

Victoria Low  
OFGEM  
Canary Wharf  
London  
E14 4PU

09 September 2019

Dear Victoria,

### **RIIO-ED1 Reopener Consultation – Specified Street Works Costs**

SSEN welcomes the opportunity to respond to this consultation. While we agree with some of the suggested approaches set out by Ofgem in relation to Street Works reopener submissions, we have some concerns regarding others.

#### **Cost Assessment**

While Ofgem has set out in paragraph 2.13 the items considered in concluding a 3% efficiency reduction should be applied, it is not clear on what basis the rate has been determined and what evidence exists to support this view. It is also not clear that applying an aggregate average unit cost is appropriate when determining future allowances. We would expect each DNO to put forward its best forecast of future costs based on costs incurred to date and for any assessment to take into consideration the efficiency of such costs incurred by each DNO and any variations in approach or circumstances by DNO or the relevant authority. While we agree with the principle of benchmarking as a tool to assess cost efficiency, it is also not clear from the information presented that the approach taken does not overly simplify circumstances.

#### **Volume Assessment**

Similarly, we note in paragraph 2.16 that Ofgem has used an average number of permits issued per annum to forecast future volumes. To the extent this is used rather than forecasts submitted by DNOs it is not clear the basis of such an approach or the rationale. Again, we would expect all assessments to be judged on their own merits, recognising they relate to individual authorities and specific network requirements.

#### **Penalty Charges**

We agree that penalty charges should be borne by the DNOs as they should be within their control and should not be borne by the customer.

**Permit Variations**

There are many legitimate reasons for a permit variation being required which are not within the DNOs control. These can include mandatory changes to existing permits such as reducing or increasing working hours, including weekend or overnight work or introducing traffic management requirements. Permits can be revoked if these additional requirements are not met. It is our view that such costs should be provided for.

**Uncertainty of costs**

We agree with Ofgem's comments in this area. In our response to the informal consultation on RIIO-ED1 price control reopeners in June 2019 we set out our thoughts that further consideration should be given to an additional opportunity to adjust costs at close out where there is continued uncertainty across a number of authorities.

**Logging up of costs and review at close out**

We support the approach set out by some DNOs in response to Ofgem's consultation, that a logging-up mechanism for efficient lane rental costs incurred by the end of the price control period should be allowed. There was an understanding at the beginning of the price control that DNOs would face significant costs in this area that would largely be beyond their control. Given the uncertainty of such costs the reopener was introduced to allow for an appropriate adjustment to be made at the point sufficient evidence of costs was available and could be provided. We believe the timing of the reopener window does not protect DNOs against the risk of incurring significant cost as intended under the RIIO-ED1 Strategy Decision document. As previously discussed with Ofgem, we strongly recommend that all DNOs are given an additional opportunity to reclaim potentially significant costs at the end of the price control period, through close out. We are keen to discuss further how this might be achieved.

Yours sincerely

Beverley Grubb  
Acting Head of Networks Regulation (Electricity Distribution)