

ofgem Promoting choice and value for all gas and electricity customers

# **Workgroup Discussions Key Messages and Discussion Questions**

Stakeholder workshop Glasgow, 28 November 2008



#### **Key messages from London workshop**

**RPI-X** regime not necessarily "broken" but...

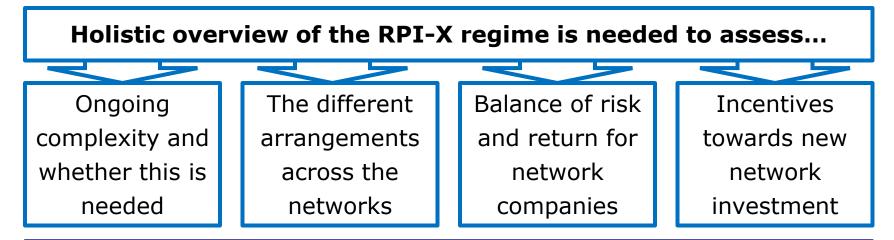
1. Signals are insufficient to facilitate new investment
> Opex and capex incentives are skewed with rewards for asset sweating
> Five year controls do not facilitate investment but longer time periods could introduce more complexity and greater uncertainty
> Output measures are important but they are difficult to define and could lead to greater complexity

2. Favour the use of an incentive based regime
Need to ensure coherence in practical application of incentives
Complexity of incentives make it harder for smaller players to engage
3. Information asymmetry leads to complexity in the regime

Complexity is not bad per se – only where it is unnecessary



#### **Key issues for RPI-X@20**



#### **Issues to consider:**

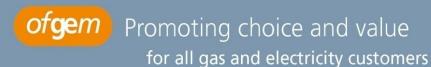
 Any change should represent a clear improvement and be assessed against the importance of stability in the GB regime
There may not be a one size fits all solution
Be clear on the outcomes we are seeking to facilitate
Identify whether the regime meets the needs of those that it impacts on and whether it also allows them to engage in the process



#### **Session 1: Getting the right outcomes**

#### For transmission and distribution networks in gas and electricity:

- 1. What outcomes should the regulatory regime deliver?
- 2. What mechanisms are in place to deliver these outcomes now?
- 3. What works within the current regime and what doesn't work?
- 4. How can we determine the efficient level and timing of investment?
- 5. How could we monitor network company performance against this?
- 6. Are returns achieved by network companies commensurate with risk?
  - 7. Are returns achieved by network companies commensurate with performance in terms of the quality of service provided to customers?
- 8. What future challenges might affect the delivery of desired outcomes? Could the current regulatory regime be adapted to accommodate these?



## Session 2: Getting the right framework and process

### For transmission and distribution networks in gas and electricity: 1. What key principles should a regulatory regime should adhere to? 2. Does the RPI-X framework in energy conform to these principles? 3. What aspects need to be simplified, if any? 4. Is the five-year cycle fit for purpose? 5. Are information requirements sufficient or too onerous? 6. Should stakeholders have a greater role in the price control process? 7. Is the appeals process working? What could be changed? 8. Are there concerns about the sustainability of the regime going forward?



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