

Louise Deighan
RIIO - Electricity Distribution Ofgem
107 West Regent Street
3rd Floor
Cornerstone
Glasgow
G2 2BA

Electricity North West
304 Bridgewater Place, Birchwood Park
Warrington, Cheshire WA3 6XG

Telephone: +44 (0)843 311 4800
Fax: +44 (0)843 311 5119
Email: enquiries@enwl.co.uk
Web: www.enwl.co.uk

Direct line: 07710069573
Email: steve.cox@enwl.co.uk

Dear Louise,

Consultation on the Losses Discretionary Reward submissions for tranche 1

Thank you for the opportunity to respond to the above consultation.

The regulator's introduction of the Losses Discretionary Reward mechanism will, we believe, encourage the commitment of resources to drive a step change in losses reduction across the electricity networks. In addition, it will promote a community approach across the electricity transmission and distribution companies to solving and driving down losses in a holistic manner for the greatest benefit of electricity customers.

We have looked at the other submissions and will identify where there are synergies and where proposals lend themselves to joint development of initiatives.

Where collaboration would not necessarily be beneficial, we will follow closely the progress and look to roll out on our own network when appropriate to deliver additional benefits to our customers here in the North West.

Detailed responses to the specific questions posed in the consultation are appended to this letter.

Yours sincerely,

**Mr Stephen
Cox**

Digitally signed by Mr Stephen Cox
DN: c=GB, UNDEF KINGDOM,
email=steve.cox@enwl.co.uk, o=Electricity
North West Ltd, ou=Network Strategy, cn=Mr
Stephen Cox
Date: 2016.06.02 14:39:29 +01'00'

Steve Cox
Head of Engineering

Annex 1 Specific answers to the consultation questions

Question 1: Do you consider that the processes proposed by any of the DNOs will significantly shift the expectations of what DNOs are capable of doing to manage losses? Where possible, please provide examples.

It is evident from the submissions that work is underway across the DNO community to develop processes that deliver a step change for the measurement and management of losses. This is a significant step forward from previous price control periods where losses were at best a secondary factor in DNO investment planning.

A few examples to demonstrate this include;

- A move towards modelling of actual networks leading to identification of real losses was described by several DNOs
- Cost benefit analysis approaches that use, but improve upon, the standard CBA processes to deliver the next level of thinking in optimising investment and recognising the value of loss reduction
- Consideration of the smart meter implementation programme and how processes for reducing losses can begin ahead of the smart meter data availability.

Question 2: Have you seen a change in the engagement of DNOs on losses?

The Losses Discretionary Reward process has achieved submissions from all of the Distribution Network Operators which is a clear indication of the extent to which DNOs are engaged in the losses debate. These submissions describe a range of solutions and innovative approaches which will inform debate and precipitate wider engagement post the LDR process and as we move towards RIIO-ED2.

Losses are also evidently playing a greater role in DNO investment plans and in turn in their procurement activities in the supply chain.

Question 3: Do you think the DNOs have considered or put in place effective processes to work, where appropriate, in a collaborative way to avoid inefficient duplication of effort and to consider losses across the networks?

Each LDR submission discusses how developing an understanding of network losses requires collaboration and demonstrates that there is considerable commonality across distribution networks.

DNOs also describe processes for engagement with a wide range of stakeholders including industry peers and those connected to the network. This engagement will help to capitalise on the areas of commonality and work together to avoid the implementation of interventions and solutions that could lead to a sub-optimal outcome. DNOs must work together, and with other stakeholders to ensure this doesn't occur and to leave no gaps in understanding and implementation of losses reduction activities.

Question 4: Do you think DNOs provide clear processes for how they will effectively use smart meter data to develop specific actions to manage losses?

There is considerable uncertainty surrounding the installation programme for smart meters and the availability of the associated data. A number of the submissions recognise the uncertainty but demonstrate a commitment to work collaboratively to develop thinking and processes to utilise smart meters to the benefit of losses reduction.

Question 5: Do you consider that the DNOs' proposed processes may help enhance what DNOs can do to manage non-technical losses, such as theft of electricity?

Most of the submissions describe DNOs current processes for the identification of non-technical losses such as theft and management of those losses through their revenue protection activities. Some also go on to discuss how these processes will be developed over time and supported by the analysis of smart meter data when this becomes available.

Whilst focussing on understanding, identifying and reducing technical losses, some of the LDR submissions do address the processes and stakeholder engagement and cooperation required to reduce non-technical losses. ENWL is proud of its contribution in this area and is committed to continued leadership.

Question 6: Do you think any of the submissions provide evidence that DNOs are working towards contributing to the development of a RIIO-ED2 losses incentive mechanism?

Whilst limited evidence is provided in the majority of the submissions, some do demonstrate a track record of thought leadership in this area and commitment to continued work to deliver an appropriate mechanism. ENWL is proud of its contribution in this area.