

Victoria Low
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

5 April 2019

Dear Victoria

Proposal to make modifications to the Regulatory Instructions and Guidance

Thank you for the opportunity to respond to the above Notice dated 8 March. Our response should be treated as consolidated on behalf of UK Power Networks' three distribution licence holding companies: Eastern Power Networks plc, London Power Networks plc, and South Eastern Power Networks plc. It is not confidential and can be published on your website.

The table that we have set out in the appendix provides our feedback on the changes. Our main concerns are:

- We do not believe that all of the new Annex L requirements in relation to dividends and executive remuneration are appropriately defined and that the timing of the return could cause confusion with stakeholders. We have expanded on this point in the appendix;
- The proposal to move to making reportable (with consequential CIs and CMLs) a subset of incidents caused by cut out fuses. As outlined in the appendix this is a change of policy without formal consultation and runs contrary to Ofgem's documented position in respect of such incidents since the IIS was introduced over fifteen years ago.

It is also worth noting that for the IIS changes, DNOs have already had to implement process and system changes to accommodate the clock stopping updates. It is unfortunate that Ofgem are still consulting on these changes after the regulatory year has started and we urge Ofgem to bring forward their consultation process for the next round of changes (i.e. those coming into force on 1 April 2020) to avoid this situation going forward.

We look forward to working with Ofgem and other licensees at the QoS Working Group to finalise the combination of the IIS stage and interruptions templates and also update the EGS template during the forthcoming regulatory year.

Finally, we will also look to collaborate with Ofgem and the other DNOs around expanding the reporting of low carbon technologies during the 2018/19 RIGs consultation. We believe the current E7 table is limited in its scope and there may be merit in providing greater visibility of the key Distributed Generation building blocks which have recently been included in the ENA's Common RII02 scenario report for Ofgem's Challenge Group.



If you have any queries on the above please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'James Hope', with a stylized flourish extending to the right.

James Hope
Head of Regulation & Regulatory Finance
UK Power Networks

Copy: Susannah Garwell, Regulatory Reporting Pack Manager, UK Power Networks
Paul Measday, Regulatory Reporting & Compliance Manager, UK Power Networks

Appendix

Annex	Issue No.	Reference	UK Power Networks response
Annex B	22	CV pack	The new table M18 should be added to the Navigation tab in the Cost & Volume pack
Annex B	13	CV31	Cells G81 and G84 of the CV31 Repair & Maintenance table should say "Assets with intervention during the year"
Annex B	n/a	I4	The NIC Bid Preparation costs on row 133 of CV36 for this year onwards should not link through to table I4 - Revenue Pack Inputs cells AM19 to AQ19 as they are no longer recoverable through revenue – i.e. they should be blanked and greyed out in I4.
Annex F	3	2.44	Paragraph 2.44 is missing "reasonably practicable" – as discussed at the QoS working group there is a potential interpretation of the second bullet of paragraph 2.44 which means that the as long as there is a physically alternative possible means of restoration then clock stopping cannot be used. The alternative means of restoration might not be possible in the time frame or might even be disproportionately expensive, but because it exists, clock stopping cannot be used. We understand from the QoS working groups that Ofgem had reservations about adding in "reasonably practicable" but did not mean for licensees to not be able to clock stop in such circumstances. We urge Ofgem to add in "reasonably practicable" and conduct audits of licensees should it have any concerns about the application of this.
Annex F	3	2.46 (iv)	The additional wording added to the end of this bullet refers to "earliest"/"earlier" twice in one sentence and therefore does not make sense.

Annex	Issue No.	Reference	UK Power Networks response
Annex F	3	2.47 (iv)	<p>As outlined at the QoS working group we do not support the move to require CIs and CMLs to be recorded where a cut out (or equipment after the cut out i.e. is on the consumer side) fails and DNOs consequently remove the fuse at the substation or isolate by similar means. To require DNOs to report CIs and CMLs for such incidents is a change of policy in this area and has not been formally consulted prior to its proposed implementation through these RIGs changes.</p> <p>We note that previous versions of RIGs (back through NADPR RIGs) and to the original IIS RIGs) use a consistent set of wording in this area. In fact the BPI/Mott MacDonald report from 2008/09¹ states:</p> <p>“As currently written the rigs do not differentiate between cut-out failures affecting a single customer or a multiplicity of customers.</p> <p>Irrespective of the number of customers affected, the failure of a cut-out is therefore not a reportable incident, even if the substation fuse is also involved.</p> <p>Ofgem is considering a review of this section of the rigs.”</p> <p>The fact that Ofgem considered and did not change the RIGs makes it clear that when coupled with the BPI/Mott MacDonald report that involvement of the substation fuse (and by inference affecting more customers than the original cut out) was not a determining factor in such incidents moving from non-reportable (ONIs) to a reportable incident with attendant CIs and CMLs.</p> <p>This therefore supports the position we believe this is a change of policy without formal consultation and must therefore not be implemented.</p>
Annex G	13	1.17	<p>We believe that the failure to make payment standard (ECGS12) should be treated and reported in isolation to the underlying failure of a standard. ECGS12 is for Late Payment of a penalty, and what is relevant is the payment date (i.e. the completion of the standard). We believe that DNOs should report this in the quarter that the late penalty is paid. Therefore, we believe that Ofgem should keep the original text for 1.17 (including the title).</p> <p>Furthermore the changes to the wording in the guidance and template to refer to “Value of penalties incurred” rather than “Payments Made” does not explicitly require DNOs to confirm they have made a payment to the customer – we believe this is a weakness in the drafting.</p>
Annex G	N/A	Appendix 7	There is a typo on the very last page of Annex G, literally the last line in the document – ‘Exemtions’ should read ‘Exemptions’
Annex G	12	1.9	We agree with the proposed modification for all base standard failure payments

¹ https://www.ofgem.gov.uk/sites/default/files/docs/2011/01/qos-incentive-scheme---audit-of-interruptions-reporting-2008.09---final-report_0.pdf

Annex	Issue No.	Reference	UK Power Networks response
Annex H	N/A	3.7	<p>Para 3.7's first bullet refers to not using customer data in a way which could be expected to bias the survey results. We had previously proposed adding an example in order to clarify that an apology/refund for poor customer service was not contrary to this point. We note that this has not been included and understand this is because of the cross reference to para 3.12 in the bullet. We seek clarity from Ofgem that it is comfortable that an apology/refund for poor customer service is not contrary to this bullet. If this can be confirmed we are comfortable that an example is not required on the face of the RIGs.</p>
Annex H	N/A	3.16	<p>We are unclear why paragraph 3.16 has been added as it replicates (but with different wording) the requirements set out in Table 3.1 relating to when the data must be submitted for survey. Good practice in drafting means that this duplication in paragraph 3.16 should be removed.</p> <p>Furthermore we believe that the timescales for submission of planned interruption data is incorrect and does not align to the requirements in the table, therefore justifying the need to only state the requirement once.</p>
Annex L	N/A	N/A	<p>In the current Regulatory Financial Reporting Pack (RFPR) guidance Ofgem has introduced a number of additional requirements relating to both dividends (both policy and forecast) and executive remuneration. With respect to the former, due to the sensitive commercial nature of dividend forecasts, we believe that it is inappropriate for these to be placed in the public domain. On executive remuneration we are already required to disclose in our statutory accounts the remuneration of statutory directors of our business. We are concerned that Ofgem has not set out any rationale why it requires this information or why the RFPR is the most appropriate mechanism for collecting it from network companies. If this information is required then detailed guidance will need to be drafted to ensure that companies are providing data on a consistent basis. There is currently no guidance on this requirement in the RFPR documentation.</p> <p>We are also concerned that the proposal to publish the RFPR data on 31st July each year may result in unnecessary stakeholder confusion. This is because the RoRE figures (and the underlying supplementary information) published in July will be subject to change as a result of the Ofgem Supplementary Question process which happens after July each year. To minimise this possibility of confusion we would suggest that the RFPR publication is on 31 October each year to allow for any changes from the Ofgem Supplementary Question process to be incorporated into the published RFPR data. Additionally, we believe that Ofgem, before it publishes any previously redacted information should not only inform the licensee of its decision but set out clearly its justification for it and provide the licensee with an opportunity to respond.</p>