

By E-mail

Grant McEachran
RIIO Electricity Distribution
Ofgem
3rd Floor Cornerstone
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Glasgow
G2 2BA

Your ref

Our Ref

Date

14th August 2017

Contact / Extension

Jim McOmish
0141 614 1953

Dear Grant,

DPCR5 Close Out: Consultation on Proposed Adjustments.

This response is from SP Energy Networks. SP Energy Networks holds three electricity network licences. We own and operate the electricity distribution networks in the Central Belt and South of Scotland (SP Distribution) which serves two million customers, and Merseyside and North Wales (SP Manweb) which serves one and a half million customers. We also own and maintain the electricity transmission network in the Central Belt and South of Scotland (SP Transmission).

We welcome the opportunity to comment on your Consultation on DPCR5 Close Out Proposed Adjustments issued on the 13th June 2017. The Consultation sets out how Ofgem carried out their assessment of the DNO performance in line with the process and methodologies set out in the Handbook.

We believe that Chapter one provides an effective summary of each of the DPCR5 Close Out mechanisms and the robust assessment process followed for each mechanism. Our experience was that the Ofgem team followed a rigorous but balanced approach and had appropriate examinations of each mechanism. Such an approach is essential to enable DNOs to respond to new information within a price control period and to effectively manage emergent network risks and their impact on public and staff safety.

Chapter two clearly sets out the proposed adjustment for each DNO and makes reference to the detailed supporting analysis. We have reviewed each in turn and are confident the proposed adjustments fairly represent the outcomes for both SPD & SPM and have validated these back to previous Performance Assessment Submissions ('PAS'). We can confirm the outcome for SPD & SPM are consistent with our own expectations.

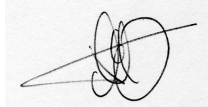
We note Ofgem propose to amend the wording in the Handbook in reference to "Ofgem DPCR5 Survey unit cost" instead of "DPCR5 Allowed Unit Cost" as detailed in chapter 3. We believe that this change would be consistent with how Ofgem have calculated the Risk Points and is correct to make this change.

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In summary, we welcome the pragmatic and engaged approach that your team has taken to the DPCR5 Close Out process. We are supportive of this consultation and recognise that it concludes a very detailed process for closing out DPCR5 which has required rigorous analysis of our delivery over the price control period. We believe that the approach adopted was balanced and served consumers' best interests and as such it should set the benchmark for equivalent exercises for future networks price controls.

We look forward to seeing the final decisions for the DPCR5 close out. In the meantime, should you have any questions, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jim McOmish', is placed over a light grey rectangular background.

Jim McOmish

Head of Distribution Network

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