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1 October 2024

Dear Zara

**UK Power Networks' Response to Ofgem's RIIO-2 Re-opener Applications 2024 Draft Determinations**

Thank you for the opportunity to comment on the above consultation. This letter should be treated as a consolidated response on behalf of UK Power Networks' two affected distribution licence holding companies: Eastern Power Networks plc ('EPN') and South Eastern Power Networks plc ('SPN').

Whilst UK Power Networks was not impacted to the same extent as other DNOs during Storm Arwen, we considered the recommendations included in government's and Ofgem's reports seriously and welcomed the opportunity to put forward investment cases to address key actions. We agree with Ofgem's assessment on our proposals and are committed to engage with industry stakeholders to improve the resilience of electricity networks for the benefit of our customers in both storm events and Business as Usual (BAU) conditions.

Our feedback is set out in the Appendix to this letter. Should Ofgem wish to discuss any part of this response, please contact James Hope in the first instance.

Yours sincerely



Suleman Alli  
Director of Finance, Customer Service & Technology  
UK Power Networks

Copy Barry Hatton, Director of Asset Management  
James Hope, Head of Regulation & Regulatory Finance

## Appendix

Note that we have only responded to questions pertinent to UK Power Networks.

### **ED.Q6. Do you agree with Ofgem’s assessment of the Temporary Power Sources proposals and rejecting the requests for an allowance?**

Whilst increasing the number of generator sets of varying sizes would improve the restoration of supplies to a wider range of customers in storm scenarios (as per our submission), we recognise that in many circumstances, this benefit could be during BAU (i.e. non storm) restoration work.

Given Ofgem’s stance to only fund investments that primarily improve performance in storm events, we understand the reasons given behind the rejection of these proposals. We do however, as highlighted by Ofgem, support a full review of the use of generation, size and numbers of fleets well in advance of RIIO-ED3 Business Plan submissions, such that any future requests for increased investment is well supported, understood and consistent across DNOs.

### **ED.Q14. Do you agree with Ofgem’s assessment of UKPN’s request for allowances?**

We agree, whilst noting that other DNOs were awarded allowances for similar activities to those that we had rejected, namely the deployment of increased automation on the network which would provide improved resilience in storm conditions.

We note, for all accepted proposals Ofgem is favouring the use of Evaluative Price Control Deliverables (PCDs) to monitor delivery. Within our submission we put forward the design of individual PCDs for each proposal, all operating under an overall allowance cap. This was a Mechanistic PCD, and thus removed the need to provide an Evaluative Report. We can see that an Evaluative approach may be more applicable for a number of other DNOs’ projects, but given our proposals are simple volumes of work with an associated unit cost, we believe our proposals fit firmly within the framework of what a Mechanistic PCD is designed to cater for and should be managed accordingly. We would be happy to work with you regarding drafting the licence condition to reflect the mechanistic PCD approach for our deliverables.

## **Licence Amendments**

We recommend that once all the licence drafting feedback below (and that from other DNOs) has been acted upon and a revised set of licence changes are ready, they are tabled at an ENA facilitated Licence Drafting Working Group (LDWG). This will help ensure the version of the licence sent for statutory consultation is as accurate as possible prior to publication.

### General

1. The Introductory Note to the Statutory Consultation (see page 69 of the draft determination document) incorrectly references SpC 3.7, when it should reference 3.2.
2. Paragraph 2 of the Notice wording (i.e. below the Introductory Note) should also reference SpC 1.2 (definitions) as this condition is also changing.

### SpC 1.2

3. In the definition of “*Evaluative Price Control Deliverable*” it is necessary to remove the “or” in between “Cyber Resilience IT PCD Table” and “Special Condition 3.6”.

4. The capitalised term “*Storm Arwen Projects*” is included in SpC 3.14.2 so a definition should be included in SpC 1.2. We suggest “*means the projects for the licensee that are specified in Appendix [1] to Special Condition 3.14 (Storm Arwen Re-opener and Price Control Deliverable)*”. The reason for the square brackets is explained below in the section on appendices.

#### SpC 3.2/3.14

5. We seek clarity on why the text relating to the re-opener itself needs to move from SpC 3.2 to SpC 3.14 (as, other than paragraph reference numbers, it does not change). The move complicates the licence changes so should only be conducted if necessary.
6. The strike through shows SpC 3.2 Part I being deleted – please can you liaise with Dafydd Burton in respect of the lettering of the parts in SpC 3.2. You have correctly referred to Part I, but the licence has an error in it (Part A’s heading was erroneously deleted) and therefore Part I should be Part J and this is the error that Dafydd is correcting via a housekeeping modification. Ofgem should work to ensure both modifications, this one via the statutory route, and Dafydd’s via the housekeeping route do not contradict each other. For clarity we will refer to it as Part I in the remainder of our feedback.
7. We do not support the wholesale deletion of Part I and paragraphs 66 to 73 of SpC3.2 as this will cause further cross referencing issues as subsequent parts and paragraphs auto update their references. Instead, we propose the part’s heading and paragraphs are left in but the text in them is replaced with “*No longer used*”. This is in line with the wording in the existing distribution licence Special Conditions.
8. The use of 3.14 as the number for the Storm Arwen Reopener and Price Control Deliverable condition does not work as for EPN and SPN as this is already used for our Off-Gas Grid PCD. We recommend that Ofgem find an unused SpC number which is common across all affected licensees and uses that.
9. Ofgem should take the opportunity to remove out of date drafting in SpC 3.14.8 i.e. as January 2024 is now in the past any further Storm Arwen reopeners can only be when the Authority directs there is a window.
10. The reference to Part S in SpC 3.14.11 does not exist in SpC 3.14, this is a Part of SpC 3.2 – we believe that the reference should be to “*Part S of Special Condition 3.2*”.
11. In SpC 3.14.9 (a) the paragraph reference is missing – it should be to 3.14.7.
12. In SpC 3.13.13 the paragraph reference is missing – it should be to 3.14.8.
13. For paragraph 3.14.14 to work, SpC 3.3 would also need to be modified to refer to SpC 3.14.
14. In SpC 3.14.16 the paragraph reference should be to 3.14.14 rather than 3.14.12.

#### SpC Appendices

15. The two tables in Appendix 1 should be merged removing any overlap and the potential confusion between a PCD being a project or group of projects (the first table’s structure infers a PCD is a group of projects whereas the structure of the second table infers each project is a PCD). If a two-table solution is continued with then this should be named Appendix 2 and the references to Appendix 1 in the main body of the condition checked and updated. Clarity is then also required on the face of the licence as to what the actual PCD is i.e. a project or group of projects.
16. For EPN project 2 and SPN project 2 there are a number of corrections which are required

- a. the DFA reference does not make grammatical sense e.g. Install 756 Distribution Fault Anticipation (DFA) – it requires “*sensors*”, “units” or a similar term for it to be logical.
  - b. the volumes are incorrect and they should be 252 and 173 respectively – these are the capex installation volumes, whereas the 756 and 520 in the drafting also erroneously include the opex volumes as set out in paragraph 4.3 of our reopener application.
  - c. the “*all*” should be removed from the description as this allows for the requirement to be misconstrued should any additional feeders meet the percentage threshold in the future.
  - d. the “80%” for SPN should read “50%” as per paragraph 3.3.4 of our reopener application (this being option 4, the chosen option).
17. EPN projects 1-3 – because the Metrysense has a number in its name there could be confusion as to whether there are 5,000 of these to be installed, or as is correct, 216 of them. Therefore, we propose for all volumes in all DNOs’ PCDs the wording should be amended and made consistent along the lines of “*Install a volume of 216 Metrysense 5000 sensors*”. Many of them have volumes/units already e.g. those with km of overhead line and do not need updating.
18. For all DNOs, there needs to be a tangible deliverable in what is currently the first table of Appendix 1 for Ofgem to test against – an example which is ambiguous is ENWL’s project 1 which does not say the scale/scope of the modelling.
19. In the second table in Appendix 1 the delivery years are wrong (it states 2021 through to 2026) this should be 2023 through to 2028.