

Transmission Price Control Review Reporting Rules

National Grid response to consultation

Summary

- 1 We have been working with Ofgem on the development of the Price Review reporting framework since the end of 2006, and welcome the opportunity to provide a formal response to this consultation¹.
- 2 We continue to support the development of better regulatory reporting and believe the development of appropriate reporting should benefit Ofgem, transmission licensees and ultimately consumers alike.
- 3 Since the end of 2006, we have proactively engaged with Ofgem on the development of the reporting rules and on the content of the reporting packs themselves. During this time, we have at all times tried to work with Ofgem to develop reporting which has a material usefulness, a clear purpose and an appropriate level of detail.
- 4 In many cases we believe these objectives are being achieved through pragmatic discussions, particularly in the operating cost tables, and we will continue to work with Ofgem on the detail of the rules and packs.
- 5 Given the detailed nature of these discussions we have not included our full comments on the individual tables in this response as they have been provided to Ofgem separately.
- 6 This response focuses on our main concerns, namely:
 - (a) the continued request for large volumes of data that has not been properly justified by Ofgem; and
 - (b) the requirement to report the same or similar information in different places and under different licence conditions.
- 7 In addition we also highlight that:
 - (a) the lack of detailed information on the allowances as presented in Final Proposals will restrict the ability to compare outturn costs to allowances; and
 - (b) for practical reasons the new licence conditions relating to these reporting requirements in the licences of both National Grid Electricity Transmission (NGET) and National Grid Gas NTS (NGG NTS) will need to reflect a later delivery date of 30 September 2007 for 2006/07 data.

¹ Transmission Price Control Review Reporting Rules (Ref 31/07), Ofgem, 21 February 2007

Inadequate justification of information requested

- 8 We believe all information collected within the Regulatory Reporting Pack should have a clearly defined purpose and this purpose should be tested relative to the cost of producing such information.
- 9 We are concerned that, in discussion and response to comments, the purpose of some of the data requested has not been properly justified. The starting point of the proposed regulatory reporting pack was the data requested as part of the Price Control Business Plan Questionnaires and data provided in response to questions. A large portion of this data appeared to have very little material usefulness in the Price Review process and, when questioned, Ofgem have failed to provide robust reasons for requesting this data in the future.
- 10 As an example, National Grid provided a significant quantity of data on faults, defects and failures on the electricity transmission system in response to questions raised by Ofgem's consultants. Ofgem's general response to this information was that it was not particularly useful in assessing the level of network risk, and this led to Ofgem placing a new licence obligation on both NGET and NGG NTS to develop output measures. Despite this, Ofgem have requested a large volume of very detailed information on faults, defects and failures as part of the regulatory reporting pack. In discussion, Ofgem have offered no robust justification for continuing to request information which they clearly did not find useful (and certainly did not use) in the Price Review.
- 11 As a further example, Ofgem have requested information on the types and quantities of assets installed and removed from the transmission system at an individual scheme level. We cannot understand the requirement for such a detailed level of information, and Ofgem have not provided a clear reason for requesting this information.
- 12 Given the lack of justification for some items of data, we are concerned that Ofgem are placing an unreasonably high reporting burden on the transmission licensees than is necessary. We do not believe that it is appropriate or efficient for Ofgem to accumulate information which is likely to prove to have little value in reviewing the performance of transmission licensees.

Duplication of reporting requirements

- 13 We are concerned that Ofgem appear to be placing an unnecessary burden on licensees to report the same or similar information in different places, under different licence conditions.
- 14 Indeed, in some cases, such as reporting on Revenue drivers, and performance against SF6 and reliability incentives, licensees are being asked to provide the same or very similar information in both the cost and revenue reporting packs. This is clearly an onerous and inefficient requirement and, to date, Ofgem's justification has been that this approach makes it easier for them to separate the pack when providing it to consultants. We do not believe that this is a reasonable justification.

Comparison to allowances

- 15 Ofgem state in the consultation letter that one of the purposes of annual reporting is to “lead to improved transparency by providing a comparison of actual outturn data against allowance”.
- 16 We believe it is important that Ofgem recognises that it will only be possible to compare outturn to allowances in a limited sense, given the very low level of detail that Ofgem has provided on the breakdown of the allowances themselves.
- 17 For example, with respect to the capex tables the reporting pack requests information down to individual schemes – however, Ofgem have not provided a breakdown of the allowances even at a broad category level, making any comparison of capex outturn against allowances only possible at a total expenditure level.

Delay of reporting date to 30 September 2007

- 18 With regard to timescales, we recognise Ofgem’s desire to receive completed reporting packs by the end of July in each year.
- 19 However, we have already discussed with Ofgem the fact that for the first year of reporting this is not a practicable timescale, given that the tables are not yet finalised, and that the licensees need to develop systems and processes to produce and deliver the accuracy of reporting that Ofgem desire.
- 20 Despite the late finalisation of the reporting pack, we are prepared to complete the reporting pack by the end of September 2007, though we believe that this still represents a challenging date. To allow for this, we have suggested in our formal response to the statutory consultation relating to changes to the standard conditions of the electricity transmission licences² that paragraph 4 of standard condition B15 (Price Control Review Information) should specify a date of 30 September 2007 for reporting 2006/07 data. We anticipate that similar drafting will be required in the equivalent licence condition for NGG NTS when that is introduced.

² Transmission Price Control Review: Statutory consultation on the licence modifications (Ref 39/07), Appendix D – Modification to the Standard Conditions of the Electricity Transmission Licences, Ofgem, 1 March 2007