



Scottish & Southern
Electricity Networks



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21 November 2017

Dear Louise,

Consultation on Ofgem minded-to position to revise allowed expenditure for Link Box Costs under special license condition CRC 3F

Scottish and Southern Electricity Networks (SSEN) appreciates the opportunity to comment on the Ofgem minded-to position to revise allowed expenditure for Link Box Costs under special license condition CRC 3F.

In Ofgem's letter dated 24 October 2017, we were asked to respond on 2 specific questions, response below.

1. Do you agree with Ofgem's assessment and the proposed adjustment to SPMW's opening level of allowed expenditure for Link Box Costs?

The approach that SPMW have taken in identifying the scale of its Link Box program, and subsequently Ofgem in its assessment and proposed adjustment of allowed revenue, is reasonable.

Like others within the industry, SPMW has recently adopted a more rigorous inspection regime than was prevalent previously in light of an increasing trend of link box failures. It is therefore not unexpected that these enhanced inspections have resulted in an additional number of Link Boxes that are closer to the end of their operational life than was previously identified. SHEPD and SEPD are also experiencing similar issues, although not yet at the levels of the reopener threshold.

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SPMW appear to approach the rectification of these end of life units in a pragmatic manner, steadily increasing the volumes being addressed through the remainder of the RIIO ED1 period, and also deferring over 30% of the program into the RIIO ED2 period. This approach avoids an overly costly staffing up to deal with a peak of additional work, while addressing the defective Link Boxes in a timely manner with manageable annual increases.

Given that Link Boxes are part of the Common Network Asset Indices Methodology, we expect that Ofgem will closely monitor the delivery of this program, and make any necessary adjustments to SPMW's income levels as part of the RIIO ED1 close out process. We would expect justified overdelivery against targets in this area to be considered for all DNOs.

In summary SSEN agree with the Ofgem assessment and proposed adjustment of SPMW's opening level of allowed expenditure for Link Box costs.

2. Do you agree with Ofgem's assessment and the proposal not to make an adjustment to SPN's opening level of allowed expenditure for Link Box Costs?

The approach that SPN have taken in identifying the scale of its Link Box Replacement and fire blanket delivery program, and subsequently Ofgem in its assessment and proposed adjustment of allowed revenue, is reasonable.

While achieving a slower start than originally forecast in their Link Box replacement program, volumes delivered in 2016/17 were substantial, and would provide reassurance that the remainder of the program can be delivered.

The fact that SPN are forecasting to replace an additional 8% of Link Boxes than were in their original RIIO ED1 allowance is positive for customers network reliability

This, allied to the fact that SPN is forecasting to catch up with their fire blanket installation over the next 2 years, means that we agree with Ofgem to make no adjustment to SPN's opening level of allowed expenditure for Link Boxes.

That said given that Link Boxes are part of the Common Network Asset Indices Methodology, we expect that Ofgem will closely monitor the delivery of this program, and make any necessary adjustments to SPN's income levels as part of the RIIO ED1 close out process.

Should you require any clarification on any of the points raised please do not hesitate to contact me.



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Yours sincerely,

Kenny McAllister

Networks Regulation