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for energy consumers

To: National Grid Electricity  
System Operator Limited  
(NGESO); interested  
stakeholders

Email: ESOPerformance@ofgem.gov.uk

Date: 26 November 2021

Dear Stakeholders,

## **Decision on the Electricity System Operator's Regulatory Instructions and Guidance for RIIO-2**

This letter sets out the Authority's<sup>1</sup> decision to modify the Electricity System Operator's (ESO) Regulatory Instructions and Guidance (RIGs) for RIIO-2. The Direction to modify the ESO's RIGs is included in Annex 1.

This letter explains our proposals and the changes we have made in response to stakeholder feedback from our recent consultation.<sup>2</sup> These changes will take effect from 1 April 2022. For the avoidance of doubt, this means that the data submitted on or before 31 July 2022 (in respect of the 2021-22 reporting year) should comply with the RIGs as modified.

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<sup>1</sup> The "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports the Authority in its day to day work.

<sup>2</sup> Consultation on the Electricity System Operator's Regulatory Instructions and Guidance for RIIO-2: <https://www.ofgem.gov.uk/publications/consultation-electricity-system-operators-regulatory-instructions-and-guidance-riio-2>

## Background

In August 2021, we consulted on proposed modifications to the ESO RIGs and associated templates, which were updated to streamline reporting requirements and align the RIGs with the ESO's RIIO-2 price control framework.<sup>3</sup>

The RIGs provide a framework which enables Ofgem to collect data from the ESO. The RIIO-2 ESO RIGs document is supported by two main associated templates:

- RIIO-2 Electricity System Operator – Costs and Outputs Regulatory Reporting Pack Template (the "C+O RRP")
- RIIO-2 Electricity System Operator – Supporting Commentary Template (the "Supporting Commentary")

The RIGs inform the ESO about the information we plan to collect, obliges and guides the ESO on how to provide this information and enables it to put systems in place to collect the data according to the level of detail we require. The C+O RRP provides a database of information relating to ESO performance which we will draw on to assess costs. The Supporting Commentary provides additional information and context.

For RIIO-2, there will no longer be a Revenue Regulatory Reporting Pack. The ESO Revenue Workbook for 2021-22 is an interim replacement for the ESO's RIIO-ET1 Revenue Regulatory Reporting Pack. The intention is for the remaining elements of the ESO Revenue Workbook to be incorporated into the C+O RRP and the ESO Price Control Financial Model (PCFM)<sup>4</sup> from 2022-23 so that the ESO Revenue Workbook can be removed. The ESO's Regulatory Financial Performance Reporting (RFPR) and triennial Pension Pack are not being considered as part of this decision.

## Stakeholder responses

We received one response to our consultation on the ESO's RIGs for RIIO-2 from the ESO. We have published the ESO's response on our website alongside this decision.

The ESO's response was broadly supportive of our proposed changes to the ESO's RIGs and associated templates, particularly the introduction of a reporting pack and RIGs document specifically designed for the reporting needs of the ESO.

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<sup>3</sup> Final Determinations – ESO Annex: <https://www.ofgem.gov.uk/publications/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator>

<sup>4</sup> ESO Price Control Financial Model: <https://www.ofgem.gov.uk/publications/decision-proposed-modifications-riio-2-transmission-gas-distribution-and-electricity-system-operator-licence-conditions>

However, a few specific concerns were raised:

- the proposed changes relating to Cyber Resilience IT costs referred to deliverables and mechanisms that are not included in the ESO's licence, such as Price Control Deliverable (PCD) reporting and uncertainty mechanisms.
- the proposed changes relating to Non-Activity Based Costs were unclear around which costs feed into the calculation of internal Balancing and Use of System (BSUoS) revenues and which costs are funded through other revenue streams.

The ESO's response also reviewed each individual C+O RRP worksheet, the RIGs document and the Supporting Commentary. A summary of the detailed feedback received and how we have changed our proposals in response can be found in Annex 2.

## **Our decision**

After considering the ESO's feedback on our consultation, we have finalised the ESO RIGs and associated templates (which are published alongside this letter<sup>5</sup>).

We have provided a detailed explanation for our decisions on worksheets 6.1 Cyber Resilience IT Costs and 7.1 Non-Activity Based Costs below as these were the main areas of feedback in the ESO's response.

### 6.1 Cyber Resilience IT Costs

The ESO's response highlighted that the cyber six-monthly PCD reporting templates referred to in the consultation on the ESO's RIGs do not apply to the ESO and are not included in the ESO's licence. We recognise that these PCDs are not relevant to the ESO and have removed all references to PCDs included in the ESO's RIGs.

We have also removed the split of cyber resilience IT costs between 'Baseline allowance' and 'Uncertainty mechanism'. Although this categorisation is relevant when considering the cyber resilience IT costs when they are assessed at the group level, we appreciate that this categorisation caused confusion in the ESO's C+O RRP as there are no baseline allowances or uncertainty mechanisms in the ESO's RIIO-2 price control framework.

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<sup>5</sup> Alongside this letter, we are publishing the RIIO-2 Electricity System Operator – Regulatory Instructions and Guidance v1.0, the RIIO-2 Electricity System Operator – Costs and Outputs Regulatory Reporting Pack Template v1.0, and the RIIO-2 Electricity System Operator – Supporting Commentary Template v1.0.

For the C+O RRP, we require the ESO to provide aggregated annual totals for actual and forecast expenditure on cyber resilience IT for each year of RIIO-2, split between capex and opex. We have also included a definition of cyber resilience IT costs in Appendix 1 of the ESO's RIGs document.

The ESO's response also requested that the 'Re-openers' section of the ESO's RIGs be updated to recognise that the ESO does not have re-openers or allowances in RIIO-2 but can collect revenues based on forecast costs. We have clarified the text in this section, noting that the ESO is subject to a cyber resilience IT re-opener in its RIIO-2 price control framework, as it receives an allocation of the total cyber resilience IT re-opener allowance from National Grid Group. We have also clarified that any adjustments resulting from this re-opener will be reflected in the ESO's cost benchmark, rather than any allowances, recognising that there are no allowances in the ESO's RIIO-2 price control framework.

### 7.1 Non-Activity Based Costs

The ESO suggested that the purpose of worksheet 7.1 Non-Activity Based Costs was not clearly defined, and the worksheet did not provide clarity over which costs feed into the calculation of internal Balancing and Use of System (BSUoS) revenues and which costs are funded through other revenue streams.

We agree with the ESO's suggestion to amend the purpose of this worksheet to record costs which are not included in calculating SOIAR<sub>t</sub> and are not captured elsewhere in the C+O RRP. We have also restructured the worksheet such that there are two types of costs that are captured as non-activity based costs:

- Transmission Network Use of System (TNUoS) Pass Through Costs – e.g. licence fees and cross border trading
- Non-totex Expenditure – e.g. rebranding company assets and fines and penalties

We note that work is ongoing to develop TNUoS revenue reporting for RIIO-2 and that this may require further updates to the ESO's RIGs and C+O RRP.

Offshore Coordination, Early Competition and System Operation (SO) Review expenditure will no longer be recorded in 7.1 Non-activity Based Costs. The Offshore Coordination and Early Competition categories have been included under Role 3 in worksheet 3.1 Opex Summary. These costs flow through to worksheet 2.1 Totex Summary and ultimately into 1.2 PCFM Inputs Summary but are not captured in 2.2 Cost Benchmark Summary. The SO Review expenditure will be captured in a new worksheet 6.3 SO Review Costs. This data

feeds into 2.1 Totex Summary as 'Other Price Control Costs' and ultimately feeds into 1.2 PCFM Inputs Summary but is not captured in 2.2 Cost Benchmark Summary.

If the ESO's Offshore Coordination, Early Competition and SO Review activities are added into the cost benchmark, we will update the RIGs as necessary to capture this change.

### **Next steps**

The ESO's RIGs for RIIO-2 will come into effect from 1 April 2022.

We greatly appreciate the input stakeholders have contributed to the introduction of an ESO-specific RIGs document and associated templates.

If you have any questions on the contents of this letter, please contact us at the email address above.

Yours sincerely,

Maryam Khan

**Senior Manager, ESO Regulation**

## **Annex 1 – Direction to modify the ESO’s RIGs for RIIO-2**

### **Direction under paragraph 3 of Standard Condition B15 (Regulatory Instructions and Guidance) of the Electricity Transmission Licence granted to National Grid Electricity System Operator under section 6(1)(b) of the Electricity Act 1989**

#### **Whereas –**

1. National Grid Electricity System Operator (the “Licensee”) holds an Electricity Transmission Licence (the “Licence”) granted or treated as granted under section 6(1)(b) of the Electricity Act 1986 (the “Act”) and is subject to the conditions contained in the Licence.

2. The RIIO-2 Electricity System Operator - Regulatory Instructions and Guidance (the “RIGs”) are the primary means by which the Gas and Electricity Markets Authority (the “Authority”) directs the Licensee to provide information required by the Authority to administer the conditions of the Licence and, where not referenced in the Licence, the RIIO-2 Final Determinations.<sup>6</sup>

3. In accordance with paragraph 8 of Standard Condition B15 of the Licence, on 27 August 2021 the Authority published on the Authority’s website:<sup>7</sup>

(a) the proposed text of the new or amended RIGs;

(b) the date on which the Authority intends the new or amended RIGs to come into effect;

(c) the reasons for the new or amended RIGs; and

(d) a period during which representations may be made on the new or amended RIGs which will not be less than 28 days.

4. The Authority received one response to the consultation on the proposed modifications. The response has been published on our website alongside this Direction.

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<sup>6</sup> Final Determinations – ESO Annex: <https://www.ofgem.gov.uk/publications/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator>

<sup>7</sup> Consultation on the Electricity System Operator’s Regulatory Instructions and Guidance for RIIO-2: <https://www.ofgem.gov.uk/publications/consultation-electricity-system-operators-regulatory-instructions-and-guidance-riio-2>

5. We have considered the consultation response and made a number of changes to the modifications proposed in the consultation. The changes are summarised in this letter and Annex 2 included alongside this Direction. The version number for the RIGs and associated documents have been updated to reflect the modifications. We are making the modifications to the RIGs proposed in the consultation subject to those changes.

6. The modifications apply to information required in terms of the RIGs for the reporting year 1 April 2021 to 31 March 2022, including:

- the RIIO-2 Electricity System Operator – Regulatory Instructions and Guidance (“the RIGs”);
- the RIIO-2 Electricity System Operator – Costs and Outputs Regulatory Reporting Pack Template (the “C+O RRP”); and
- the RIIO-2 Electricity System Operator – Supporting Commentary Template (the “Supporting Commentary”).

**Now therefore –**

7. Pursuant to paragraph 3 of Standard Condition B15 of the Licence, the Authority hereby modifies the RIGs in the manner specified in the attached Schedule.

8. This document constitutes notice of the Authority’s reasons for the Direction as required by section 49A of the Act.

**Submission of information**

9. The deadline for the reporting year 1 April 2021 to 31 March 2022 is 31 July 2022.

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**Maryam Khan**  
**Senior Manager, ESO Regulation**  
**Duly authorised on behalf of the Authority**  
**26 November 2021**

## **Schedule to the Authority's Direction dated 12 November 2021**

A copy of the 'RIIO-2 Electricity System Operator – Regulatory Instructions and Guidance v1.0', 'RIIO-2 Electricity System Operator – Costs and Outputs Regulatory Reporting Pack Template v1.0' and 'RIIO-2 Electricity System Operator – Supporting Commentary Template v1.0' are available on the Authority's website.



## Annex 2 – Summary of stakeholder feedback and our subsequent changes

C+O RRP table	Stakeholder feedback	Ofgem response
Cover	The Date of Submission should be amended to 31 July 2022.	This cell has been amended as suggested. The ESO may adjust this input cell as necessary.
Contents	The tables 1.3 Pass Through and 1.4 Tax Pools Inputs should be completed in 2021-22.	The cells have been changed to input cells such that these tables should be completed in 2021-22.
1.1 Disposals	<p>Only figures for the ESO should be provided, rather than an aggregated group total for disposals.</p> <p>Paragraphs 1.10 and 1.11 in Appendix 2 need updating to reflect Final Determinations on treatment for disposals.</p>	<p>This worksheet has been amended such that only figures for the ESO are required.</p> <p>Paragraphs 1.10 and 1.11 in Appendix 2 have been amended.</p>
1.2 PCFM Inputs Summary	<p>Cells H23:M23 are linked to the wrong cells on 7.3 NIA Expenditure.</p> <p>A new row is required to capture <math>CNIA_t</math> for the PCFM in 2021-22.</p> <p>We propose changes to the Reporting &amp; Incentive Arrangements instructions for clarity.</p> <p>It would be useful to have an input for opening tax pools which will need to be adjusted following the submission of the final CT600 return for RIIO-1.</p> <p>It would be beneficial for cells H45:L45 to be linked to 7.2 DRS.</p>	<p>The formulae in cells H23:M23 have been corrected.</p> <p>A new row has been added to capture <math>CNIA_t</math> in this worksheet, feeding from 7.4 CNIA.</p> <p>The suggested changes to the RIGs text for the Reporting &amp; Incentive Arrangements have been made.</p> <p>New rows 43-47 added to capture opening tax pools from 1.4 Tax Pool Inputs.</p> <p>The <math>DRSC_t</math> row has been linked to row 29 of 7.2 DRS.</p>
1.3 Pass Through	We believe we should be filling out actual data for 2021-22.	The RIGs have been amended such that this worksheet should be completed from 2021-22.

	<p>The RIGs should provide specific guidance on the 'Interest income accrued adjustment' and the <math>WCF_t</math> inputs and include a reference to Section 6 of the Price Control Financial Handbook (PCFH) on how to populate the value of <math>EDE_t</math>.</p>	<p>The 'Interest income accrued adjustment' is not required to calculate <math>SOBD_t</math>, so this row has been deleted. Additional guidance has been provided for <math>WCF_t</math>. A reference to the PCFH has been included for <math>EDE_t</math>.</p>
1.4 Tax Pool Inputs	<p>We believe that there should be inputs to this worksheet for 2021-22.</p> <p>To maintain the allocation rates for the year where ADJR* has been published and ensure they are not adjusted retrospectively, Ofgem should update the worksheet to reflect the PCFM tax pool allocation rate and change the shading of cells H52:H58 (for 2021-22) to grey.</p> <p>It would be useful to have additional inputs for the opening tax pools to reflect the actual opening pool balances following the submission of the final CT600 return for RIIO-1.</p>	<p>The RIGs have been amended such that this worksheet should be completed from 2021-22.</p> <p>The RIGs have been updated to clarify that allocation rates may be retrospectively updated for all years. The ESO may choose to retrospectively update rates for a year where ADJR* has already been published. Any differences will be identified through the Tax Reconciliation.</p> <p>Rows 61-67 added as inputs for the opening tax pool balances. This worksheet has been renamed 1.4 Tax Pool Inputs to reflect these additional required inputs.</p>
2.1 Totex Summary	<p>'Other Price Control Costs' should be amended to capture the split between capex and opex costs. We also consider it necessary to be able to reflect the exclusion of any related party margins or disallowed costs from totex through the addition of separate lines for capex and opex.</p> <p>We propose that a new worksheet 6.4 Unfunded Innovation Costs is included in the C+O RRP to capture</p>	<p>This worksheet has been restructured to include rows to correctly capture the split between capex and opex costs and any related party margins or disallowed costs to be excluded.</p> <p>A new worksheet 6.4 Unfunded Innovation Costs has been added to capture unfunded innovation costs as suggested.</p>

	<p>unfunded innovation costs from 7.3 NIA, 7.5 NIC and 7.6 SIF.</p> <p>The details column of Table 4 in the RIGs document should be amended such that the words 'admin fees, and cyber resilience IT' are removed.</p>	<p>The ESO has since clarified its concern about the details column of Table 4 in the RIGs document. Therefore, this text has been edited only to add references to 'System Operation review costs' and 'unfunded innovation costs'.</p>
2.2 Cost Benchmark Summary	<p>There should be an additional row in the 'Directly Attributable Costs' section of the table to capture IT project opex costs that are directly allocated to ESO roles under the ESORI Guidance, which could feed through from the memo table of 4.1 BSC.</p> <p>It would be useful to incorporate a tracker in the RRP to track any changes to the ESO's cost benchmark.</p>	<p>This worksheet has been restructured to capture directly attributable BSC, including role specific IT project opex costs. Indirectly attributable BSC costs have been split 1/3 per role from shared IT project opex and all other BSC categories. A new column has been added to explain the cost allocation methodology.</p> <p>A cost benchmark tracker has been added to keep a formal record of agreed changes to the ESO's cost benchmark.</p>
2.3 Related Party Transactions	<p>It would be useful to have more detailed instructions on how to fill out the template, in particular the details required for each related party.</p> <p>It would be useful to update the purpose to note the new requirement to split the related party by cost category. The split of margin by cost category could also be more clearly set out.</p> <p>There appear to be checks which are missing a formula. If the disallowed related party margin is linked to the PCFM, it would be useful to link this through to the PCFM inputs tab.</p>	<p>More detailed instructions have been included on the details required for each related party.</p> <p>The purpose has been updated as suggested. The cost categories have been updated to align with 2.1 Totex Summary. The table has been restructured so that the split by cost category aligns to the related parties detailed in the first section of the table.</p> <p>The check cells have been corrected. New rows have been added to clearly capture the related party margin disallowed</p>

	<p>We suggest that paragraph 1.23 in Appendix 2 be amended as the intent is for the captive insurance company to carry the insurance risk.</p> <p>We think the expanded definition of related party costs and the inclusion of the additional cost allocations disclosure as outlined in the Final Determinations would better sit in paragraph 2.15 of the RIGs.</p>	<p>totals that flow through to 2.1 Totex Summary and ultimately into 1.2 PCFM Inputs Summary.</p> <p>The RIGs paragraph 1.23 in Appendix 2 has been amended.</p> <p>The paragraph on the inclusion of the additional cost allocations disclosure has been moved to paragraph 2.16 of the RIGs.</p>
3.1 Opex Summary	<p>The definition of Finance, Audit and Regulation (FAR) costs should be amended such that the costs of the regulatory team are considered as opex rather than BSC.</p> <p>Offshore and Early Competition costs should be included in Role 3 through additional rows in this table.</p>	<p>The 'Cost of the regulatory department' has been removed from the definition of FAR costs and should be considered as 'Supporting Operational Costs'.</p> <p>Additional rows for Offshore Coordination and Early Competition have been included under Role 3 in this table.</p>
3.2 Salary and FTE Numbers	<p>Pensions should be excluded from the definition of salaries to ensure that pension costs are only input once.</p> <p>We have assumed that the breakdown of pensions on this worksheet relates to ESO ongoing benefit costs so would exclude pension administration charges. If so, this should be clarified in the RIGs.</p>	<p>Salary / Staff Costs consist of both Labour and Pensions costs, which is consistent with the RRP table. Therefore, pensions should not be excluded from this definition. The definition has been updated to clarify that Salary / Staff Costs includes all ongoing pensions costs (excluding Pension Deficit Payments relating to Established Deficit).</p> <p>The Pensions definition in the RIGs has been updated to clarify that the breakdown of pensions on this worksheet refers to ESO ongoing benefit costs only.</p>

3.3 Provisions	The sum in row 17 incorrectly includes the closing balance.	This error has been corrected.
4.1 BSC	<p>Exclude costs relating to cyber resilience from the IT &amp; Telecoms (Business Support) definition. A definition for 'Insurance – Claims paid out to SO' should be included in the RIGs, such as 'insurance proceeds received and retained by ESO'.</p> <p>Include a split of IT project opex by role in the memo table.</p>	<p>Cyber Resilience Costs have been excluded from this definition. The suggested definition for 'Insurance – Claims paid out to SO' has been included in the RIGs.</p> <p>New memo table added to provide a view of the split of IT project opex by role and IT run the business opex.</p>
4.2 BSC Allocation	<p>ESO costs could be auto-populated by linking to 4.1 BSC.</p> <p>CEO &amp; Group Management costs should be included in this table.</p>	<p>This table is now auto-populated using the data in 4.1 BSC for the ESO. Inputs have been included for all other group entities to provide a consolidated view of BSC for National Grid Group.</p> <p>New rows for CEO &amp; Group Management have been included.</p>
5.1 Capex Summary	<p>Exclude cyber resilience costs from the definition of IT &amp; Telecoms (Non-operational).</p> <p>Remove categorisation of projects as 'New/Enhancement/Refresh'.</p> <p>Update the RIGs such that when the costs for a project are 'expected' to be more than £1m, then it should be recorded as an individual project to ensure projects in the start-up phase are correctly recorded.</p>	<p>Cyber Resilience Costs have been excluded from this definition.</p> <p>The 'New/Enhancement/Refresh' column has been removed.</p> <p>The suggested change to the RIGs text has been made to ensure projects in the start-up phase are correctly categorised.</p>
6.1 Cyber Resilience IT Costs	We have no PCD licence obligations and no baseline allowances or uncertainty mechanisms in our RIIIO-2 framework.	References to PCD reporting have been removed as this is not relevant to the ESO. The table has been updated such that only annual totals for Cyber Resilience

	<p>The reference to re-openers and allowances in paragraphs 2.18-2.19 should be updated to recognise that the ESO does not have re-openers or allowances but can collect revenues based on forecast costs.</p> <p>It would be helpful to include a definition of cyber resilience costs.</p>	<p>IT opex and capex are required for each year of RIIO-2.</p> <p>The RIGs text on re-openers has been updated to clarify that the ESO is subject to a single re-opener (the Cyber Resilience IT re-opener) and that any changes to forecast expenditure resulting from this re-opener should be reported in this table.</p> <p>Cyber Resilience IT Costs have been defined in the RIGs.</p>
6.3 SO Review Costs	Add a new table to capture another category of 'Other Price Control Costs' (opex and capex) which feeds into 2.1 Totex Summary.	A new table 6.3 SO Review Costs has been included in the C+O RRP as suggested.
6.4 Unfunded Innovation Costs	A new worksheet '6.4 Unfunded Innovation Costs' should be included to summarise unfunded costs for innovation expenditure on 7.3 NIA, 7.5 NIC and 7.6 SIF. The total on 6.4 Unfunded Innovation Costs should be added to 'Other Price Control Costs' in 2.1 Totex Summary.	A new table has been included in the C+O RRP as suggested. This table is auto-populated from 7.3 NIA, 7.5 NIC and 7.6 SIF.
7.1 Non-Activity Based Costs	<p>The purpose of this worksheet should be amended to 'to record costs which are not included in calculating SOIAR and are not captured elsewhere in the Cost and Outputs table'.</p> <p>TNUoS Pass Through Costs and Non-totex Expenditure costs could be captured in the non-activity based costs table. These costs will also feed into the RFPR reconciliation of totex to statutory accounts expenditure.</p>	<p>The purpose of this worksheet has been updated in the RIGs as suggested.</p> <p>The table has been updated to capture TNUoS Pass Through Costs and Non-totex Expenditure.</p> <p>Offshore Coordination and Early Competition costs are now captured in 3.1 Opex Summary and 3.2 Salary and FTE Numbers.</p>

		SO Review costs are now captured in 6.3 SO Review Costs.
7.3 NIA	An extra row labelled 'Unfunded Network Innovation costs' should be added to feed into 6.4 Unfunded Innovation Costs.	New rows have been included as suggested. The ESO should input unfunded NIA costs for each RIIO-2 year in the relevant cells.
7.4 CNIA	This worksheet should include the calculation of CNIA <sub>t</sub> for 2021-22 in line with Special Condition 4.7.	New rows have been added as suggested.
7.5 NIC	An extra row labelled 'Unfunded Network Innovation costs' is added to feed into 6.4 Unfunded Innovation Costs.	New rows have been included as suggested. The ESO should input unfunded NIA costs for each RIIO-2 year in the relevant cells.
7.6 SIF	<p>We are expecting a significant number of SIF projects, requiring additional lines in the tables.</p> <p>We believe a distinction between competition type (Research/Alpha/Beta) should be included.</p> <p>We request that definitions are provided for all SIF categories, such as SIF Directly Attributed Costs.</p> <p>An extra row labelled 'Unfunded Network Innovation costs' should be added to feed into 6.4 Unfunded Innovation Costs.</p>	<p>The ESO should insert additional rows as necessary to provide information on all projects in 7.5 NIC and 7.6 SIF.</p> <p>A new column has been added to capture information on the SIF competition type.</p> <p>A reference to the SIF Governance Document, where definitions can be found, has been included in the RIGs. SIF categories in the C+O RRP have been aligned with the SIF Governance Document.</p> <p>New rows have been included as suggested. The ESO should input unfunded NIA costs for each RIIO-2 year in the relevant cells.</p>
8.1 SO EMR Data	Cell D19 should refer to 'CM pre-qualification decision themes'. Cell D33 should refer to 'decision themes'. Cells D52 and D54 should refer to 'customer satisfaction surveys'.	Cells D19 and D33 have been updated as suggested. Cells D52 and D54 have been updated to refer to 'customer and stakeholder satisfaction surveys' as this is the term used in the licence.

Supporting Commentary	<p>We are not sure of the benefit of providing comment on systems used to populate worksheet as we have not provided this in the past.</p> <p>It may be useful to expand the template to include the other required sections.</p>	<p>The requirement to provide commentary on the systems used to populate each worksheet has been removed. Additional tables have been included for 6.3 SO Review Costs and 6.4 Unfunded Innovation Costs.</p> <p>Headings and input tables have been included for the 'Forecasting' and 'Appendices' chapters of the template. We have not included any further structure to these sections as the ESO has flexibility in how to present this information.</p>
Other Comments	<p>We propose that 'the ESO must use best endeavours to ensure that revenue collected from Balancing Services Activity associated with internal costs does not exceed SO Internal Allowed Revenue' is deleted from the definition of SOIAR as it is specified in the licence.</p> <p>We note references to regulatory accounts in the RIGs. We have no obligation to produce regulatory accounts.</p> <p>Paragraph 1.5 in Appendix 2 should also refer to the Strategic Innovation Fund as unfunded SIF costs can also be included in totex.</p>	<p>The unnecessary wording in the definition of SOIAR has been deleted as suggested.</p> <p>Standard Condition B1 of the Electricity Transmission Licence obliges the ESO to prepare regulatory accounts. The ESO has not needed to prepare regulatory accounts as Ofgem has provided a derogation from this licence condition since the introduction of the RFPR. The references to regulatory accounts should remain in the RIGs whilst the licence condition exists.</p> <p>Paragraph 1.5 in Appendix 2 has been updated as suggested.</p>