

Dear Sir/Madam

ScottishPower Transmission Draft Determination – RII02

Thank you for the opportunity to respond to the consultation of the draft determinations for the RII02 Price Control. This response is from the ScottishPower Transmission (SP-T) User Group, the independent group set up by SP-T as required by Ofgem. The User Group was established in September 2018 and has been working with SP-T on the creation of their business plan, whilst challenging them throughout the process around their assumptions, ambition and value for consumers. Details of the membership and work of the User Group can be found here - https://www.spenergynetworks.co.uk/pages/riio_t2_user_group.aspx

We have written separately to Ofgem about the draft determination process and in particular the proposed reduction in Totex for SP-T, the imbalance of incentive schemes between upside and downside and to put on record that we do not think that the risk of owning and operating an electricity transmission network can be compared to a water network and that the cost of equity should reflect this.

As a User Group, we firmly believe that the Business Plan was a much more robust analysis through our involvement and that we pushed SP-T to draft an ambitious Business Plan, which both supports and is capable of delivering on the Government's Net-Zero ambition. We continually challenged the company to justify both its proposals and its costings and we are fortunate to have within the User Group, people who have exceptional expertise in to be able to do this from an informed position.

We would like to stress that should the draft determination become the final determination, then we believe the System would become less reliable; it would be harder (if not impossible) to reach Net Zero in the timescale the Government has set out; there would be delays to new connections; and increased risks of cyber crime.

The User Group further believes that in a post Covid-19 economy, the Government and its regulators need to send a strong message that international investors will see a stable regulatory regime and a valuable return on their investment, however we are concerned that the proposals outlined in the draft determination have the potential to dent investor confidence and further may have an impact to the UK in attracting international investors. This in turn could have a subsequent impact to delivering the Government's Net-Zero ambition, in particular at a time when the global competition for finance will become more fierce.

We also understand that there are areas where the draft determination for SP-T is incorrect and therefore we look forward to seeing these areas addressed by the time the final determination is delivered.

Please find appended to this letter our detailed response to the questions posed by Ofgem and we would welcome the opportunity to discuss any of these either at the Open Hearing in October or in a separate meeting with you.

Yours sincerely

Charles Hendry

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