

Christopher Haworth
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6 April 2020

Dear Christopher

Proposal to make modifications to the Regulatory Instructions and Guidance

Thank you for the opportunity to respond to the above Notice dated 9 March. Our response should be treated as consolidated on behalf of UK Power Networks' three distribution licence holding companies: Eastern Power Networks plc; London Power Networks plc; and South Eastern Power Networks plc. It is not confidential and can be published on your website.

The table that we have set out in the appendix provides our feedback on the changes. We have two key issues that would like to discuss with Ofgem, as summarised below:

- We do not believe that disaggregation of Specified Street Works costs and volumes for the DPCR5 price control period (that is the regulatory years 2010/11 through 2014/15) is necessary or a proportionate regulatory burden when considering the reasons that Ofgem have proposed for this granularity of reporting. We understand the benefits of reporting disaggregated costs and volumes in a consistent and transparent way for the Specified Street Works Costs (SSWC) logging up mechanism. However, we do not expect the data for the DPCR5 price control period to be used as part of the logging up mechanism. We propose that Ofgem greys out the DPCR5 cells for this new granularity of reporting and only collects this information for years covered by the RIIO-ED1 price control.
- We do not believe that the proposed text surrounding General Enquiries in Annex H precisely reflects the final position as stated in the minutes of the June 2019 CSIWG and in fact does not align with the position articulated by Ofgem at that meeting. We therefore do not support the proposed change as this would move the RIGs away from the agreed position.

We also note that the Regulatory Instructions and Guidance ("RIGs") issued for consultation does not include "Annex L – Regulatory Financial Performance Report". Likewise the Pensions Regulatory Instructions and Guidance (also referred to as Annex K) is not included in this consultation. We would appreciate it if Ofgem could advise if these annexes will be consulted on and if so when that is likely to happen. The reason for seeking this clarity is to ensure that we are able to reasonably plan ahead to ensure that data can be transposed into any new templates required without delay and with suitable time ensure sufficient quality checks and assurance can take place.

If you have any queries on the above please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'James Hope', with a stylized flourish at the end.

James Hope
Head of Regulation & Regulatory Finance
UK Power Networks

Copy: Ashley Watkinson, Regulatory Finance Manager, UK Power Networks
Paul Measday, Regulatory Reporting & Compliance Manager, UK Power Networks

Appendix

Annex	Issue No.	Reference	UK Power Networks response
Annex A	3	IT & Telecoms (Business Support)	<p>The glossary has been updated to exclude from IT & Telecoms (Business Support) “all ongoing support costs for IT Security activities” and “all ongoing support costs for Cyber Resilience activities”.</p> <p>We would expect both of these types of costs to be included in the definition of IT & Telecoms (Business Support). The proposed modifications to the definition introduce contradictions within the glossary.</p> <p>Annex A Issue no.2 - The definition added for IT Security states that IT Security costs “are to be reported as part of the relevant activity” – the listed activities including IT & Telecoms (Business Support).</p> <p>Annex A Issue no.12 - The definition added for Cyber Resilience does not indicate where such costs should be reported, but the addition of the Cyber Resilience costs memo (issue no. 19 for Annex B) within the IT & Telecoms (Business Support) table indicates that such costs could be incurred in this table.</p>
Annex A	15	Flexibility – Payments to service providers	<p>The glossary states “The volumes relate to total MVA of flexible services utilised during the reporting year.” Utilisation is usually expressed in the form of capacity over a duration (e.g. MWh).</p> <p>We believe that reporting would be improved by presenting both the total capacity (MVA) of the flexibility services contracted and the extent to which these services were utilised. Both of these factor into the total cost of the contracted services. Showing only capacity (MVA) presents flexibility services on the same basis as traditional reinforcement activities even though they may not be the permanent solution to a capacity constraint. Showing only units utilised (MWh) does not reflect the full extent and cost of the services procured.</p> <p>We propose that the glossary uses “The volumes relate to total MVA of flexible services contracted during the reporting year and total MVAh of flexible services utilised during the reporting year”. To reflect this in tables CV1 and CV2:</p> <p><u>CV1:</u> Cells M312 to AA312 be used to show the cost of payments to flexible service providers Cells AD312 to AR312 be used to show volume of flexible services contracted in units of MVA Cells AD313 to AR313 be used to show volume of flexible services utilised in units of MVAh</p> <p><u>CV2:</u> Cells M161 to AA161 be used to show the cost of payments to flexible service providers Cells AD161 to AR161 be used to show volume of flexible services contracted in units of MVA Cells AD162 to AR162 be used to show volume of flexible services utilised in units of MVAh</p>

Annex	Issue No.	Reference	UK Power Networks response
Annex B	3	C22	<p>We suggested modifications to the “C22 – Pass-through” table to allow for the disclosure of the Ofgem directed EBDA (Eligible UoS Bad Debt costs incurred) where this differs from the bad debt costs reported by licensees.</p> <p>In line with licence condition CRC 2B paragraph 40, licensees are to submit to Ofgem in a prescribed form “the amount of the bad debt arising as a result of the Defaulting Electricity Supplier(s) insolvency during that Regulatory Year”, within 3 months of the end of that Regulatory Year. In line with licence condition CRC 2B paragraph 41, Ofgem shall “by Notice to the licensee direct the value of the EBDA term” and does not have a specified date by which it must do so, except by the terms of paragraph 42 that declare “If, within three months of receiving the statement from the licensee referred to in paragraph 2B.40, the Authority has not made a direction under that paragraph, the EBDA adjustment proposed by the licensee will be deemed to have been made.”</p> <p>Our suggestion is that the C22 table:</p> <ul style="list-style-type: none"> - uses row 57 to report “Licensee submitted UoS Bad Debt costs” - uses row 58 to report “Net directed adjustments to licensee submitted UoS Bad Debt costs” - uses row 59 to sum of these two amounts, representing the “Total Eligible UoS Bad Debt costs incurred”, as directed by Ofgem. - links row 37 “Eligible UoS Bad Debt cost incurred” to row 59. <p>Row 58 would be used as an adjustment to restate prior years where Ofgem have directed the Eligible UoS Bad Debt costs for a Regulatory Year after the date that the Regulatory Reporting Packs were submitted for that Regulatory Year.</p>
Annex B	3	C22	<p>We believe that it would be of benefit to specify in cell D35 that “Recovered Bad Debt” be entered in row 35 as a negative value.</p>
Annex B	12 & 13	M9b, M9c, M9d	<p>Annex B includes proposals for disaggregation of certain costs and volumes in relation to Specified Street Works activities, for the regulatory years 2010/11 through 2022/23. We understand the benefits of reporting these costs and volumes in a consistent and transparent way for the Specified Street Works Costs (SSWC) logging up mechanism.</p> <p>However, we believe that disaggregation of costs and volumes for the DPCR5 price control period (that is the regulatory years 2010/11 through 2014/15) is not necessary for this purpose. Some pressure on licensees has been lifted because of the Department for Transport’s decision to delay the “go-live” of the Street Manager planning and management service until 1 July. However, attempting to recast DPCR5 data into a new disaggregated format still creates a significant reporting burden by increasing the data set, to be reported in a format which was not requested nor relevant during that time. For example, the National Condition text under which Permit Conditions are classified did not come into effect until 2015.</p> <p>We do not therefore support the new regulatory requirement to provide this data for any time period prior to the ED1 period.</p>

Annex	Issue No.	Reference	UK Power Networks response
Annex B	12 & 13	M9b, M9c, M9d	Each of these tables have checks on rows 71 and 82 to check the total of disaggregated permit costs to Permits reported on rows 9 and 10. However, the disaggregation includes Permit variations and therefore the check should be against rows 9 and 10 for Permits plus rows 12 and 13 for Permit variations.
Annex B	22	M18	The row for “Quality Assurance and Regulatory Professionals” (SOC code 2462) has been inserted as row 18, however this should be presented below row 16 – “Business, media and public service professionals” – as a subset of code 24.
Annex C	2 & 3	R5 & R5a	<p>Cells J15 and J16 of table R5a Links are fixed as zero value cells and cells J66 and J67 of table R5 Input Page are greyed out. However, the calculation of the “Eligible Bad Debt Costs adjustment” in table R8 Pass-Through Items for the 2022 year (cell M138) refers to cells J66 and J67 in table R5 Input Page.</p> <p>Cells J15 and J16 in table R5a Links should be changed to allow for links and cells J66 and J67 in table R5 Input Page should include the formulae copied across from cells K66 and K67.</p>
Annex H	2	Annex H Guidance: General Enquiries	We do not believe that the proposed wording precisely reflects the final position and in fact does not align with the position articulated by Ofgem at the June 2019 CSIWG. We understand from the ENA notes of that meeting that Ofgem’s position was “In that you are only providing information or advice over the phone they should not be included in the survey”. In the final documented note from the CSIWG issued by the then chair Sam Fuller, the concluded position from DNOs was to only include advice where advice is a specific service you offer. We therefore believe that the revised wording should reflect one of these positions. As UK Power Networks does not specifically offer advice as a service then the impact for us is the same, they continue to not be included but we believe the wording should be changed