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By email only to: RIIO-ED1@ofgem.gov.uk

29 July 2020

Dear Steve

Statutory consultation on proposed changes to the Special Conditions (also known as the Charge Restriction Conditions) of the RIIO-ED1 Licence and the ED1 Price Control Financial Model

Thank you for the opportunity to comment on the above statutory consultation, dated 1 July 2020. This response should be regarded as a consolidated response on behalf of UK Power Networks' affected distribution licence holding companies: Eastern Power Networks plc; London Power Networks plc; and South Eastern Power Networks plc.

In respect of the proposed amendments to the licence conditions and ED1 PCFM, we are broadly supportive of the changes with our detailed feedback on specific points being documented in the appendix to this letter.

We are however concerned that a number of these changes were badged as "correcting typographical error" when they were not. By way of example, the removal of a statement in CRC2B which set SMCT and SMITt to zero in 2023/24 and 2024/25 is a reflection of a policy change to allow costs in those years due to the roll out of smart meters taking longer than was anticipated when the licence was drafted in late 2014/early 2015. For the avoidance of doubt we are supportive of this change (any changes we are not supportive of are outlined in the appendix) but are concerned as to whether Ofgem could be challenged if a party felt that the rationale for the change was misleading.

We also wish to bring to your attention the work which we have been leading to facilitate sharing of Priority Services Register (PSR) data with water companies to help provide a more holistic service to vulnerable customers. Following the procurement of independent legal advice (which we have shared with other DNOs and Ofgem) and subsequent discussions with the Information Commissioner, we believe the only way to enable this sharing is to have an explicit licence requirement for DNOs to share PSR data with

relevant water companies. With this in mind we have provided drafting to Victoria Low and look forward to working with you to progress this drafting through to a licence modification.

If you have any queries on our response please contact Paul Measday in the first instance.

Yours sincerely



Basil Scarsella
Chief Executive Officer
UK Power Networks

Copy: Suleman Alli, Director of Customer Service, Strategy, Regulation & IS, UK Power Networks
James Hope, Head of Regulation & Regulatory Finance, UK Power Networks
Paul Measday, Regulatory Returns & Compliance Manager, UK Power Networks

Appendix

Key feedback noted in covering letter:

- We are concerned that a number of changes have been badged as “correcting typographical error” when they were not. By way of example, the removal of a statement in CRC2B which set SMCt and SMITt to zero in 2023/24 and 2024/25 is a reflection of a policy change to allow costs in those years due to the roll out of smart meters taking longer than was anticipated when the licence was drafted in late 2014/early 2015. For avoidance of doubt we are supportive of this change (any changes we are not supportive of are outlined in this appendix) but are concerned as to whether Ofgem could be challenged if a party felt that the rationale for the change was misleading.

Other feedback in the proposed edits to the PCFM:

- None.

Other feedback in the proposed edits to the licence conditions:

- In paragraph 3F.14, Authority is incorrectly spelt.
- In respect of the amended definition of Worst Served Customers in 3H.19, we understand this to just be a rewording with no underlying change to its meaning, the rewording to achieve simplicity in reading. We believe that a further change to re-introduce (a) and (b) sub paragraphs will make the reading much clearer. Drafting for this is provided at the end of this appendix. Please note also the correction to the spelling of “preceding” in our drafting below.
- In respect of amendments to CRC3F, we do not believe that the newly added reopener window of September 2023 (3F.11), coupled with the four month timeframe for the Authority (3F.13 & 14) interact correctly to achieve a revised Variable Value for the PCFM of November 2023 (3F.23). We believe that the reference in 3F.23(c) should be to 2024/25 not 2023/24.
- Furthermore, we are unclear why Appendix 5 of CRC3F has been deleted. We understand that the windows on which the tables in this Appendix operate has passed but the references to those windows remain in the licence condition. It therefore seems to be an incomplete update to the licence condition to remove some but not all of the historic references.
- We also believe that paragraph 9(b) requires updating to allow the Authority to make adjustments to years other than those currently on the face of the licence. We propose alternative wording as follows:
 - (b) the Authority may not propose greater negative adjustments to such allowed levels of expenditure than those set out in Appendix 5 of this condition
- Finally in respect of CRC3F, we note that Ofgem have not amended paragraph 12 to give themselves the opportunity to trigger a reopener at the end of the RIIO-ED1. We understood this to be their preferred solution to enable them to review volume delivery of link boxes at the end of the price control as stated in section five of the RIIO-ED1 closeout decision document¹.

¹https://www.ofgem.gov.uk/system/files/docs/2019/12/decision_on_the_closeout_methodologies_for_riio-ed1_0.pdf

- We note the changes to paragraph 11(d) of CRC3G but believe that the current wording does not accurately reflect the decisions made in Annex A paragraph A.13 of the RIIO-ED1 close out decision document². With this in mind we propose the following alternative wording:

“net of an adjustment for any expenditures avoided, or that may reasonably be expected to be or to have been avoided, as a result of demand-side response or the use of other non-traditional solutions to load related issues which were not already factored into the licensee’s Business Plan”.

Proposed further clarification for definition of Worst Served Customer:

“Worst Served Customer: means a Customer of the licensee who has, at the same premises, experienced:

- (a) at least 12 Higher Voltage interruptions over the three-year period immediately preceding the Regulatory Year in which the relevant expenditure is made, and
- (b) no fewer than three of which must have occurred within each complete Regulatory Year falling within the three year period.”

² Ibid