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Jonathan Brearley
Chief Executive Officer
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

31 January 2024

Dear Jonathan

Storm Arwen re-opener application

Storm Arwen had a major disruptive impact on many of our customers through long duration outages and restoration challenges due to the continuing weather conditions. The storm occurred three working days before our RIIO ED2 submission deadline. While our ED2 plan already included measures to improve resilience to storm events through mitigating their impacts, we welcome the opportunity afforded by the introduction of the Storm Arwen re-opener in the RIIO-ED2 licence to supplement our plan with initiatives which will improve the underlying resilience of the network. These investments will focus on those customers most exposed to future storm impacts.

Decarbonisation exacerbates resilience issues as there is greater dependency on electricity for heat and transportation. At the same time, our climate change adaptation reporting highlights the risk of a higher frequency of extreme weather events. We recognise that now is the time to increase investment to adapt our network to meet these expectations.

We have engaged extensively with the Storm Arwen reviews commissioned by BEIS and Ofgem, both bilaterally and collectively through the ENA. As per the commitment we made to you as part of the Alternative Action Arrangements, we implemented short-term measures on the network in the immediate aftermath of Storm Arwen within RIIO-ED1 and were pleased to report their completion to Ofgem in March 2023.

The subsequent reliability and resiliency of our network following the recent storms through the summer of 2023 into the winter of 2023/24 demonstrates the effectiveness of the measures we put in place since Storm Arwen. They also highlight the limitations of a network comprising extensive single circuit wood pole overhead lines in exposed or heavily wooded rural areas, many of which are constructed to legacy design standards.

Previously, the costs of upgrading these networks to improve resilience through undergrounding, strengthening, or interconnection have been considered prohibitive as the benefits were insufficient to justify the costs. By developing a more holistic approach to cost-benefit assessment and a targeted intervention regime based on data and predictive analytics, we can demonstrate a positive outcome for the investment and establish a long-term approach to network hardening. This ensures both

effective improvements for customers most at risk of storm impacts and value-for-money for all customers.

We have been rigorous in our preparation for this application. We have comprehensively reviewed the recommendations from the reviews following Storm Arwen and our prior responses and mitigating measures.

We have proactively engaged with your teams to ensure that our submission aligns with the requirements set out in your Re-Opener Guidance and Application document. The input and guidance of your team has been invaluable.

We also proactively engaged with our other DNO colleagues. As an example, we initiated new discussions with other DNOs on the potential for interconnecting our networks to the mutual benefit of our most rural customers and demonstrating innovation in solution design.

We have made extensive use of the new stakeholder panels we established for RIIO ED2, both in terms of seeking expert input to the impacts of storm events and acting as part of our assurance framework. They have challenged us on the need to substantively improve the resilience of the most exposed communities whilst maintaining an overall balance between performance and affordability.

Our £28m (20/21 prices) application seeks to make use of RIIO ED2 precedent in terms of funding and reporting arrangements. We will seek to ensure the Storm Arwen programme is appropriately flexible to enable us to respond to emerging insights and target spend proportionately, reported in the context of our overall c. £2bn totex programme.

We look forward to working with your teams to ensure a successful outcome to this application and we will make ourselves readily available to assist Ofgem in leveraging the opportunities raised. We will also continue to update you on the scope and progress of DNO collaboration.

In line with the re-opener application requirements, I confirm that our application is:

- Accurate, robust, the proposal is financeable and is good value for customers;
- That there are quality assurance processes in place to ensure that we have provided high quality information that enables Ofgem to make decisions in the best interests of consumers; and that
- The application has been subject to internal governance arrangements and has been signed off at an appropriately senior level.

If you have any queries on the detail of our submission, please contact me or Jonathan Booth, Head of Asset Management at Jonathan.booth@enwl.co.uk in the first instance.

Yours sincerely

Ian Smyth
Chief Executive Officer