

ED PCFM Working Group July 2020 Minutes

From: Varun Venaik

Date: 18/06/2020

Time: 15:00 – 15:30

Location: Teleconference

1. Present

Ofgem: Varun Venaik (Chair), Penny Harandy

Licensee attendance by teleconference: Dave Ball (ENWL), Lisa Green (ENWL), Colin Nicholl (UKPN), Kathryn Atack (NPG), George Potter (SP), Lauren Smith (SSE), and Katherine Bartlam (WPD)

2. Log items discussed

- 2.1. **ED 12: SHEPD Capitalisation rate change** – SSE have proposed that the capitalisation rate for SHEPD for the remainder of the price control should be made consistent with the first four years of the price control. The rate was 62% for the first four years in order to take account of the additional opex (fast money) associated with Shetland. The rate then increases to 70% for the second half of the period, with the expectation that a solution would have been reached by this stage and the rate should therefore return to normal levels.
- 2.2. This and other proposed modifications to the ED1 licence will be consulted on by Ofgem in July 2020. We propose to combine the consultation for the PCFM modification with the consultation on the Licence modification in order to ensure that the modification is made in time for this year's AIP.
- 2.3. Some network companies were concerned about approving a PCFM change based on a licence modification that had yet to be concluded. The working group agreed that it would be appropriate to approve this item subject to the outcome of the upcoming licence modification.
- 2.4. Item status closed (subject to the licence modification) – we expect the Shetland changes will be reflected in the November AIP 2020.
- 2.5. **ED13: Subsea cable allowance allocation rates** - For SSEH we have included allocation percentages to allocate the £45.3m of existing Subsea Cables cost allowed expenditure to "Non-load related capex – asset replacement". The allocation percentages have been entered in cells AJ229:AQ229. It was noted that the £45.3m allowed expenditure was directed as part of last year's AIP but was not fed into allowed revenue due to a lack of allocation percentages, which we have now rectified.
- 2.6. Issue status closed – the subsea cables cost allocation changes will be reflected in the November AIP 2020.

2.7. **ED14: Shetland labelling changes** – Two of the licence terms relating to Shetland uncertain cost terms for SSEH are in the wrong cells and need to be swapped around. As well as this the reference to condition "3CF" needs to be updated to "3F". This change needs to be made on all input sheets.

2.8. Item status closed – the Shetland labelling changes will be reflected in the November AIP 2020.

3. AOB

4. Next steps

4.1. Ofgem will publish a notice for modifications ED 13 (updated allocation rates for SSEH Subsea cables allowance) and ED14 (Shetland labelling changes).

4.2. Ofgem will publish a Statutory consultation on ED1 Licence Modifications, which will include the change in capitalisation rate for SHEPD's licence and the associated PCFM modification ED 12 (SHEPD Capitalisation rate change).

4.3. Ofgem will subsequently publish a PCFM incorporating all of these changes later in summer 2020.

4.4. This will be the PCFM for use in the coming November AIP 2020.