



**Scottish Pensioners' Forum**

**Address: Margaret Irwin Centre  
8 Landressy Street, Glasgow G40 1BP**

**Telephone: 0141 337 8113**

**Email: [spf@stuc.org.uk](mailto:spf@stuc.org.uk)  
[www.scottishpensioners.org.uk](http://www.scottishpensioners.org.uk)**

This response may be published with the name of our organisation

This response may be shared with other departments dealing with this consultation

We may be contacted again, if necessary, to discuss the details of our response

**Scottish Pensioners' Forum Response:**  
**Initial Policy Consultation on Proposed Opex Escalator (OE)**  
**Review Mechanism**  
**Contact: Sai Wing Lo**  
**Price Control Operations Team**  
**[Sai.Lo@ofgem.gov.uk](mailto:Sai.Lo@ofgem.gov.uk)**

The Scottish Pensioners' Forum (SPF) believes that in the absence of hard evidence, we can see no justification for any amendment to the arguably generous mechanism which Ofgem has in place under which Transmission Companies can recoup some of the costs of investment in their networks. A claim on the back of generalised guestimates is hardly tenable.

**The following comments should be taken in this context.**

1. Through this formula Operators can recoup a substantial element of the capital costs of investing in their infrastructure from consumers. Such investment presumably also results in operating efficiencies, cost benefits and ultimate enhancement of company balance sheets.
2. Efficient, and successful commercial undertakings retain an element of their profits for the benefit of the business and to invest for the future. Consumers are rightly concerned at the levels of profits within the energy supply and transmission industry. In its last financial year, up to December 2023, for instance, Scottish Power increased its gross and operating profits by up to 16%, saw a £317 million increase in its net asset value, paid dividends to its Spanish owners, Iberdrola, of £1,220 million, while increasing its nominal indebtedness to its parent by more than £50 million. SPF members see highly leveraged businesses paying dividends at the expense of struggling consumers.
3. The SPF would not presume to give any lessons on cost and contract management to any multi-million, multi-national concern, but our members are surprised that Network Operators seem unable to identify alleged cost over-runs or provide a realistic itemisation of their contractor bills.
4. The SPF is further concerned lest some of the capital expenditure being incurred by Network Operators comes as a result of long-standing cost cutting and failure to undertake routine maintenance of assets, in preference for shareholder dividends, with companies thus moving current expenditure into capital spend.
5. The SPF remains convinced that any mid-term ad hoc review of the Ofgem Pricing Mechanism is neither justified nor in the interests of consumers.