



Anna Rossington
Ofgem
10 South Colonnade
London
E14 4PU

SSE plc
Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

Sent by email to: retailpriceprotection@ofgem.gov.uk

cher-rae.fairlie@sse.com

9th September 2019

Dear Anna,

SSE response to paper 1 – Timelines and approach

We welcome the opportunity to respond to this working paper. In our May response, we acknowledged that Ofgem's proposals were entirely dependent on BEIS completing its updated cost-benefit-analysis in time. We highlighted our concerns on the risks associated with timelines in revising the SMNCC model and welcomed information on the contingency arrangements Ofgem had in place, given the BEIS CBA had been subject to multiple delays. Therefore, it is positive to see Ofgem has acknowledged our concerns, by providing details of its revised timelines and proposed contingency arrangements, through this working paper. We have provided a summary of our views below. Please refer to Annex 1 for our full response.

Summary of SSE Response

- We are supportive of Ofgem using the current model as a contingency plan, given the delay to receiving BEIS data and the tight timescales within which we are working. However, we disagree with the proposal to adjust isolated components of the model and if Ofgem is considering making any interim adjustments to the model, we request further consultation.
- We agree that Ofgem should be open to consulting twice, should revisions to the SMNCC model be required. However, we would urge Ofgem to allow enough time for suppliers to provide constructive feedback on any revisions, to inform the process.

Yours sincerely

Cher-Rae Fairlie
Regulation Analyst

Annex 1

SSE Feedback on Process

As highlighted, it is positive to see Ofgem has acknowledged concerns on how it is managing associated risks, by sharing details of its contingency arrangements. While we believe this a step in the right direction, we would like to flag our concerns over the process Ofgem has followed, throughout this series of response papers.

We are concerned at Ofgem's approach to provide a series of papers over time rather than one combined consultation. SSE appreciate that Ofgem is working towards tight timescales, with the aim of implementing the updated smart cost allowance for the fourth cap period however, we do have concerns that two weeks is not a sufficient amount of time to consider the interaction between each working paper.

SSE support use of the current model as a contingency arrangement

We welcome Ofgem sharing details of its proposed contingency arrangements. We have set-out our views on each of its proposed contingency arrangements below:

- Using the current SMNCC model is the most appropriate option in the absence of the updated SMIP CBA being available.
- We disagree with the proposal to adjust isolated components of the model (aside from corrections to any errors identified) due to interdependencies between components. There would be an obvious bias towards adjusting only components that are more straightforward which could be counter-productive overall. If Ofgem is considering making any interim adjustments to the SMNCC, there needs to be further consultation with suppliers.
- We believe building a new SMNCC model independently of the new SMIP CBA would be inappropriate and an inefficient use of time. As Ofgem have highlighted, there is no indication that the SMIP CBA will be unavailable indefinitely.
- We agree with Ofgem that no allowance for the fourth cap period would be inappropriate.

SSE support consultation twice in the case of necessary revisions

In principle, we broadly agree with Ofgem's approach to consult twice should revisions be required i.e. once in an initial substantive consultation in October and once in a final consultation in the new year upon any potential amendments. While we agree Ofgem should be open to consulting twice, we would urge Ofgem to allow sufficient time for suppliers to consider what's being consulted on, in order for suppliers to provide constructive feedback that informs the process, particularly on such a high impact issue.