

Management of Persistent Organic Pollutants (POPs) – Polychlorinated Biphenyls (PCBs)

ED2 Engineering Justification Paper Addendum

ED2-NLR(A)-SPEN-003-ENV-EJP-ADD

Issue	Date	Comments
Issue 0.1	Aug 2022	Internal Draft for Review
Issue 0.2	Aug 2022	Internal Draft with Comments Addressed
Issue 1.0	Aug 2022	First Issue - Draft Determination Response

Scheme Name	Management of POPs – Polychlorinated Biphenyls (PCBs)		
Primary Investment Driver	Environmental Impact and Legislative Requirement		
Activity	PCBs Remediation for Environmental Legislation Compliance		
Reference	ED2-NLR(A)-SPEN-003-ENV-EJP-ADD		
Output	Persistent organic pollutant remedial asset changes Persistent organic pollutant oil testing		
Cost (20/21 Prices)	SPD: £23.515m and SPM: £32.364m		
Delivery Year	2023/24, 2024/25 and 2025/26		
Reporting Table	CV22		
Outputs Included in EDI	Yes/No		
Primary Annex	Annex 4C.3: Environmental Action Plan		
Business Plan Section	Ensuring a Safe and Reliable Electricity Supply		
Spend Apportionment (20/21 Prices)	SPD	RIIO-ED1	RIIO-ED2
	SPM	-	£23.515m
		-	£32.364m
			RIIO-ED3+
			-
			-
Proposed by	Endorsed by	Approved by	
Name <i>Shengli Tee</i>	Ralph Eyre-Walker 	David Cupples <i>David Cupples</i>	
Signature 			
Date 23.08.2022	23.08.2022	23.08.2022	



I Purpose

This addendum has been prepared to provide additional information and justification to ED2-NLR(A)-SPEN-003-ENV-EJP Management of POPs – Polychlorinated Biphenyls (PCBs) following receipt of RIIO-ED2 Draft Determination. The content of addendum is in response to comments and feedback provided by Ofgem as to the “Partially Justified” status of the EJP. The purpose of this document is to support Ofgem’s assessment for Final Determination including supporting any associated impact on engineering adjustments within Ofgem’s financial modelling.

2 Ofgem Comments & Feedback

2.1 RIIO-ED2 Draft Determination SPEN Annex

The following comments are taken from Table 26 of “RIIO-ED2 Draft Determination SPEN Annex”.

Ofgem Comment - Partially Justified. We agree with the needs case and investment methodology presented by SPEN. However, we note that the EJP presents intervention volumes that do not account for the re-opener. We therefore expect the proposed volumes to reduce between Draft Determinations and Final Determinations.

Ofgem Identified Risks - There is a risk that the out-turn volumes will differ from the volumes that SPEN have proposed in their submission because the volumes associated with the RIIO-ED1 re-opener have not been considered within the EJP.

3 Additional Justification

3.1 SPEN Response to Ofgem RIIO-ED2 Draft Determination Feedback on EJP

We noted that at the time of preparing the Final RIIO-ED2 submission, a funding mechanism for accelerated PCBs removal in RIIO-ED1 had been progressing. Due to the uncertainty associated with the RIIO-ED1 funding mechanism, it is our view that all forecast PCBs related work will need to be funded and progressed in RIIO-ED2. Nevertheless, we noted that if funding was eventually made available in RIIO-ED1, our RIIO-ED2 volumes and costs will be updated accordingly. These are covered in Section 2 Introduction and Section 10 Conclusion of our EJP.

On 13 May 2022, Ofgem published their [decision](#) not to extend the Green Recovery Mechanism (GRM) to include costs for the accelerated removal of PCBs in RIIO-ED1. This confirmation of an absence of a RIIO-ED1 PCBs re-opener further substantiated our view that all forecast PCBs related work will be funded in RIIO-ED2. Nevertheless, SPEN would welcome any development of a mechanism to bring some of the PCB related work forward to RIIO-ED1 and we will work with Ofgem to agree the split of work between the two price control periods.

We also note Ofgem's intention to implement a PCBs volume driver in RIIO-ED2, as stated in Section 3.169 to 3.182 of the RIIO-ED2 Draft Determinations – Core Methodology Document. This will ensure DNOs are funded appropriately to remediate PCBs while protecting consumer interests.

Note that the proposed work in our Final Submission is based on a bottom-up approach. SPEN also responded to Ofgem's Supplementary Question (reference number SPEN066) in February 2022, where more explanations are provided on how the pole mounted transformer (PMT) volume was determined with the aid of the SPEN-led ENA statistical model, along with sensitivity studies completed to identify the optimal intervention solution that involves strategic PMT upsizing. Section 3.2 of this document shows a summary of the Supplementary Question received on 7 February 2022 and SPEN's response on 11 February 2022. The full response can be found in Section 4.1.

In addition, details of the cost and volume (both addition and disposal), including those associated with different PMT ratings are provided in “Workings 5 Extra Info – SPD” and “Workings 5 Extra Info – SPM” tabs of “ED2-NLR(A)-SPEN-003-ENV-CBA Management of Persistent Organic Pollutants (POPs) - Polychlorinated Biphenyls (PCBs) - Issue 2.0”.

3.2 Summary of Any Ofgem Supplementary Question Post Final Submission

On 7 February 2022, Ofgem sought further explanation on the following:

- SPEN volumes of the PCBs risk categories in the SPEN-led ENA statistical model
- SPEN approach in calculating the total volume needing intervention
- SPEN justification for strategic upsizing of pole mounted transformers
- Availability of sensitivity studies

SPEN provided a full response on 11 February 2022. Details of which are in Section 4.1.

4 Appendix

The content of this appendix has been redacted.