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Mick Watson  
Ofgem  
9 Millbank  
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Dear Mick,

### **SSEN response to RIIO Accounts Licence Modification and Purpose of RIIO Accounts**

This letter sets out our response to the Licence Modification to incorporate RIIO Accounts as a reporting requirement.

Prior to commenting on the appropriateness of the licence condition modification, we would like to reiterate the need to pause and re-assess the value of RIIO accounts, particularly against the associated costs. We continue to be supportive of reviewing and improving regulatory reporting. However, after a prolonged period of review and development of RIIO Accounts, we do not believe that RIIO Accounts will be of benefit to consumers or wider stakeholders. There have been a number of implementation and audit complications which will result in an escalation of the costs of implementing RIIO Accounts. Given these costs will be levied on consumers we believe that a review of reporting needs and benefits be revisited given the significant increase in costs versus the insufficient evidence available to justify the benefit of RIIO Accounts.

#### **Complexity and cost**

Ofgem's requirement for a "fairly presents" audit opinion has resulted in a step change in the length and level of complexity of the RIIO accounts. Auditors have expressed their concern over giving this level of assurance, and as such the current position from engagement with industry wide auditors is to provide a "prepared properly in accordance with" level of assurance. Auditors have stated that this may take two years to transition from this opinion to the preferred opinion based on their understanding of the complexity of the audit required. Additionally, the principles based ORFRS, and a lack of guidance notes, may result in differing interpretations across the industry, resulting in a lack of comparability, something which will add to the complexity and reduce the perceived benefit of RIIO Accounts.

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### **Benefit to consumers and stakeholders**

We do not believe there is sufficient evidence to justify the implementation of RIIO Accounts to the net benefit of consumers and stakeholders. We work closely with our Investor Relations team in their discussions with wider Analysts and Investors and have had no feedback which constitutes a demand for information which RIIO Accounts would fulfil. The need for an audit opinion on a set of economic accounts does not appear to be a definite requirement and as such we question the actual purpose of RIIO Accounts.

### **Ofgem reporting review**

At the same time as RIIO Accounts development, there has been development across wider Ofgem teams regarding reporting including a review of Regulatory Reporting, Annual Reporting, and Strategic Performance Overview (SPO) reporting. As such, we believe a holistic review of internal reporting to Ofgem and external reporting to wider consumers and stakeholders needs to be undertaken.

We believe there is a significant degree of overlap and duplication in reporting requirements and requests and this presents a good opportunity to overhaul the current reporting framework.

### **Alternative approaches**

Given our feedback above regarding the need to pause and re-assess the wider public reporting of Network performance to consumers and stakeholders, we support further development of reporting. We believe the involvement of consumers and wider stakeholders in reviewing external reporting would inform a better outcome and provide evidence to develop a more holistic and understandable suite of reporting tools. We believe this would take significantly less time to develop than what would be required for RIIO Accounts and would still enable the benefits of consistent and comparable reporting across Network companies.

In summary, we are not supportive of any change to the licence modification and strongly suggest Ofgem pause and re-assess the purpose and benefit of RIIO Accounts versus the escalating costs to consumers. There is a clear need to review all reporting both to Ofgem and externally for consumers and stakeholders. There is an opportunity to enhance the transparency and the understanding of Network performance while maintaining a consistent and simple approach.

We would be more than willing to clarify the above with Ofgem further if required to ensure the best decision is taken for consumers, stakeholders, Ofgem and Network companies.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Steven Kennedy'.

Steven Kennedy  
SSEN