

Dermot Nolan  
Chief Executive  
Ofgem  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

27 June 2019

Dear Dermot,

Thank you for your recent letter to Alistair Phillips-Davies. When we submit our RIIO-T2 Business Plan in December 2019 consumers will have confidence that it represents value for money and enables Ofgem to make necessary decisions on their behalf.

We are about to submit our first draft plan to the Challenge Group and will continue engagement on these proposals with our User Group and all stakeholders through a summer consultation process. At this early stage, we believe our first draft Plan is in line with the recently published business plan guidelines. A summary of our assurance and governance is set out in the draft Plan.

Our Business Plan financial assumptions are compliant and consistent with the June 2019 Guidelines document and will remain so in the December submission. You will be aware that we disagree with Ofgem's position that the published working assumptions are financeable and so have also provided analysis which we believe is based on a realistic set of assumptions. Where we have included company specific proposals in our consultative Plan, we also provide the justification for such and are clear that this is additional to Ofgem's working assumptions.

Looking ahead to December, we have put in place an assurance framework to deliver a robust and accurate plan supported by high-quality information. This process has already started with the development of the draft Plan and will continue for the remainder of 2019. Compliance and assurance are being driven by our dedicated and experienced Project Management resource, with proportionate assurance for each component of the plan overseen by internal compliance and audit functions. This is consistent with the best practice of the annual Network Data Assurance (NetDAR) process.

Our Business Plan submission programme complies with SSE's Group Corporate Governance and enables completion of our internal Corporate Governance approval hierarchy, including sign off by the SSEPD Board and SSE plc Board, by November 2019.

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We recognise the importance of stakeholder evidence in this price control process and, in particular, the views of the User Group and Challenge Group. Our draft Plan has been developed through an 18-month co-creation exercise with stakeholders, including workshops, round tables, research, surveys, bilateral meetings and written consultation. Through these and the accompanying evidence, we will demonstrate that our plan provides good value for current and future consumers. We also look forward to the ongoing engagement proposed by Ofgem in its recent Sector Specific Methodology decision as we address the range of open questions and topics.

I would welcome the opportunity to meet with you, your team and GEMA through the remainder of this year to outline how our Plan provides high-quality consumer outcomes while addressing the challenges of the changing energy system. As always, I would be happy to discuss any points raised by this letter

Yours sincerely



Rob McDonald  
Managing Director, SHE Transmission

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