

Mick Watson
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Systems & Networks
Ofgem
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Canary Wharf
London
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By email to:

regfinance@ofgem.gov.uk

4 September 2020

Dear Mick,

Managing network charge bad debt – proposal enabling networks to recover potential bad debts arising from COVID-19 related deferred network charge payments and to introduce an enduring solution to bad debt recovery in general

Thank you for the opportunity to respond to the above open letter. This response is 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. We are Great Britain's largest electricity Distribution Network Operator (DNO), dedicated to delivering a safe, secure and sustainable electricity supply to 8.3 million homes and businesses.

Our feedback in respect of your specific questions is set out below:

Q1: Do you agree that our proposals would allow the recovery of bad debts, by network licensees, relating to Network Charge Deferral scheme (COVID-19) in 2021-22?

We have reviewed the open letter and support Ofgem's preference for Option 3. We agree that this option allows for recovery of COVID-19 bad debt in 2021/22 subject to the finalised drafting of the licence condition. Consulting on the principles for bad debt "true-up" in the RIGs at the same time as the statutory consultation on the licence modifications would be helpful to ensure alignment of both elements and to avoid potential delays in the process.

Q2: Do you agree with the introduction of a pass-through term in the RIIO-2 licence as an enduring solution for the recovery of bad debt?

We are broadly supportive of Option 3 being an enduring solution as it introduces the concept of forecasting and subsequent "true-up" that is currently not present in the existing licence condition.



As you are aware, we have been constructively engaging with colleagues from other network companies, as well the Energy Networks Association, to work through the draft modifications to the licence conditions for RIIO-ED1 and we have provided input to the joint submissions to you. We would be happy to work with Ofgem to further review any drafting prior to any formal statutory consultation.

I hope that you will find this information helpful. If I can assist further, 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: Erroll Marjoram, Head of Income Management, UK Power Networks
Matthew Shore, Income Accounting Manager, UK Power Networks
Paul Measday, Regulatory Returns & Compliance Manager, UK Power Networks
David Pang, Regulation Analyst, UK Power Networks