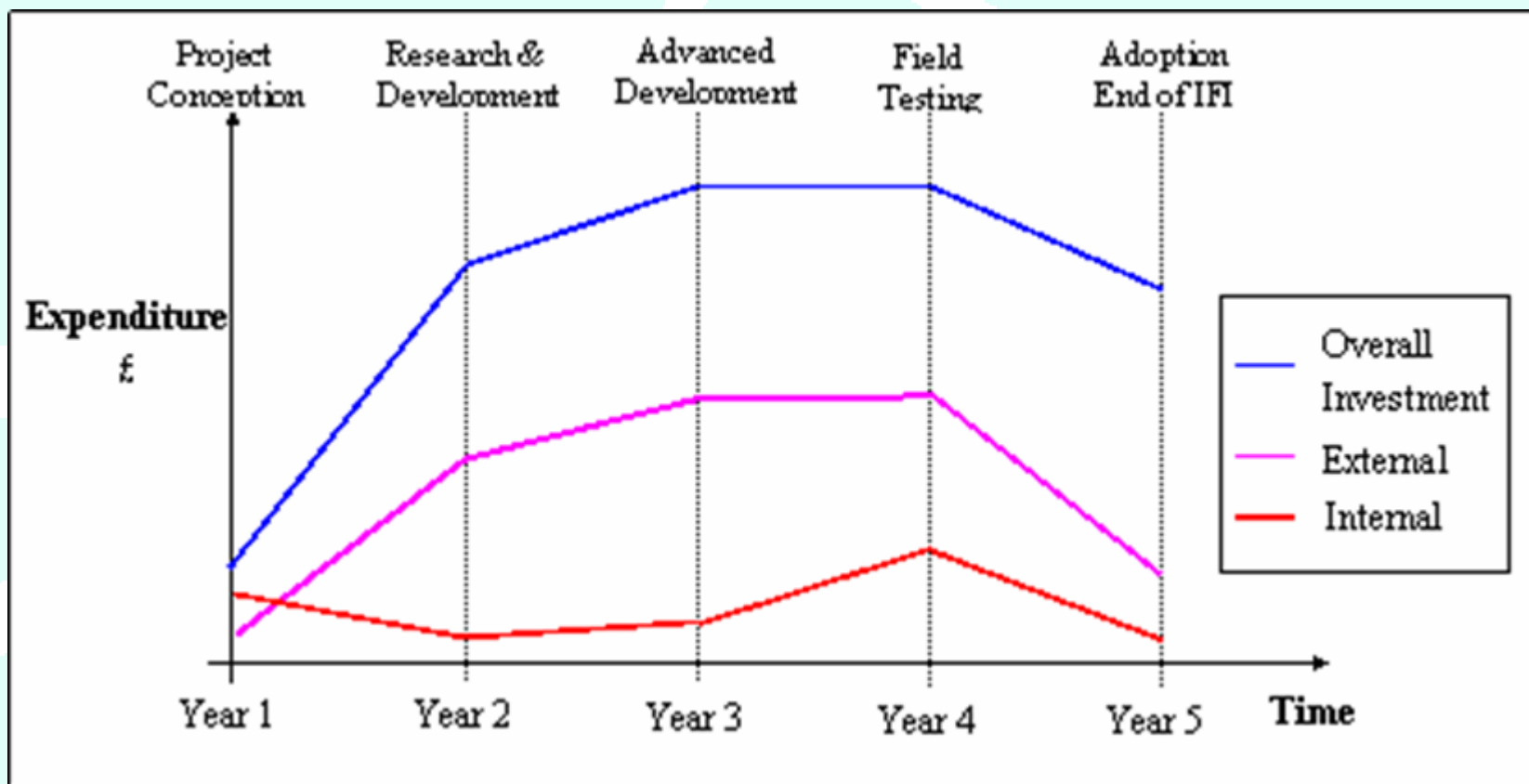


IFI / RPZ Workshop

Internal Costs

Internal / external cost ratio

- In supporting collaborative and highly geared projects, effective participation increases internal / external cost ratio.
- The 15% cap discourages engagement in low cost projects
- The internal / external cost ratio will vary during the phases of a project, and that may also span different IFI reporting years



Records

- Ofgem already have right to audit, within existing arrangements
- DNOs must already have processes to capture internal costs, and in a manner which is capable of audit.
- DNOs can state reasons why % is what it is in any particular year
- National Grid typical internal costs - 40% for electricity business

Recommendation

- ENA R&D WG recommends that 15% limit is removed (no changes to existing procedure are necessary)
- Limits constrain future R&D – reducing future customer benefit