

To:

Electricity Distribution,
Gas Distribution, Gas
Transmission, Electricity
Transmission; Network
Operators; and
Stakeholders

Date: 14 April 2022

Dear Company Secretaries and Stakeholders,

**Proposal to modify the Regulatory Instructions and Guidance (“RIGs”) and
Regulatory Reporting Pack (“RRP”) for RIIO-2**

We¹ propose to make modifications to RIGs and in particular to the following documents for Electricity System Operator, Electricity Transmission, Gas Distribution and Gas Transmission licensees:

- RIIO-2 RRP data templates
- RIIO-2 RIGs documents

Please find enclosed the Notices setting out our proposed changes issued pursuant to the relevant Licence Conditions for each sector.

RIGs

The RIGs and RRP, are the principal means by which we collect cost, volume, allowed expenditure and output delivery information from licensees to monitor performance against their RIIO-2 objectives and hold them to account.

As part of the enclosed Notices, we provide the following documents with proposed modifications [marked up]:

- RIIO-GD2– Regulatory Instructions and Guidance: Version 1.1;

¹ References to ‘the Authority’, ‘GEMA’, ‘Ofgem’, ‘we’, ‘us’ and ‘our’ are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets. Ofgem is the office of the Authority which supports GEMA.

- RIIO-GD2 PCFM Guidance: Version 1.1;
- RIIO-GD2 Regulatory Reporting template: Version 1.1.;
- RIIO-GT2– Regulatory Instructions and Guidance: Version 1.13 ;
- RIIO-GT2 PCFM Guidance: Version 1.1;
- RIIO-GT2 Regulatory Reporting Template: Version 1.13;
- RIIO-ET2 – Regulatory Instructions and Guidance: Version 1.1;
- RIIO-ET2 PCFM Guidance: Version 1.1;
- RIIO-ET2 Regulatory Reporting Template: Version 1.1;
- RIIO-2 ESO – Regulatory Instructions and Guidance: Version 1.
- RIIO-2 ESO PCFM Guidance: Version 1.1; and,
- RIIO-2 ESO Regulatory Reporting Template: Version 1.1.

Proposed modifications

We are proposing a number of updates and modifications to the RIGs and RRP to align them with the RIIO-2 special licence conditions, the Price Control Financial Model (PCFM) and Price Control Financial Handbook (Handbook), collectively known as the Price Control Financial Instruments (PCFI). These include:

- Making labelling changes and updates to variable values to align the RIGs with the licence and PCFM and Handbook;
- minor snagging changes and corrections to the RRP pack following the recent sector-specific RIGs consultations;
- reinstating some presentational sheets that were previously included in the RIIO-1 RRP ; and
- including the PCFM Guidance as an Annex within the RIGs.

We set out the effect of and the reasons for these modifications below.

General updates

We are proposing to update the labels for variable values in the PCFM Guidance and in the RRP to reflect changes that have been made in the licence and the PCFIs.

We have also included a number of snagging items that were identified following the close of the previous sector-specific consultations for the Gas Transmission² and Gas Distribution³ RIGs modifications.

² [Direction to make modifications to the Regulatory Instructions and Guidance for RIIO-GT2 \(version 1.13\) | Ofgem](#)

³ [Decision notice for RIIO-GD2 draft annual reporting data templates and associated instructions and guidance | Ofgem](#)

The reason for these changes is to align the terminology and calculations within the RIGs and RRP with the RIIO-2 licence and PCFI so that we are able to gather the relevant data required to administer and monitor the RIIO-2 price controls.

PCFM Guidance

We are proposing to include the PCFM Guidance as part of the RIGs framework. This is because the PCFM Guidance provides instruction for how to fill in the data templates that are part of the RRP and therefore it is logical that the guidance itself is included within the RIGs.

Previously, both the PCFM Guidance and the Revenue sheets in the RRP that collect revenue data to feed into the PCFM, were standalone Associated Documents, governed by Special Condition 8.2 (Annual Iteration Process).⁴ The reason that these were established as Associated Documents, separately from the RIGs was because the RIIO-2 RIGs had not been developed at the time that the PCFM Guidance was first in use.

Now that the RIIO-2 RIGs has been developed and consulted on, we propose to combine the PCFM Guidance with the RIGs. The effect of this is to ensure that both the template and guidance document are subject to the same governance framework.

Directly Remunerated Services (DRS)⁵

We are proposing to reinstate a DRS revenue sheet and a DRS cost sheet in the RRP, along with the associated guidance in the RIGs.

In RIIO-1, the RRP contained a sheet that set out the licensees' DRS revenues and a sheet that set out DRS costs. DRS refers to specific activities for which licensees are allowed to charge their customers directly and the remuneration of which is settled outside of the price control. Because the costs associated with these services are paid for directly by the licensee, the costs and revenues are not factored into licensees' cost allowances. These sheets were predominantly presentational and allowed Ofgem to monitor the revenues and costs associated with these services.

We also asked the licensees' auditors to perform a series of agreed upon procedures (AUPs) on the revenues associated with DRS, on an annual basis. These procedures provide Ofgem with an additional level of assurance, which we would not otherwise have over the values submitted to us.

⁴ Special Condition 5.2 for the ESO.

⁵ DRS were referred to as "Excluded Services" in RIIO-1 under Special Condition 8B (Services treated as Excluded Services) of the electricity transmission licence, Special Condition 11C (Services treated as Excluded Services) of the gas transmission licence and in Special Condition 4C (Services treated as Excluded Services) of the gas distribution licence.

They were removed during the development of the RIIO-2 RRP's., The reason that we propose to reinstate these is because we have since identified a need to include these in the RRP's to enable the auditors to perform the Agreed Upon Procedures. These provide us with additional assurance over the revenue values and enable us to monitor the costs and revenues.

Additional ESO reporting sheets

We are proposing to introduce two additional reporting sheets in the RIIO-2 ESO RRP, to capture the ESO's Transmission Network Revenue⁶ and Balancing Services Activity External Revenue⁷, along with the relevant guidance for those sheets.

The reason for this proposed modification is because the ESO's Transmission Network Revenue and Balancing Services Activity External Revenue streams are currently not captured by the RRP or PCFM.

These are additional revenue streams of the ESO which do not feed into the PCFM and its Internal Allowed Revenues. As such, we propose to continue the RIIO-1 approach of including two separate templates for these calculations. This will ensure that the RRP captures the ESO's revenue streams in accordance with the licence conditions.

Timeline

If we implement the proposed modifications to the RIGs, they will take effect by 01 June 2022. For the avoidance of doubt, this means that the data submitted in August 2022 (in respect of the 2021/22 reporting year) would use the RFPR RIGs, as modified.

We welcome representations on our proposed modifications by 12 May 2022, and the details for responding are contained in the enclosed Notice.

Yours faithfully,

Jonathan Gorrie
Chief Financial Advisor, Analysis and Assurance
Duly authorised on behalf of the Authority

⁶ This term is defined in SpC 1.1 Part B

⁷ This term is defined in SpC 4.2 Part A

Cadent Gas Limited
Northern Gas Networks Limited
Scotland Gas Networks plc
Southern Gas Networks plc
Wales & West Utilities Limited

(each one a "Licensee", and together, "the Licensees")

Notice under Part A of the Standard Special Condition A40 (Regulatory Instructions and Guidance) ("SSC A40") of the Gas Transporter Licence (the "Licence") granted to the Licensees under section 7 of the Gas Act 1986 (the "Act").

The Gas and Electricity Markets Authority (the "Authority")⁸ hereby gives notice under Part A of SSC A40 as follows:

Proposal to modify the Regulatory Instructions and Guidance

2. The Authority proposes to modify the Regulatory Instructions and Guidance (the "RIGs") under SSC A40 of the Licence. The RIGs are the primary means by which the Authority directs the Licensees to collect and provide information to the Authority, to enable it to administer the Special Conditions of the Licence and, where not referenced in the Licence, the RIIO-GD2 Final Determinations.⁹
3. SSC A40 sets out the process for issuing and modifying the RIGs. In accordance with Part A of SSC A40, the Authority hereby gives notice to the Licensees that it proposes to modify the RIGs in the manner indicated in the documents that can be accessed on its website, published alongside this Notice.
4. The proposed modifications refer specifically to information required to be submitted to the Authority on or before 31 August 2022 in relation to:
 - RIIO-GD2– Regulatory Instructions and Guidance: Version 1.1;
 - RIIO-GD2 PCFM Guidance: Version 1.1; and
 - RIIO-GD2 Regulatory Reporting template: Version 1.1.
5. The proposed modifications are summarised below:

⁸The "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.

⁹<https://www.ofgem.gov.uk/publications-and-updates/riio-2-final-determinations-transmission-and-gas-distribution-network-companies-and-electricity-system-operator>

- General amendments to the template and guidance to correct labelling, calculation and referencing errors;
 - Updates to align the template and guidance with the Licence and Price Control Financial Instruments;
 - Updating the template and guidance to reinstate some presentational sheets that were previously included in the RIIO-1 RIGs and reporting packs for data collection purposes; and,
 - Implementing some minor snagging changes, following the recent sector RIGs consultations.
6. The purpose of the proposed modifications is to collect additional information in line with our Final Determinations for RIIO-GD2 and to update the existing reporting requirements on the Licensees and to align the template and guidance with the latest special licence conditions and Price Control Financial Instruments.
7. The Authority proposes that these modifications should take effect by 01 June 2022.
8. The Licensees must complete and return the reporting pack referred to above as part of the 2021/22 RIGs process.

Further information

9. The RIIO-2 Regulatory Reporting template and RIIO-2 Regulatory Instructions and Guidance documents published alongside this notice show the proposed modifications as incorporated.
10. Copies of this Notice and other documents referred to in it are available on the Ofgem website (www.ofgem.gov.uk).
11. Any representations on the proposed modifications must be made on or before 12 May 2022 to Reg Finance by email to RegFinance@ofgem.gov.uk
12. Our normal practice is to publish responses on our website. We prefer to receive responses in an electronic form for publication on our website. However, if you do not wish for your response to be made public then you should clearly mark your response as “not for publication”.

Jonathan Gorrie
Chief Financial Advisor, Analysis and Assurance
Duly authorised on behalf of the Authority
14 April 2022

National Grid Gas plc (with respect to its gas transmission network) (the "Licensee")

Notice under Part A of the Standard Special Condition A40 (Regulatory Instructions and Guidance) SSC A40 of the Gas Transporter Licence granted to the Licensee under section 7 of the Gas Act 1986 (the "Act").

The Gas and Electricity Markets Authority (the "Authority")¹⁰ hereby gives notice under Part A of SSC A40 as follows:

Proposal to modify the Regulatory Instructions and Guidance

1. The Authority proposes to modify the Regulatory Instructions and Guidance (the "RIGs") under SSC A40 of the Licence. The RIGs are the primary means by which the Authority directs the Licensee to collect and provide information to the Authority, to enable it to administer the Special Conditions of the Licence and, where not referenced in the Licence, the RIIO-GT2 Final Determinations.¹¹
2. SSC A40 sets out the process for issuing and modifying the RIGs. In accordance with Part A of SSC A40, the Authority hereby gives notice to the Licensee that it proposes to modify the RIGs in the manner indicated in the documents that can be accessed on its website, published alongside this Notice.
3. The proposed modifications refer specifically to information required to be submitted to the Authority on or before 31 August 2022 in relation to:
 - RIIO-GT2– Regulatory Instructions and Guidance: Version 1.13 ;
 - RIIO-GT2 PCFM Guidance: Version 1.1; and
 - RIIO-GT2 Regulatory Reporting Template: Version 1.13.
4. The proposed modifications are summarised below:
 - General amendments to the template and guidance to correct labelling, calculation and referencing errors;
 - Updates to align the template and guidance with the Licence and Price Control Financial Instruments;

¹⁰The "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.

¹¹[RIIO-2 Final Determinations for Transmission and Gas Distribution network companies and the Electricity System Operator | Ofgem](#)

- Updating the template and guidance to reinstate some presentational sheets that were previously included in the RIIO-1 RIGs and reporting packs for data collection purposes; and,
 - Implementing some minor snagging changes, following the recent sector RIGs consultations.
5. The purpose of the proposed modifications is to collect additional information in line with our Final Determinations for RIIO-GT2 and, to update the existing reporting requirements on Licensee, and align the template and guidance with the latest special licence conditions and Price Control Financial Instruments.
 6. The Authority proposes that these modifications should take effect by 01 June 2022.
 7. The Licensee must complete and return the reporting pack referred to above as part of the 2021/22 RIGs process.

Further information

8. The RIIO-2 Regulatory Reporting template and RIIO-2 Regulatory Instructions and Guidance documents published alongside this notice show the proposed modifications as incorporated.
9. Copies of this Notice and other documents referred to in it are available on the Ofgem website (www.ofgem.gov.uk).
10. Any representations on the proposed modifications must be made on or before 12 May 2022 to Reg Finance by email to RegFinance@ofgem.gov.uk
11. Our normal practice is to publish responses on our website. We prefer to receive responses in an electronic form for publication on our website. However, if you do not wish for your response to be made public then you should clearly mark your response as “not for publication”.

Jonathan Gorrie
Chief Financial Advisor, Analysis and Assurance
Duly authorised on behalf of the Authority
14 April 2022

National Grid Electricity Transmission plc
National Grid Electricity System Operator Limited
SP Transmission plc
Scottish Hydro Electric Transmission plc

(each one a “Licensee”, and together, “the Licensees”)

Notice under Part A of Standard Condition B15 (Regulatory Instructions and Guidance) (“SC B15”) of the Electricity Transmission Licence (the “Licence”) granted to the Licensees under section 6(1)(b) of the Electricity Act 1989 (the “Act”).

The Gas and Electricity Markets Authority (the “Authority”)¹² hereby gives notice under Part A of SC B15 as follows:

Proposal to modify the Regulatory Instructions and Guidance

1. The Authority proposes to modify the Regulatory Instructions and Guidance (the “RIGs”) in accordance with SC B15 of the Licence. The RIGs are the primary means by which the Authority directs the Licensees to collect and provide information to the Authority, to enable it to administer the Special Conditions of the Licence and, where not referenced in the Licence, the RIIO-T2 Final Determinations.¹³
2. Part A of SC B15 sets out the process for issuing and modifying the RIGs. In accordance with SC B15, the Authority hereby gives notice to the Licensees that it proposes to modify the RIGs in the manner indicated in the documents that can be accessed on its website, published alongside this Notice.
3. The proposed modifications refer specifically to information required to be submitted to the Authority on or before 31 August 2022 in relation to:
 - RIIO-ET2 – Regulatory Instructions and Guidance: Version 1.1;
 - RIIO-ET2 PCFM Guidance: Version 1.1;
 - RIIO-ET2 Regulatory Reporting Template: Version 1.1;

 - RIIO-2 ESO – Regulatory Instructions and Guidance: Version 1.1;
 - RIIO-2 ESO PCFM Guidance: Version 1.1; and

¹² 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.

¹³ [RIIO-2 Final Determinations for Transmission and Gas Distribution network companies and the Electricity System Operator | Ofgem](#)

- RIIO-2 ESO Regulatory Reporting Template: Version 1.1.

4. The proposed modifications are summarised below:
 - General amendments to the template and guidance to correct labelling, calculation and referencing errors;
 - Updates to align the template and guidance with the Licence and Price Control Financial Instruments; and,
 - The inclusion of additional reporting tables to capture the ESO's Transmission Network Revenue and Balancing Services Activity External Revenue.
5. The purpose of the proposed modifications is to collect additional information in line with our Final Determinations for RIIO-ET2 and RIIO ESO and, to update the existing reporting requirements on the Licensees, and to align the template and guidance with the latest special licence conditions and Price Control Financial Instruments.
6. The Authority proposes that these modifications should take effect by 01 June 2022.
7. The Licensees must complete and return the reporting pack referred to above as part of the 2021/22 RIGs process.

Further information

8. The RIIO-2 RFPR template and RIIO-2 RFPR Regulatory Instructions and Guidance documents published alongside this notice show the proposed modifications as incorporated.
9. Copies of this Notice and other documents referred to in it are available on the Ofgem website (www.ofgem.gov.uk).
10. Any representations on the proposed modifications must be made on or before 12 May 2022 to Reg Finance by email to RegFinance@ofgem.gov.uk
11. Our normal practice is to publish responses on our website. We prefer to receive responses in an electronic form for publication on our website. However, if you do not wish for your response to be made public then you should clearly mark your response as "not for publication".

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