

Mick Watson
Ofgem
9 Millbank
London
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Your ref

Our Ref

Ah061217

Date

6/12/2017

Contact / Extension

Allan Hendry
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Dear Mick

SPEN's Response to the Introduction of RIIO Accounts – further consultation on licence modification

This response is from SP Energy Networks (SPEN). SPEN is the networks business of Scottish Power and holds three electricity network licences. We own and operate the electricity distribution networks in the central belt and south of Scotland (SP Distribution) and Merseyside and North Wales (SP Manweb). We also own and maintain the electricity transmission network in the central belt and south of Scotland (SP Transmission).

This covering letter is a summary of our views. We repeat these and expand upon them further in the attached feedback questionnaire. We believe that RIIO Accounts as currently envisaged will fail to meet their stated objectives of providing clear and consistent performance information. The industry and Ofgem have worked together over the last few years attempting to place auditable, accounting disciplines around what is in essence a dynamic, economic regulatory value model. It is an economic model where retrospective adjustments and prospective judgments lie at the heart of reported performance. It has emerged that these do not sit readily within a traditional accounting reporting context.

What has emerged is in our view:

- Too complex
- Unduly costly to produce
- Not likely to give transparent comparable performance measure
- Not auditable

We are supportive of the objectives of RIIO Accounts but believe these can be better achieved by alternative means. We include a suggested reporting template within the Annex to the attached Appendix 5 feedback questionnaire. This is the same template which we submitted in our previous RIIO Accounts consultation response on August 4th 2015. Our views have not changed since this initial open letter consultation.

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For 2017/18 reporting, the objectives would be better met by the provision of a limited set of tables or graphs accompanied by explanatory commentary, covering for example, RORE, RAV and totex/output performance. These might be included within the Summary Performance Overview and ultimately subject to audit in accordance with Agreed Upon Procedures. Where enduring value judgments are required, these could be documented in a methodology statement and subject to review by Ofgem. These would subsequently inform a far more comparable and balanced cross-sector Ofgem Annual Performance Review.

Attempts to formulate RIIO Accounts have been well intended but it is time to change direction. It is our view that RIIO Accounts as currently envisaged do not present good value for customers nor meet their objectives any better than our suggested alternative means above.

Please do not hesitate to contact me should you have any queries in relation to our response.

Yours sincerely

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