

## ED PCFM Working Group July 2019 Minutes

From: Penny Harandy

Date: 24/07/2019

Location: Teleconference

Time: 13:00-14:00

### 1. Present

Ofgem: Penny Harandy (Chair), Dave Nanda

Licensee attendance by teleconference: Dave Ball (ENWL), Kathryn Atack (NPG), Alasdair Gaw (SP), Julie Scanlon (SSE), Lauren Smith (SSE) and Colin Nicholl (UKPN)

### 2. Log items discussed

2.1. **ED 9: Shetland Uncertain Cost terms** - For SSEH, we have updated the PCFM to reflect the changes that were recently made to the ED1 Licence as a result of the Shetlands decision. We have introduced three new variable values into the "blue box" (UCSEFEC, UCSESPC and UCSEBC) for all licensee input sheets and the master input sheet (though these will only be used by SSEH) and have made the requisite modifications to ensure that these values flow through to allowed revenue.

2.2. This change is currently being consulted upon and licensees are invited to respond with their views. Note: that the version of the PCFM being consulted upon contains a minor formulaic error in the licensee input sheets, which will be addressed through the consultation.

2.3. Issue status closed – the Shetland changes will be reflected in the November AIP 2019.

2.4. **ED11: SPMW Link Box cost allocation table** - For SMPW we have included allocation percentages to allocate the £23.4m of existing Link Box Cost allowed expenditure to "Non-load related capex – asset replacement". The allocation percentages have been entered in cells AL211:AQ211. It was noted that the £23.4m allowed expenditure was directed as part of last year's AIP but was not fed into allowed revenue due to a lack of allocation percentages, which we have now rectified.

2.5. Issue status closed – the link box cost allocation changes will be reflected in the November AIP 2019.

2.6. **ED12: SHEPD Capitalisation rate** – the capitalisation rate for SHEPD was set at 62% for the first four years of the price control and increases to 70% for the last four years. SHEPD propose to change the rate for the last four years to 62%. This requires a licence modification, which is currently in review, therefore this proposed modification is subject to the outcome of that review.

2.7. Issue status is outstanding – the outcome of this item is dependent on a policy decision which has yet to be made. This will be added to the change log but will not be reflected in the November AIP 2019.

### **3. Log status at end of meeting**

3.1. One outstanding issue (ED12) remains on the log, which is to be addressed in next year's Working Group cycle.

### **4. AOB**

### **5. Next steps**

5.1.1. Ofgem will publish a notice for modification ED 11 (Link Box Cost allocations).

5.1.2. Ofgem will conclude the Statutory Consultation for modification ED 9 (Shetland Uncertain Cost terms).

5.1.3. Ofgem will publish a PCFM with these changes.

5.1.4. This will be the PCFM for use in the coming November AIP 2019.