



Electricity Distributors and other interested parties

*Promoting choice and value for all gas and electricity customers*

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Date: 31 March 2010

Dear Colleague

**Notice under Part D of standard condition 49 of the distribution licence – to Distribution Services Providers (Ref: 42/10)**

**Notice under paragraph 15A.9 of standard condition 15A of the distribution licence – to Electricity Distributors**

**Notice under paragraph 44A.9 of standard condition 44A of the distribution licence – to Distribution Services Providers**

**Notice under paragraph 44B.7 of standard condition 44B of the distribution licence – to Distribution Services Providers**

**Notice under paragraph 44C.5 of standard condition 44C of the distribution licence – to Distribution Services Providers**

**Notice under paragraph 45A.6 of standard condition 45A of the distribution licence – to Distribution Services Providers**

**Notice under paragraph 46A.7 of standard condition 46A of the distribution licence – to Electricity Distributors**

Proposal to modify existing Regulatory Instructions and Guidance and issue new Regulatory Instructions and Guidance

The purpose of this Notice is to set out the modifications Ofgem is proposing to the four existing Regulatory Instructions and Guidance and to give Notice that Ofgem proposes to issue three new reporting RIGs. These modifications provide the reporting arrangements for the new price control (DPCR5) which come into effect on 1 April 2010. The proposed date for modifying and issuing the new RIGs is 26 May 2010 and they shall take effect from that date.

Reasons for proposing modifications to existing RIGs and issuing new RIGs

RIGs provide a framework which enables Ofgem to collect data from distribution network operators (DNOs). We collect data annually to enable us to monitor DNO performance against price control incentives, monitor compliance with their price control obligations and to allow analysis between price controls and at the subsequent price control review.

Under the price control arrangements that will expire on 31 March 2010 (DPCR4) there are four RIGs documents for: revenue reporting, cost reporting, the innovation funding

incentive and distributed generation and quality of service. These are governed by four distribution standard licence conditions (SLCs). These conditions are:

- SLC 45: Incentive scheme for quality of service,
- SLC 46: Incentive scheme for innovation funding and Distributed Generation,
- SLC 47: Reporting of Price Control Revenue Information, and
- SLC 48: Reporting of Price Control Cost Information.

The new price control arrangements from 1 April 2010 place a number of additional obligations and incentives on the DNOs that will require us to collect new forms of data from the DNOs. These include:

- a requirement on the DNOs to commit to deliver a predetermined set of network investment outputs,
- new standards of performance for connections,
- a requirement to report the company's business carbon footprint,
- new incentives related to customer satisfaction with the DNOs' performance,
- incentives to reduce the proportion of electricity that is lost on the distribution network<sup>1</sup>,
- exposure to a proportion of transmission network interface costs to encourage DNOs to take a more holistic view on network costs, and
- a low carbon networks fund that will make funding available to encourage DNOs to trial new technologies and new commercial arrangements to meet the needs of a low carbon economy.

In designing the RIGs associated with DPCR5 we have looked to streamline the approach to collecting the data to avoid duplication and overlaps between data requests. Rather than establishing new RIGs for each of the new price control mechanisms, which would lead to a proliferation of RIGs and which risks duplication of data requested, we decided to group the data collection according to whether it relates to financial data, data on asset volumes, or data related to the network and other types of performance. These three RIGs documents are entitled: the Cost and Revenue Reporting RIGs; Network Asset Data and Performance Reporting RIGs; and Customer Service RIGs respectively. We have also developed a glossary of terms document which provides a comprehensive list of definitions for all three RIGs documents.

We recently undertook a statutory consultation on the licence conditions that are necessary to implement DPCR5<sup>2</sup>. This consultation included amendments to the four existing licence conditions associated with the RIGs and seven new licence conditions which will enable Ofgem to collect information related to the new obligations and incentives. These new licence conditions are:

- SLC 15A: Connections Policy and Connections Performance,
- SLC 44A: Network Outputs Regime,
- SLC 44B: Distribution Losses Reporting Regime,
- SLC 44C: Low Carbon Networks Fund Reporting,
- SLC 45A: Incentive scheme for Transmission Connection Point Charges,
- SLC 46A: Business Carbon Footprint Reporting, and
- SLC 49: Modification of RIGs in force under chapter 4 and 12 and the overarching RIGs structure

The new and amended licence conditions are due to be implemented on 1 April 2010. SLCs 45, 46, 47 and 48 include provisions to modify the relevant RIGs while SLCs 15A, 44A, 44B, 44C, 45A and 46A include provisions to issue the relevant RIGs.

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<sup>1</sup> This is not a new incentive but we are placing much stricter reporting requirements in this area.

<sup>2</sup> Electricity Distribution Price Control Review Final Proposals, December 2009. Ref 114/09.

The three RIGs documents encompass both the issuing of the new relevant RIGs and modifications to the existing relevant RIGs. We recognise that this is a fundamental reconfiguration of the RIGs and that we are having to collect substantially more data than in previous years, including to reflect new obligations that have been introduced as part of DPCR5. We will be keeping these RIGs under review, including accommodating the outcome of a test run with data from the last year of DPCR4. We recognise that the conclusion of RPI-X at 20 may mean that further iterations to the RIGs may be required.

In general the new RIGs do not specify the commentary we require at this stage and we have focussed on the development of the tables and guidance. We will require commentary in July 2010 based on the DPCR4 reporting requirements. In October 2010 we will require a selective commentary focussing mainly on the new tables that have been completed and reconciliation with DPCR4 RIGs. We will develop commentary requirements ahead of the data submission for 2010/11 which is scheduled for July 2011.

We will look to incorporate the outcome of the RPI-X@20 project into the commentary we require from DNOs on developments in their business and on the strategic issues they face.

Date within which representations or objections to the proposals may be made

Any representations or objections to the proposed RIGs must be made in writing by Tuesday 4 May 2010. They should be sent to Ayesha Uvais at the Office of Gas and Electricity Markets, 9 Millbank, London SW1P 3GE or by email to [ayesha.uvais@ofgem.gov.uk](mailto:ayesha.uvais@ofgem.gov.uk).

We will arrange further meetings to get early feedback on the new reporting requirements during the statutory consultation period.

Yours sincerely



**Rachel Fletcher**  
**Partner, Distribution**

**For and on behalf of the Authority**