



Scottish & Southern
Electricity Networks

Geoff Randall
Head of RIIO, Electricity Transmission
Ofgem
9 Millbank
London
SW1P 3GE

06 October 2016

Dear Geoff,

Consultation on the mid-period review (MPR) of RIIO-T1

Scottish Hydro Electric Transmission plc (SHE Transmission) welcomes the opportunity to respond to the above consultation. We support Ofgem's decision to keep the scope of the MPR narrow, focusing on specific outputs of National Grid Electricity Transmission (NGET) and National Grid Gas Transmission (NGGT), and thus avoiding what could have effectively resulted in two four year price control periods. We also welcome Ofgem's continued work on other issues: ensuring output accountability; filling gaps in the RIIO framework; and improving RIIO operation, outwith the formal MPR.

Although we do not wish to comment on Ofgem's minded-to position related to specific allowances and outputs of other transmission owners (TOs), we do welcome Ofgem's proposal to permit a certain degree of output substitution. We believe that this allows the TOs to consider innovative solutions and the flexibility to respond to changing stakeholder needs, ultimately increasing efficiency and benefit to customers.

Moreover, we recognise the additional resource requirement related to NGET's enhanced system operator (SO) role and do not dispute Ofgem's proposal to increase its allowance to fund the additional activities. SHE Transmission is working closely with the SO in its enhanced role; our Development and Project teams continue to support the network options assessment (NOA) process with cost profiles, designs, and environmental commentaries. Ofgem has rightfully decided to address the impact of the SO's additional activities on the TOs outwith the MPR. However, we would appreciate clarity in the matter. We believe that ongoing engagement between the TOs and the SO is essential to ensure accurate and just appraisal of investment options, maintaining focus on delivering benefits to customers. The important work on cross-boundary interactions has led to an improvement in the methodology and more options to be considered in NOA2. As such, we remain committed to support the SO in its modelling, preparation and analysis, as well as interaction with the Cost

Inveralmond House, 200 Dunkeld Road, Perth PH1 3AQ  ssen.co.uk

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Benefit Analysis results. It is essential therefore that additional costs incurred by the TOs in this area are ring-fenced and logged up until the end of RIIO-T1. Material additional costs can then be allowed as part of the RIIO-T1 close-out process.

If you wish to discuss any of the above further, please do not hesitate to contact me.

Yours sincerely

Wenche Tobiasson
Regulation Analyst