposed and we also appreciate the additional guidance in paragraph 3.42, which indicates that the overall revenue profile should be a factor considered in the proposals. However, we would appreciate further reassurance by the inclusion of additional words to make it clear that (a) in paragraph 3.42, the licensee may take into account expected changes to payment history allowances at the next reasonableness review in proposing profiles; and (b) in paragraph 3.49, the Authority must consider all of the factors that the licensee considered relevant in making its proposal in deciding whether to superimpose its own profile;
- **Vrr term** - More clarity would be welcomed on paragraph 3.40. The paragraph is difficult to follow and we are unsure of the general intent of the paragraph. For example, on the option to submit an alternative truncated calculation of the term Vrr 'that is consistent', it would be helpful to understand what this option needs to be consistent with, and how, since we are unsure whether this option allows a calculation that gives a different answer to the full term or just a different presentation of the formula;

NORTHERN POWERGRID

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- **Table 3.2** - We believe that item (b) in row 3 of table 3.2 refers to information required under paragraph 3.42. The table shortens the requirement in an unhelpful way and states the requirement is about how we have engaged solely in respect of PSED. Paragraph 3.42 is a much wider requirement in line with the policy decision. We suggest the table should state “(b) Explanation of why it considers its proposals appropriately protect the interests of consumers as per paragraph 3.42.”;
- **Submission dates** - As you are aware, we discussed the timings of the submissions on an industry call on 8 June 2017 and after further consideration (including the above point **Table 3.2**) we believe that the information in row 3 of table 3.2 should be submitted on 29 September this year and 31 August for future reviews i.e. at the same time as the information in row 4(b);
- **Representations period** - The number of days for licensee representations following a provisional decision at step 5 in table 3.2 should be extended to 21 days to allow sufficient time for consideration and response; and
- **Scheme Valuation Dataset** - The definition of Scheme Valuation Dataset should cross refer to paragraph 3.9, which provides the information that is included in this dataset.

Thank you for the opportunity to comment.

Yours sincerely

Keith Mawson
Head of Regulatory Finance & Systems