

RPI-X@20

In March 2008 Alistair Buchanan announced the RPI-X@20 review, a two year project to review the workings of the current approach to regulating GB's energy networks and develop future policy recommendations.



02.10.08

What is the rationale for the review?

RPI-X regulation has been used successfully to regulate monopoly gas and electricity network companies in Great Britain for nearly 20 years. RPI-X has delivered substantially

lower prices, better customer services and better network reliability by rewarding companies for improving efficiency.

There are three main reasons for reviewing the framework now:

Good housekeeping

The RPI-X approach is 20 years old and now is a good time to take a step back and consider whether it remains fit for purpose.

Meeting new and emerging challenges

The energy networks will play a key role in moving to a low carbon economy. This could require significant changes and the regulatory framework may need to change to deliver them. The regulatory framework also needs to facilitate the investment needed to ensure security of supply and alignment with the European regulators agenda.

Simplification

There are concerns that the framework has become too complex making it difficult for companies, industry players and customer representatives to understand, respond and effectively engage in the process.

What is the scope of the review?

A r e a s o f I n t e r a c t i o n

Distribution
Price Control

System Operator
Incentives

In Scope

The methodologies used to regulate gas and electricity transmission and distribution networks

Amendments to existing UK legislation

Upstream/
downstream markets

If you would like any information on the RPI-X@20 please email RPI-X20@ofgem.gov.uk



The review aims to:

- Be in line with our statutory duties
- Drive improvements in quality of service
- Drive improvements in efficiency
- Facilitate efficient and timely investment in GB energy networks
- Ensure the regulatory framework is flexible to adapt to structural changes in the energy industry
- Enable efficient network companies to finance themselves efficiently
- Reinforce incentives on network companies to forge partnerships with other industry players to improve consumer outcomes and drive the achievement of the government's objectives.

How will the review be taken forward?

The project will be underpinned by extensive consultation, both formal and informal, with a range of stakeholders across the gas and electricity distribution and transmission industry.

The Ofgem Team, headed up by Hannah Nixon, will take forward the review:

- Including thorough consultation with network companies and industry participants
- Drawing on the experience of network regulation in other industries
- With advice from experts in regulation
- Incorporating thorough peer review in Ofgem at all levels including GEMA
- Drawing on the experiences of network regulation in other countries
- Utilising advice from the high level advisory body

There will be many opportunities to get your voice heard

What is the timetable for the review?

Q4 08	Q1 09	Q4 08 – Q2 09	Q3 - Q1 10	Q2 10	Q3 10	Q4 10
Initial industry workshop Initial advisory panel meeting	Principals process and issues consultation document	Academic consultation	Stakeholder workshops to discuss key emerging issues	Emerging thinking consultation document Workshop to discuss outcomes from emerging thinking	Ofgem recommendations to the Authority	Recommendations document

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