

<b>AD Name:</b>		<b>Associated Document Issues Log - PCD</b>					
<b>Ofgem contact:</b>							
<b>Respondee:</b>		<i>Electricity North West Limited</i>					
Ref No	Paragraph	Comment	Proposed alternative drafting	Comment Raised by	Date raised	Assigned to	Additional Notes
1. Clarity of non-Applicability to ED2		Whilst the concept of PCDs may be applicable to the Electricity Distribution sector for ED2, in reality the construct of any PCDs are likely to be materially different to the type of expenditure or projects that PCDs have been deemed applicable to for Gas Distribution and Transmission. Therefore whilst we recognise that, in principle, there may be a requirement to report and have a methodology to assess PCD delivery, we do not consider that the guidance which is currently being drafted will be applicable to ED. Once the ED2 framework is set and there is clarity as to how and to what extent PCDs will be used for ED2, there should be a		ENWL	19/01/2021		

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		<p>separate process to consider the most appropriate method of reporting and assessing delivery at that time. This should also include detailed consultation on the related licence condition for PCDs that would apply in RIIO-ED2.</p>					
2 PCD Principles	2.1	<p>Bullet 1 states each PCD is specified in the licence, however from a summary review of the licence, many PCD clauses do not have a delivery date. Some have a profile of either costs or volumes that ends in year '26, and therefore it can be inferred that the end date is 31-3-26, but this is not explicitly stated</p>	<p>Licence conditions should be reviewed to ensure delivery date is explicitly stated for all PCDs.</p>	ENWL	19/01/2021		
3 PCD Principles	2.1	<p>Bullet 1 states each PCD is specified in the licence, however from a summary review of the licence, there are some PCDs which show for example length of pipe to be replaced and</p>	<p>Consideration is needed as to how the assessment can be done in reality in these cases, and ensure that it would not lead to unintended consequences</p>	ENWL	19/01/2021		

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		existing diameter.					
4 PCD Principles	2.1	Items 5 through 7 should not be bullets, they are a subset of bullet 5	Correction needed	ENWL	19/01/2021		
5 PCD Principles	2.1	Bullet 3 states the Authority "will" make an adjustment if the PCD is not delivered on time	<p>This should be adjusted to "may" make an allowance adjustment, as there may be circumstances where a change of delivery date is justified. For example, delivery may fall a number of months into the following year, but with low impact to consumers.</p> <p>There does not appear to be provision to change the delivery date (with Ofgem agreement) where it is justified and in consumers interests.</p>	ENWL	19/01/2021		
6 PCD Principles	2.1	Bullet 4 states Evaluative PCDs, however the licence does not state which PCDs	Correct licence to state which PCDs are Evaluative	ENWL	19/01/2021		

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		are Evaluative or Mechanistic					
7 PCD Principles	2.1	We strongly disagree with the principle in bullet 4 for evaluative PCDs to have adjustments based on further efficiency checks based on hindsight	Reference to ex-post efficiency review should be removed. If this remains, it should be symmetrical, having the ability to increase allowances as well as reduce them to reflect efficient cost of delivery.	ENWL	19/01/2021		
8 PCD Principles	2.1	Bullet 4 introduces the concept of Consumer Outcome which has not previously been consulted on, is not defined in the licence and is not referred to in any of the licence conditions or outputs shown in the licence. Without this base, it is impossible to undertake an assessment on this basis and the concept should be removed	Remove consumer outcome as a comparator, unless it is pre-defined in the licence what the consumer outcome should initially be and its clear and defined what a "consumer outcome" means and how it will be measured.	ENWL	19/01/2021		
9 PCD Principles	2.2	We are unclear what this clause	Include an example or	ENWL	19/01/2021		

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		is intended to mean, can an explanation or example be provided	further explanation				
10 Types of PCD	3.1	This section introduces Mechanistic PCDs, however these are not defined in the licence and it is unclear which PCDs in the licence are mechanistic and which are evaluative.	Licence should be revised to include Mechanistic PCDs and highlight which these are. If mechanistic PCDs are what is commonly known as volume drivers, then suggest the concept of mechanistic PCDs are removed to avoid confusion and complexity. This would include the removal of other clauses within the document which refer to the licence and bring no value being included in the PCD document.	ENWL	19/01/2021		
11 Types of PCD	3.3	States which category each PCD falls into - we cannot see	Correct licences to state which PCDs are evaluative	ENWL	19/01/2021		

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		this in the licence					
12 Adjustments to allowances	Section 5 Section Summary	The section summary says it will explain how allowances will be recovered for outputs not delivered. Not delivered is a category and therefore it is unclear and confusing to use in this section summary as the section also talks about adjustments for the other categories	This section explains how Ofgem will determine the value of allowances to be recovered for PCD output(s) which have not been fully delivered by the licensee.	ENWL	19/01/2021		
13 Adjustments to allowances	5.6	Formatting needs correcting		ENWL	19/01/2021		
14 Adjustments to allowances	5.11	We strongly disagree with the proposal to adjust allowances based on an efficiency test conducted after delivery, as this moves much more towards a cost pass through regime	A post delivery efficiency test should be removed from this document. If Ofgem does retain this mechanism it needs to be clear that efficient costs may be revised upwards to ensure this review is symmetrical risk sharing between	ENWL	19/01/2021		

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			companies and customers otherwise companies have to absorb all additional spends but may end up having to give back underspends.				
15 Reporting	6.6	This para suggests that a Full PCD Review will be required in all cases except Fully Delivered. Suggest this is expanded include fully delivered by alternative solution. The Authority may still request a Full Report under the first part of the clause	..... to undertake a Full PCD Review in all cases except those where the PCD is Fully Delivered or Fully Delivered with Alternative Specification	ENWL	19/01/2021		
16 Reporting	6.7	This proposes to allow companies 28 days to provide a full report upon request - this does not allow enough time for a substantive submission to be generated, assured and submitted, and this should be extended	Suggest this is changed to 56 days though we expect Ofgem will be guided by the views of licensees to whom this guidance applies to. By agreement companies could respond in 28	ENWL	19/01/2021		

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			days or even quicker in some cases but setting a deadline should encompass reasonably complex responses too				
17 Reporting	6.8	We question whether, if all categories except Fully Delivered will go to Full Review, what is the logic of requesting a Basic PCD Report first? We suggest it would be more efficient if companies who propose to use any category other than Fully Delivered or Fully Delivered with Alternative Specification go straight to a Full PCD Report. This avoids workload on both company and Ofgem sides.	For consideration, and we'd expect Ofgem to be informed by views of companies directly impacted.	ENWL	19/01/2021		
18 Process	Table 7.2	Timescales for preliminary review should be included here. It is reasonable for companies to have an understanding as to when their submission will	We suggest two months months is more than sufficient time for Ofgem to conduct it's preliminary review. Noting the	ENWL	19/01/2021		

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		<p>be reviewed by Ofgem, and an indication as to when the outcome of this review will be available. Particularly as the outcome may result in request for further submission (which companies only have 28 proposed days to respond to under clause 6.7)</p>	<p>desire in 7.6 for assessment process to be completed within a 9 month period in order to hit AIP. It would feel sufficient for 2 months preliminary review, 2 months full PCD report, leaving up to 5 months final review/consultation</p>				
18	Appendix 1	<p>Where definitions are detailed in the licence, and also used in guidance, the definition should refer to the licence condition itself. This is standard practice for other guidance documents currently. Should any definitions NOT be defined in the licence, consideration should be given as to whether this is appropriate and if it is a material matter, it should be added to the licence. if it is</p>	Revision needed	ENWL	19/01/2021		

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		for guidance or additional information only, it would be acceptable to be held in the AD only.					
19	Appendix 1	Innovation should have the same definition as in other areas of the framework	Revision needed	ENWL	19/01/2021		
20	Appendix 1	We remain concerned that the definition of Consumer Outcome as shown in appendix 1 cannot be used unless the Consumer Outcome of each PCD is determined up-front	For consideration	ENWL	19/01/2021		