
RIIO-ED1 Reopener Decision – Enhanced Physical Site Security Costs

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Context

The RIIO-ED1 price control sets the outputs that the electricity distribution network companies need to deliver for consumers and the associated revenues that they are allowed to collect for the eight-year period from 1 April 2015 until 31 March 2023.

For cost categories in respect of which there was a significant degree of uncertainty about expenditure requirements at the time of setting allowances, the price controls include a “reopener” mechanism. The mechanism allows network companies to propose adjustments to baseline expenditure allowances for these costs when there is more certainty. The reopener mechanism specifies a window in May 2019, during which adjustments to allowances may be proposed.

We have received reopener submissions in the following cost categories:

- High Value Project Costs
- Rail Electrification Costs
- Enhanced Physical Site Security Costs
- Specified Street Works Costs

This document sets out our decision on applications received under the “Enhanced Physical Site Security” category of uncertain costs.

Associated documents

[Informal consultation on RIIO-ED1 price control reopeners \(May 2019\)](#)

[Consultation on RIIO-ED1 price control reopeners \(August 2019\)](#)

[RIIO-ED1 Price Control Financial Handbooks \(fast-track and slow-track licensees\)](#)

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1. Executive summary

- 1.1 In the May 2019 reopener application window, we received a submission from Northern Powergrid (NPg) requesting an adjustment to expenditure allowances for its Northern Powergrid Northeast (NPgN) and Northern Powergrid Yorkshire (NPgY) licensees, in relation to Enhanced Physical Site Security Costs.
- 1.2 On 2 August 2019, we published a consultation document setting out our initial views on NPg’s submission and sought views from stakeholders on our minded to position. We received three responses to this consultation.
- 1.3 We have reviewed the consultation responses we received and taken these into account in our final decision.

Summary of decision

- 1.4 In its submission to Ofgem, NPg requested an additional £3.01m¹ in order to fund the upgrading of security at five sites designated by the Centre for the Protection of National Infrastructure (CPNI) as requiring enhanced security. These five sites were identified as needing protection when RIIO-ED1 allowances were set in 2014. NPg is requesting £0.92m for its Northeast licensee (NPgN) and £2.09m for its Yorkshire licensee (NPgY). We have decided to amend NPg’s proposal, and to adjust allowances by £0.88m for NPgN and £2.06m for NPgY.
- 1.5 This document summarises the responses we received in the consultation, sets out our updated view of the submission and our final decision.

Next steps

- 1.6 Our decision will be implemented through the 2019 Annual Iteration Process, which will mean that adjustments to NPgN’s and NPgY’s allowed revenues will take place from 2020/2021.

¹ Unless otherwise stated, all prices in this document are in a 2012-13 price base.

2. Our updated view

Background

- 2.1 In the May 2019 window, we received a submission from NPg requesting an additional £3.01m in allowances across its NPgN and NPgY licensees to fund the upgrading of security at five sites designated by CPNI as requiring enhanced security. NPg requested £0.92m for NPgN and £2.09m for NPgY.
- 2.2 We assessed NPg's submission in accordance with CRC 3F of the Special Licence Conditions and the RIIO-ED1 Price Control Financial Handbook. In our consultation, we set out our view that NPg had complied with all of the requirements in CRC 3F. We also set out that we were satisfied that the works carried out by NPg matched those set out in their CPNI-approved security strategies. As such, they met the security requirements specified in the recommendation of the Secretary of State.
- 2.3 Our initial view therefore, as set out in our consultation document, was that we were minded to amend these costs.
- 2.4 Following a cost efficiency assessment, we proposed to revise down the project costs by £0.01m and the project management costs by £0.02m for NPgN, and to revise down the project management costs by £0.03m for NPgY.²
- 2.5 We therefore proposed a total adjustment of £0.88m for NPgN³ and £2.06m for NPgY.⁴

Consultation responses

- 2.6 We received five responses to our consultation published on 2 August 2019, three of which responded specifically to this application.
- 2.7 Centrica, Electricity North West Limited (ENWL) and Scottish and Southern Electricity Networks (SSEN) agreed with our minded to position. Centrica stated

² Please note that where the sums do not match the overall total, this is due to rounding.

³ See pages 9-12 of the consultation document

⁴ See pages 12-14 of the consultation document

that NPg’s proposals seem reasonable,⁵ and ENWL agreed that the submission was “compliant with the licence” and represented actual or efficient costs.⁶ SSEN stated that NPg’s submission seemed to put forward a “clear and well-justified case for funding”, and agreed with our assessment of the project.⁷

Our updated view

- 2.8 Based on our analysis of NPg’s submission and the responses received, we have decided to maintain our minded-to position and amend allowances by £2.95m.

⁵ Centrica response, Appendix 2

⁶ ENWL response, page 1

⁷ SSEN’s response, page 4

3. Our decision

Section 1: NPgN

Our decision: Amend

- 3.1 Based on our analysis of NPgN’s application and on review of the responses received, we have decided to maintain our minded to position and amend the proposal to make the following adjustments.

Table 1. Total adjustment (12/13 prices)

	<i>Ofgem adjustment</i>	<i>DNO’s submission</i>	<i>Difference</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Costs	0.88	0.92	0.04

Table 2. Total adjustment by regulatory year (12/13 prices)

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	RIIO- ED1 total
Costs (£m)	0	0	0	0.06	0.83	0	0	0	0.88

- 3.2 The revised PCFM values for NPgN will be directed by 30 November 2019. This means that adjustments to NPgN’s allowed revenues will take place from 2020/2021.

Section 2: NPgY

Our decision: Amend

3.3 Based on our analysis of NPgY’s application and on review of the responses received, we have decided to maintain our minded to position and amend the proposal to make the following adjustments.

Table 3. Total adjustment (12/13 prices)

	<i>Ofgem adjustment</i>	<i>DNO’s submission</i>	<i>Difference</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Costs	2.06	2.09	0.03

Table 4. Total adjustment by regulatory year (12/13 prices)

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	RIIO- ED1 total
Costs (£m)	0	0	0.05	0.14	1.85	0.01	0.01	0.01	2.06

3.4 The revised PCFM values for NPgY will be directed by 30 November 2019. This means that adjustments to NPgY’s allowed revenues will take place from 2020/2021.