

Kelvin Hui  
RIIO Price Controls  
Ofgem  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

Date  
29 January 2021  
Contact / Extension  
Stephanie Anderson  
0141 614 1581

Dear Kelvin,

### **RIIO-T2 Price Control Deliverable Reporting Requirements and Methodology Document Consultation (PCD Consultation)**

This response is from SP Transmission (SPT) which holds the transmission licence for the south and central Scotland. SPT is part of SP Energy Networks (SPEN) and the wider Iberdrola group. We welcome the opportunity to respond to the PCD Consultation, following: the Licence Drafting Working Groups (LDWGs); Ofgem's PCD Workshops; the Informal Licence Consultation in September; and Ofgem's consultation on the previous draft version of the PCD Guidance; and the RIIO-2 Statutory Consultation on the RIIO-T2 Licence published on 17 December 2020 (the Licence Consultation), which our RIIO-T2 team has actively participated in.

The issues raised in this response should be considered in conjunction with SPT's response to the Licence Consultation, which we submitted to Ofgem on the 19th January 2021 (SPT's Licence Statutory Consultation Response). References to licence drafting and licence conditions in this letter and the enclosed Issues Log (at Appendix 1) are references to the conditions consulted on as part of the Licence Consultation.

SPT has concerns and comments on the draft Price Control Deliverable Reporting Requirements and Methodology Document included by Ofgem in the PCD Consultation (the draft PCD Reporting and Methodology Document) together with the associated licence conditions, from both a policy and a drafting perspective. SPT's comments on the licence conditions associated with PCDs and PCD Guidance are set out in detail in SPT's Licence Statutory Consultation Response, and any further comments provided in this letter, and Appendix 1, on the licence conditions are in addition to our previous comments and should not be considered as replacing those comments. SPT's concerns on the draft PCD Reporting and Methodology Document are detailed in Appendix 1 of this response, and the key issues are as follows:

- As explained in SPT's Licence Statutory Consultation Response, it remains SPT's position that the means and reasons for any adjustment to allowances, including those associated with PCDs, must be objective, measurable and transparent. Those criteria should be provided for by the RIIO-T2 licence drafting and not by an Associated Document that is subject to amendment with no rights of appeal for licensees to the CMA.

SP House, 320 St Vincent Street, Glasgow. G2 5AD

Telephone: 0141 614 5213

[www.spenergynetworks.co.uk](http://www.spenergynetworks.co.uk)

- It is important that the PCD Reporting and Methodology Document and SPT's RIIO-T2 Licence explicitly set out that Ofgem cannot make downward adjustments which exceed the value of the actual PCD allowance itself. We therefore propose the following statement should be added to the Guidance document and also set out explicitly in the final RIIO-T2 Licence "For the avoidance of doubt, the value of such downward adjustments will not exceed the value of allowances associated with the relevant PCD".
- As detailed in SPT's Licence Statutory Consultation Response, the draft RIIO-T2 Licence issued with the Licence Statutory Consultation continues to provide adjustments to Totex Allowances only where an Evaluative PCD has not been "Fully Delivered". The various terms, which include Fully Delivered, Partially Delivered and Fully Delivered with Alternative Specification, and their associated mechanisms for adjustment to allowances, must be included in the RIIO-T2 Licence, since these definitions and the adjustments which are said to flow will directly impact Totex Allowances.

We provide comments in this response on the draft PCD Reporting and Methodology Document with a view to working with Ofgem to ensure that this document, including its appendices, operates fairly, consistently, transparently, proportionately and cohesively.

However, our comments and this letter are submitted to Ofgem entirely without prejudice to SPT's Licence Statutory Consultation Response and SPT's rights, including those under the Electricity Act 1989. All of SPT's rights are reserved.

Yours sincerely,



Stephanie Anderson  
**Policy and Licence Manager**