

To:

Electricity Distribution
Network Operators; and
Stakeholders

Date: 19 June 2023

Dear Company Secretaries and Stakeholders,

Decision to issue the Regulatory Instructions and Guidance (“RIGs”) and the PCFM Guidance for RIIO-ED2 under Part C of Standard Condition 46 of the Electricity Distribution Licence held by distribution service providers

We¹ are issuing directions under the RIGs and in particular in relation to the following documents for Electricity Distribution licensees:

- RIIO-ED2 RIGs
- RIIO-ED2 PCFM Guidance

We are also issuing directions under Special Condition 8.1 (Governance of the ED2 Price Control Financial Instruments) in relation to the PCFM Guidance for Electricity Distribution licensees as listed above.

Please find enclosed the Directions setting out the RIGs documents pursuant to the relevant Licence Conditions for the sector.

RIGs

The RIGs 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.

PCFM Guidance

The PCFM Guidance provides licensees with information on how to fill in the inputs in the Revenue sheets of the RIGs, which feed into the PCFM and are used in setting the

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.

licensees' Allowed Revenues through the Annual Iteration Process (AIP).

As part of the enclosed Directions, we provide the following documents:

- RIIO-ED2 – RIGs Overview

- RIIO-ED2 – Annex A Glossary

- RIIO-ED2 – Annex B Costs, Volumes and Revenue Guidance
- RIIO-ED2 – PCFM Guidance
- RIIO-ED2 – Annex B Costs, Volumes and Revenue Reporting Pack
- RIIO-ED2 – Annex B Strategic Commentary

- RIIO-ED2 – Annex D NARM Guidance
- RIIO-ED2 – Annex D NARM Reporting Pack
- RIIO-ED2 – Annex D NARM Commentary

- RIIO-ED2 – Annex E Reinforcement Guidance
- RIIO-ED2 – Annex E Reinforcement Load Index
- RIIO-ED2 – Annex E Reinforcement Load Index Commentary

- RIIO-ED2 – Annex F Interruptions Guidance
- RIIO-ED2 - Annex F Quality of Service Interruptions Stage Data Reporting Pack
- RIIO-ED2 - Annex F Guaranteed Standards of Performance Reporting Pack
- RIIO-ED2 - Annex F Occurrences Not Incentivised Reporting Pack
- RIIO-ED2 - Annex F Quality of Service HV Disaggregation Reporting Pack

- RIIO-ED2 – Annex G Connections Guidance
- RIIO-ED2 – Annex G Connections Reporting Pack
- RIIO-ED2 – Annex G Standard Licence Conditions 12, 15, 15a Reporting Pack
- RIIO-ED2 – Annex G Connections Commentary

- RIIO-ED2 – Annex H Customer Service and Consumer Vulnerability Guidance
- RIIO-ED2 – Annex H Customer Service and Consumer Vulnerability Reporting Pack

- RIIO-ED2 – Annex I DSO Guidance
- RIIO-ED2 – Annex I DSO Reporting Pack

- RIIO-ED2 – Annex J Environment and Innovation Guidance

- RIIO-ED2 – Annex J Environment and Innovation Reporting Pack
- RIIO-ED2 – Annex J Environment and Innovation Commentary

Decision

Prior to the consultation closing we received six responses, all from the Electricity Distribution Licensees. These are published on our website². We have considered the responses and have made some changes to the RIGs that we consulted on in May 2023 where appropriate.

Timeline

The issued RIGs take effect from 01 April 2023. For the avoidance of doubt, this means that the data submitted in July 2024 (in respect of the 2023/24 reporting year) will use the RIGs issued.

Yours faithfully,

Steven McMahon

Deputy Director, Electricity Distribution and Cross Sector Policy

Duly authorised on behalf of the Authority

² [Notice to issue regulatory instructions and guidance under the electricity distribution network operators price control RIIO-ED2 | Ofgem](#)

Electricity North West Ltd (ENWL)
Northern Powergrid (Northeast) Ltd (NPgN)
Northern Powergrid (Yorkshire) plc (NPgY)
London Power Networks plc (LPN)
South Eastern Power Networks plc (SPN)
Eastern Power Networks plc (EPN)
SP Distribution plc (SPD)
SP Manweb plc (SPMW)
Scottish Hydro Electric Power Distribution plc (SSEH)
Southern Electric Power Distribution plc (SSES)
National Grid Electricity Distribution (West Midlands) plc (WMID)
National Grid Electricity Distribution (East Midlands) plc (EMID)
National Grid Electricity Distribution (South Wales) plc (SWALES)
National Grid Electricity Distribution (South West) plc (SWEST)
(each one a "Licensee", and together, "the Licensees")

Direction under Part C of the Standard Condition 46 (Regulatory Instructions and Guidance) ("SLC 46") and Special Condition 8.1 (Governance of the ED2 Price Control Financial Instruments) of the Electricity Distribution Licence (the "Licence") granted under section 6(1)(c) of the Electricity Act 1989.

Whereas –

1. The Licensees each hold an Electricity Distribution Licence (the "Licence") granted or treated as granted under section 6(1)(c) of the Electricity Act 1989 (the "Act") and are subject to the conditions contained in the Licence.
2. The RIIO-ED2 Electricity Distribution Price Control – Regulatory Instructions and Guidance ("the RIGs") are the primary means by which the Gas and Electricity Markets Authority (the "Authority"³) directs the Licensees to provide information required by the Authority to administer the Special Conditions (and such Standard Conditions as may be relevant) of the Licence, and, where not referenced in the Special Conditions of the Licence, the RIIO-ED2 Final Determination.⁴
3. In accordance with Part C of Standard Condition 46 of the Electricity Distribution

³ 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.

⁴<https://www.ofgem.gov.uk/publications/riio-ed2-final-determinations>

Licence, the Authority gave notice to the Licensees on 09 May 2023⁵ that it proposed to issue the RIGs.

4. Special Condition 8.1 (Governance of the ED2 Price Control Financial Instruments) sets out the process for issuing and amending the PCFM Guidance. In accordance with Part B of Special Condition 8.1 the Authority gave notice to the Licensees on 09 May 2023⁶ that it proposed to issue the PCFM Guidance.
5. The Notice required any representations by licensees on the proposals to be made on, or before, 06 June 2023.
6. Prior to the consultation period closing the Authority received six responses. The Authority has considered the representations and has made a number of changes to the RIGs and to the PCFM Guidance proposed as part of the consultation.
7. All RIGs Reporting Pack Templates, RIGs Guidance Documents and Commentaries that have been issued as part of this Direction are published as version 1.0.

Now Therefore –

8. Pursuant to Part C of Standard Condition 46 of the Electricity Distribution Licence, the Authority hereby issues the RIGs; and pursuant to Part B of Special Condition 8.1, the Authority hereby issues the PCFM Guidance in the manner specified in the attached Schedule.
9. The reason issuing the RIGs set out in this Direction is to collect information in line with our Final Determinations for RIIO-ED2 and to align the template and guidance with the latest special licence conditions and Price Control Financial Instruments.
10. The modifications will take effect on 01 April 2023.
11. The Licensees must complete and return the reporting pack referred to above as part of the 2023/24 RIGs and AIP process.

Steven McMahon

Deputy Director, Electricity Distribution and Cross Sector Policy

Duly authorised on behalf of the Authority

⁵ <https://www.ofgem.gov.uk/publications/notice-issue-regulatory-instructions-and-guidance-under-electricity-distribution-network-operators-price-control-riio-ed2>

⁶ <https://www.ofgem.gov.uk/publications/notice-issue-regulatory-instructions-and-guidance-under-electricity-distribution-network-operators-price-control-riio-ed2>