

Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ
michael.ferguson@sse.com

Kersti Berge
Partner for Networks
3rd Floor,
Cornerstone,
107 West Regent Street,
Glasgow,
G2 2BA

10 May 2016

Request from Scottish Hydro Electric Power Distribution Plc to defer the application window for the Subsea Cables Costs uncertainty mechanism under Charge Restriction Condition 3F.11(a) of its electricity distribution licence

Dear Kersti,

We appreciate the open letter consultation published by Ofgem, 12 April 2016, and the position set out within that document; 'to direct a new application window between 1 May 2018 and 31 May 2018, or such later dates as directed'. This short response seeks to support the minded-to position adopted by Ofgem and the rationale for deferring the application window.

In particular, we believe that deferring the uncertainty mechanism application window until May 2018 will provide us sufficient time to test our subsea cable Cost Benefit Assessment (CBA) model through a number of specific Marine Licence applications. The learning from this process will also inform forecast cable protection requirements across the remainder of RIIO-ED1. Furthermore, the expenditure information produced by the installation process during 2017 will provide valuable cost benchmark data for the eventual proposed revenue adjustment.

Our programme of refining the CBA tool and preparing for the first round of Marine Licence applications continues. Over the coming months, as we submit the first tranche of licence applications, we will be engaging with all our primary stakeholders and incorporating their feedback into our subsea cable replacement schemes. We look forward to working with Ofgem, Marine Scotland and the wider marine industry over the coming years to develop an efficient and effective solution.

Yours sincerely

Michael Ferguson
Networks Regulation Manager