

Grant McEachran
Ofgem
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By email only to: RIIO.ED1@ofgem.gov.uk

25 February 2019

Dear Grant

Statutory consultation on modifications to the Electricity Distribution Licence to recover the costs associated with appointing a Supplier of Last Resort

Thank you for the opportunity to comment on the above statutory consultation, dated 28 January 2019. This response should be regarded as a consolidated response on behalf of UK Power Networks' affected distribution licence holding companies: Eastern Power Networks plc; London Power Networks plc; and South Eastern Power Networks plc.

We have reviewed and are comfortable with the modifications that we have been engaged with you in drafting. As part of our final review we have identified a small number of changes noted in the appendix to this letter which we would appreciate you including in the final version of the licence conditions.

Please treat our response as non-confidential.

If you have any queries on our response please contact Paul Measday in the first instance.

Yours sincerely

Basil Scarsella
Chief Executive Officer
UK Power Networks

Copy: Suleman Alli, Director of Safety, Strategy & Support Services, UK Power Networks
James Hope, Head of Regulation & Regulatory Finance, UK Power Networks
Paul Measday, Regulatory Returns & Compliance Manager, UK Power Networks

Appendix

1. As drafted, paragraph 38B.7 appears to amend the definition of "Excess Specified Amount". We seek clarity that this is the intended drafting as it is unusual to see a defined term amended in such a way.
2. There appears to be a potential missing scenario in paragraph 38C.3, namely when an adjustment claim is received after payment of the first instalment but before the last one is paid. We believe that it should be covered by clause 38C.3(b), however the wording of "prior to the date on which that first instalment is due" infers the first instalment hasn't been made. We seek clarity on this to ensure all potential scenarios are covered and believe that adding "or subsequent" after "second instalment" and amending the closing of the paragraph to read ", or after the first instalment has been made" will help in this respect.
3. Paragraph 38C.3 appears to cater only for increases in bad debt payments ("further payments") and we are unclear if this should be reworded to also cover reductions in bad debt payments. Changing "further" to "amended" will resolve this issue.
4. The title of BA5 used in paragraphs 38C.3 and 38C.5 does not reflect the latest title for BA5.
5. Paragraph 2B.37 should only apply to 2022/23. (note for this point and for other references to paragraphs in 2B in this response, the paragraph numbers in the non-WPD and non-SSEH version are referred to)
6. The drafting of 2B.38 has an opening sentence which brings together all the years for which EBDt is defined, this is then confusingly broken back out using very similar wording into sub paras (a) and (b) for relevant years. We recommend that simplified drafting is used here as set out below.
"2B.38 ~~For Regulatory Years 2015/16, 2016/17, 2017/18, 2018/19, 2019/20 and 2020/21~~, EBDt is derived, ~~respectively~~, in the following ways:
(a) For Regulatory Year 2021/22, EBDt is derived in accordance with the following formula:
[formula]
(b) For Regulatory Years 2015/16, 2016/17, 2017/18, 2018/19, 2019/20 and 2020/21, EBDt will have the value of zero."
7. We seek clarity on how and when the form of the statement in 2B.40 will be prescribed and are happy to work with Ofgem to help develop a proforma.
8. As drafted 2B.40 does not allow bad debt pre 2018/19 to be claimed. We propose adding a sentence at the end of the paragraph to correct this *"Where the bad debt was incurred before 2018/19, notification to Ofgem should be within 60 days of the end of the 2018/19 regulatory year"*
9. We believe that 2B.41 should be changed to add HBD after EBDA in order to provide a timescale for the direction of HBD. This paragraph should cross reference 2B.38 as well as 2B.37.
10. The newly defined term in 2B.45 of "Former Electricity Supply" should be "Former Electricity Supplier".