Registered Office:
Newington House
237 Southwark Bridge Road
London SE1 6NP

Registered in England and Wales No: 3870728

Company:
UK Power Networks
(Operations) Limited

Steve McMahon
RIIO Networks, Electricity
Ofgem
Third Floor, Cornerstone
107 West Regent Street
Glasgow
G2 2BA

30 August 2017

By electronic copy to RIIO.ED1@ofgem.gov.uk

Dear Steve

Re: Potential RIIO-ED1 Mid-Period Review – timetable and next steps: A call for evidence

Thank you for the opportunity to comment on the above call for evidence. This letter should be treated as a consolidated response on behalf of UK Power Networks' three distribution licence holding companies: Eastern Power Networks plc; London Power Networks plc; and South Eastern Power Networks plc.

As stated in your letter, the scope for triggering a Mid-Period Review is clearly defined and "restricted to material changes to outputs that can be justified by clear changes in government policy, and the introduction of new outputs that are needed to meet the needs of consumers and other network users."

The current RIIO-ED1 framework was developed over several years of extensive consultation and took on board learning from the RIIO-T1/GD1 controls before it. As such, it is our view that, although the electricity distribution industry is experiencing changes, the framework is comprehensive and caters for these changes through the following two groups of mechanisms:

> **Uncertainty Mechanisms** – As with the previous DPCR5 price control, areas of expenditure that are considered to be uncertain at the time of setting the price control are covered by a suite of mechanisms which limit the risk for both customers and the DNOs. These mechanisms will ensure that any significant variances to planned levels of expenditure due to these uncertainties are appropriately shared with customers; and

> **Incentives** – The RIIO-ED1 settlement includes a package of incentives that are designed to reflect customers' expectations. These incentives drive DNOs to respond to changes in the needs of their customers and create an environment where doing so is appropriately rewarded.

We have not observed any significant changes in government policy or the needs of network users that are not covered by current mechanisms. Therefore, we do not currently see any issues which should be considered as part of a potential Mid-Period Review. In light of this, we do not believe there are grounds for a Mid-Period Review.

An example of how the RIIO-ED1 framework caters for changes in customer needs can be demonstrated by a customer requiring an upgrade to their connection to facilitate an Electric Vehicle charging point. In this case, the following mechanisms ensure that the customer's needs are met:

Average Time To Quote/Connect and Guaranteed Standards of Performance – incentivise DNOs to provide the quote and deliver the connection promptly;

Broad Measure of Customer Satisfaction – ensures DNOs provide excellent service when interacting with the customer and delivering their connection;

Interruptions Incentive Scheme – encourages companies to provide a reliable supply once the connection is upgraded and being used to charge the vehicle;

Common Connection Charging Methodology – sets the framework that leads to fair charges for the work required to make the connection; and

Totex Incentive Mechanism – makes sure that any general upgrades required on the network to deal with increasing demand due to Electric Vehicles is delivered in the most efficient way and that customers' bills remain low.

This example highlights how the mechanisms provided by the RIIO-ED1 framework reflect customers' priorities and allow DNOs to respond in a flexible and efficient way.

We note the timetable and proposed process set out in your letter and agree that it allows sufficient time to engage with stakeholders in a meaningful way.

If you have any questions on this response, please do not hesitate to get in touch.

Yours sincerely

James Hope
Head of Regulation and Regulatory Finance
UK Power Networks

Copy   Ross Thompson, Regulatory Performance Manager, UK Power Networks
          Paul Measday, Regulatory Returns & Compliance Manager, UK Power Networks