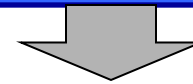
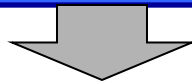


RPI-X@20: Round table discussion 11 March 2010

A longer term outcomes led framework

Introduction

Regulatory framework should encourage network companies to...



Play active role in sustainable energy sector

Provide value for money to consumers

Can't test at price control whether these have been achieved so need to assess and reward delivery of outputs that reflect these outcomes



efficient delivery of these outputs likely to require

- longer term thinking
- network companies open minded to new ways of doing things
- full understanding of and appropriate response to customer/stakeholder needs
- changes to Ofgem's assessment

OUTPUTS

OUTCOMES

Outcome 1: Play a fuller role in facilitating delivery of a sustainable energy sector
Outcome 2: Deliver value for money over the long term for existing/future consumers

OUTPUT CATEGORIES

Environmental targets

Network service connections

Customer satisfaction

Safety

Reliability

Social obligations

OUTPUT MEASURES

Measures used to determine performance against outputs

This could also draw heavily on existing measures e.g. DP5 outputs, IIS, losses incentive etc

OUTPUT TARGETS

The target levels for output measures for individual companies set at each review
These would not necessarily be uniform but reflect different network circumstances

New business plans

Longer term focus

- Consulting on which aspects of plan should be lengthened
- What should the time horizon be?
- Companies would need to provide evidence of learning over time

Link between outcomes and costs

- Greater onus on benchmarking and efficient procurement

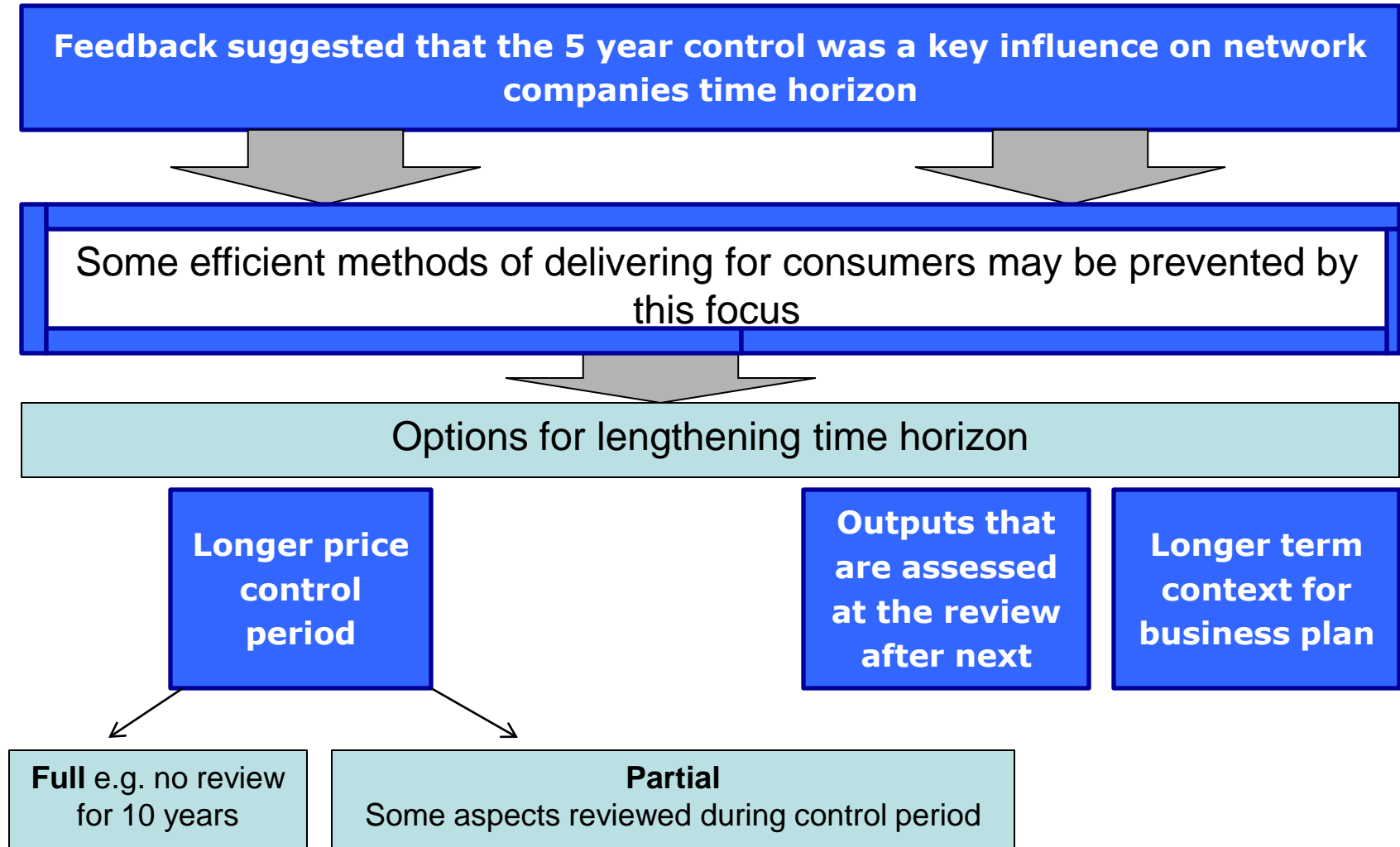
Consideration of multiple options

- Take account of range of delivery options and future scenarios

Evidence of stakeholder engagement

- Effective engagement on options presented in plan
- Evidence of incorporating stakeholder's views

Length of price control period



Questions for discussion (Not exhaustive)

- 1.) Do you think our desired outcomes for the future regulatory framework are appropriate?**
- 2.) Do you agree that we need a fundamental change to the existing 'RPI-X' frameworks to ensure these outcomes are delivered?**
- 3.) Are the categories of outputs we chose appropriate?**
- 4.) How should these be incorporated into the regulatory framework**
- 5.) Do you think that financial commitments for longer than five years for some elements of the price control might facilitate the efficient delivery of the outcomes?**
- 6.) What do you think about our suggestions on what business plans might look like in the new regulatory framework? How do you think they can best support efficient delivery?**

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, a hand is shown holding a white document. In the bottom left corner, a blue gas burner is visible. The overall theme is energy and customer service.

ofgem

Promoting choice and value
for all gas and electricity customers