RIIO

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City Briefing

Introducing the RIIO model

Monday 26th July 2010

Agenda

- **Introduction and Launch of RIIO model**
  - **Alistair Buchanan** – Chief Executive
- **RPI-X@20 Recommendations - Overview of RIIO model**
  - **Steve Smith** – Senior Partner, Local Grids and RPI-X@20
- **Ensuring efficient delivery is financeable**
  - **Hannah Nixon** – Partner, RPI-X@20 and Transmission
- **Questions and answers**

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Introduction and Launch of "RIIO Model"

Alistair Buchanan, Chief Executive

Networks face challenges and opportunities

- Placing RIIO in context.
- RIIO – The story.
- RIIO – The benefits & opportunities.
- RIIO – The risks.

Placing RIIO in context

- Context of regulatory evolution.
- Set against context of PCR’s since 2004.
- RIIO’s place in “wider” context.

The journey so far

Our Remit in Law

2000 Utilities Act	-	Secondary duties
2003 White Paper	-	Fully engaged with 4 goals
2003 Sustainable Energy Act	-	Impact assessments
2004 Social and Environmental Guidance		
2004 Sustainability duty in Energy Act		
2006 Lazarowicz Act	-	Reinforces role of Microgen
2010 Energy Act	-	Future Consumers. Sustainable Duty Focus.

Consumer interest includes where we can reduce greenhouse gas emissions to mitigate climate change

Our remit in action

Facilitator ● **Delivery Agent** ●

Advisor ● **Initiator** ●

Ofgem responds

NETWORKS

Massive strides forward 2003-2010

Transformational deal RPI-X@20 July 2010

MARKETS

CONSUMER EXPERIENCE

BALANCE CHALLENGES

CARBON AND PRICE

CARBON AND SECURITY OF SUPPLY

OPERATOR

£150m to £4bn managed 2003-2010

Extensive programme linked to low carbon outlook

Networks price controls – massive strides forward 2003/10

- Volume drivers (revenue) no longer exist.
- Huge sums available for low carbon R&D and investment (£500m in LCNF).
- Undergrounding funding.
- Renewables incentives packages (transmission and distribution): RPZ, IFI, SF6.
- Incentivise "DG" (distributive generation).
- Increased focus on cutting losses.

Carrots rather than sticks

Networks – Ofgem’s judgements slanted to low carbon improvement

- Early reward for renewable network funding (“TIRG” in 2004 = £560m).
- Preferential rate of return for cables to facilitate renewables (“TII” in 2009=£900m).
- Derogations given to facilitate “interim connect and manage”.
- Work with HMG to get decisions speedily – transmission access (2009-10).

GEMA clearly recognising “REMIT”

Context of PCR's since 2004

- DPCR4: IFI RPZ distributed generation
  Capex + 50%
  New "green" package
- TPCR4: SF6, incentives
  Capex + 100%
- GDPCR1: Rural network provisions
  Capex + 30%
- DPCR5: Incentives, equalisation, capitalisation
  Ratios (ROE), outputs
  Losses review
  Pensions
  Capex +20%

An evolution to today

RIIO's place in wider context

- HMG want infrastructure for low carbon economy and this package delivers:
  - Clarity for investment (Moody's).
  - Huge sums for SD innovation.
  - We can deliver on our side of £40billion.
- Smarter regulation (less red tape) – 8 years, not 5 years.
- Recognises economic difficulties affecting poor and vulnerable
  - Package will control upward bill pressure.
  - Tendering is VFM
  - Future consumers share burden.
- Sector needs the City and investors to build new Britain (i.e. investment)
  - Transition terms do this
  - Financeability anchor
- Ofgem's statutory remit changed in last Energy Act – with Lords and the opposition changes. (i.e. Tories)
  - "Sustainability Duty" – fully met
  - "future consumers?" – taken into account

Also aligns with Brussels

RIIO – the story

- The headlines.
- The process.
- Industry responses.

The headlines

▪ **Goodbye** RPI-X	**Hello** RIIO (R is revenue, I is incentive, I is innovation is for output.)
▪ **Goodbye** 5 years	**Hello** 8 years
▪ **Goodbye** Poor customer involvement	**Hello** Customer Engagement
▪ **Not Revolution** but	**Evolution –** financial package gets worked through in real PCR's.
▪ **Commitment not to impair RCV**	Enables financial package to get support and introduction.
▪ **Great link to Discovery**	We are assisting in £40bn spend.

Attuned to today & tomorrow's challenges

The process

- A careful and thoughtful two year process.
- Huge range of input:
  - High Level Advisory Group (CEO's – NG, BG, CE etc)
  - Consumers fully involved (CF, HLAG)
  - DECC fully supportive
  - Academic workshops, City meetings, Working papers,
  - Consultation papers
- Today itself is a consultation paper

A big thank you

Industry responses

- "Overall we support much of the direction of the Emerging Thinking conclusions" **(SSE).**
- "The IAM supports many of the proposed progressions to network regulation contained in Ofgem's Emerging Thinking Consultation **(IAM)**."
- "We agree with:
  - Ex ante approach.
  - Focus on outputs/outcomes.
  - Desirability of innovation streamlines.
  - Equalisation of incentives.
  - Long term regulatory arrangements for specific projects.
  - Incentives, Equalisation, Capitalisation Ratios, Outputs.
  - RPI-X@20 codifies and develops this into workable package." **(ENA)**
- "appears a sensible response to these challenges" **(WPD)**.

The themes are light touch, innovation friendly, incentives based and outputs based

Benefits and opportunities

For Consumers

Keeping investment costs as low as possible

- Today’s consumers don’t carry all the burden – tomorrow’s will as well
- Focus on the consumer: a greater say and their satisfaction

For Capital Markets

- Clear principled framework (black box days long gone)
- Third key milestone in a year to assist City:
  - “Project Mercury” = Networks that get into distress
  - M&A approach
  - RIIO
- In the spirit of the original privatisation compact the best do better and the lazy /incompetent will get found out
- An opportunity for Shareholders to encourage NO’s to innovate and determine higher networks
- It gives comfort that the regulatory regime is relevant for today – it stops the risk of outside (i.e. political) intervention

A win – win

RIIO – the risks

- The original promise
- What this review does not do.
- It is not risk free!

Our original commitment

The original promise on risk (2008)

	2008 promise	2010 proposal
Have we claimed back past profits or enacted retrospective actions?	NO	NO
Are we introducing sudden change?	NO	NO
Will we give little visibility to the process?	NO	NO
Will it be evolutionary?	YES	YES

True to our word

Risks raised in discussion phase but dismissed

- Rating agencies will remain important.
- Third party appeal extension will be reviewed after TPCR5 / GDPCR2 to assess need.
- PCR's at 8 years not longer.
- Package <u>not</u> designed to tell companies their DPS policy or financing structure.
- Not forcing a radical re-structure of network model (i.e. TO/SO).

Reduce financeability process risk – discuss earlier in PCR consultations

It’s not risk free

- It never was and nor was it designed to be.
- Wider template for risk/reward and winners/losers.
- Transition promise … a few areas may have impact but we have signalled where these may be and our careful approach.
- Appeal and challenge process available to NO’s.

But risks now based more on known risks not unknown/subjective

A new radical package provides

- Stability
- Clarity
- Attuned to society (sustainability)
- Relevant
- Minimises external shocks/ interventions in core regulated business

"RIIO" – the way ahead

RPI-X@20 Recommendations
Overview of the RIIO model

Steve Smith, Senior Partner

What is RPI-X@20?

- RPI-X@20 is Ofgem's comprehensive review of how we regulate energy network companies, announced March 2008
- Set to conclude in Autumn 2010

Review drivers

Good housekeeping	New and emerging challenges	Simplification?
	Contribute to reducing industry carbon emissions while maintaining safe, secure affordable system	

Exploring if current frameworks can deliver the type of networks required to maintain secure, reliable supplies in a low carbon economy

Networks face challenges and opportunities

Decarbonised electricity sector

Ageing assets

Electricity networks

- Offshore networks
- Electric vehicles
- Electric heating
- Smart grids
- Electricity storage
- New nuclear
- Renewables

- Smart Grids
- Local generation
- Energy efficiency
- District heating
- Fuel poor
- Climate change adaptation
- Energy service companies

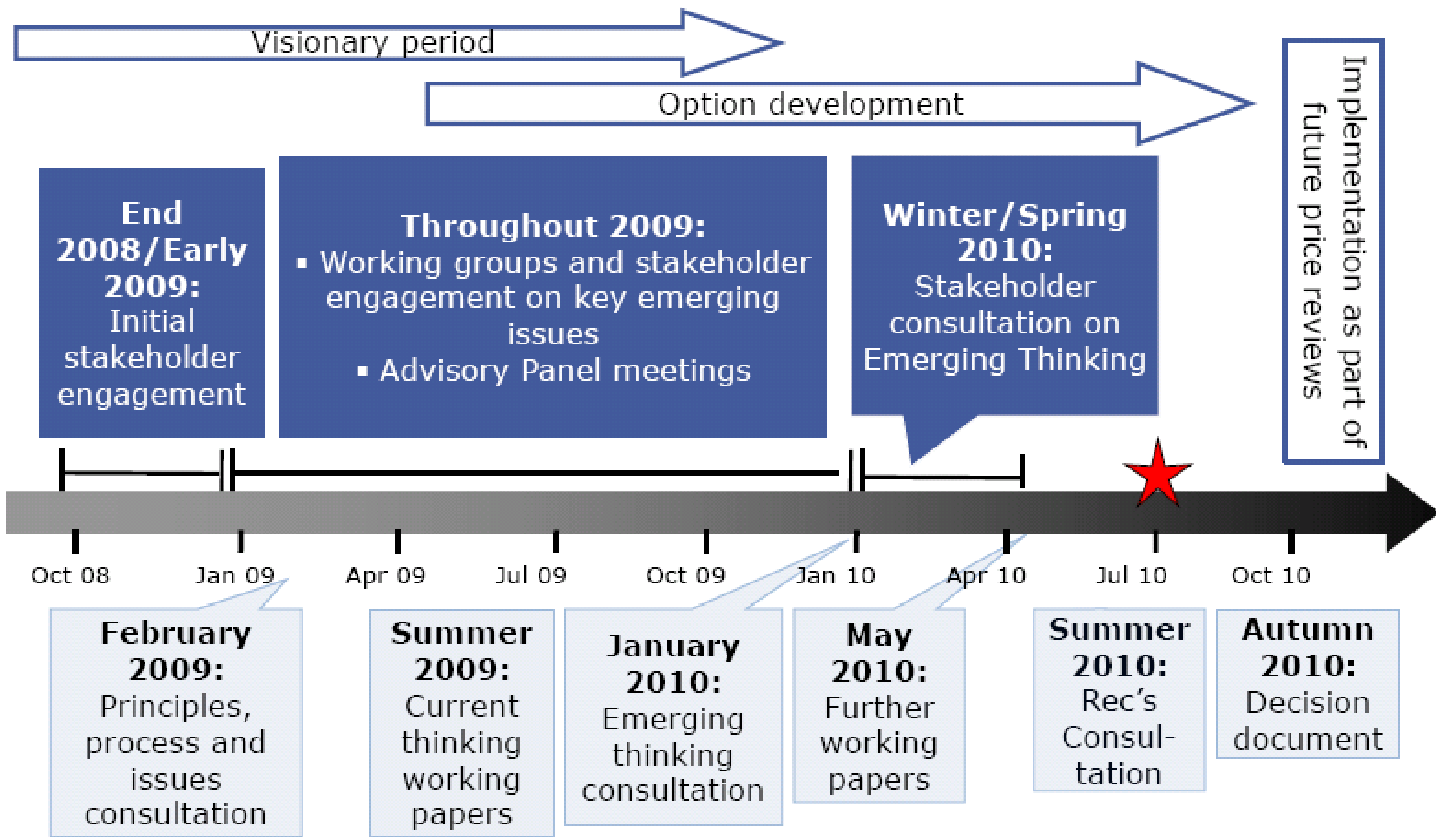
Gas networks

- CCS
- European hub
- LNG
- Renewable gas
- Uncertain demand

Affordability

Security of supply

Open and transparent review



What are we seeking to achieve?

Desired outcomes

Play a full role in the delivery of a sustainable energy sector

Deliver long-term value for money network services for existing and future consumers

Requirements

Long-term focus on value for money

Innovation

Optionality and flexibility

Working with others to identify best delivery solutions

Understanding and responding to needs of existing and future consumers

Case for change

RPI-X has delivered significant benefits for consumers, including sustained investment and more efficient financing

BUT stakeholders have suggested existing frameworks have led to:

- Networks focused on the short term
- Networks focused on Ofgem not their customers
- Limited consideration of innovation and how best to deliver
- Potentially limited appetite for risk
- Bias for 'capex' solutions rather than non-network options
- Limited focus on 'cross-sectoral' interactions

RPI-X is not broken but new "fit for purpose" framework is needed
Consulting on 12 recommendations for a new framework

RIIO: A new approach to regulation

Revenue

- Constraint on revenue set up front to ensure:
  - Timely and efficient delivery
  - Network companies remain financeable
  - Transparency and predictability
  - Balance costs paid by current and future consumers

=

Incentives

- Deliver outputs efficiently over time with:
  - Focus on longer term, including with eight year control periods
  - Rewards and penalties for output delivery performance
  - Symmetric upfront efficiency incentive rate for all costs
  - Use uncertainty mechanisms where add value for consumers

+

Innovation

- Technical and commercial innovation encouraged through:
  - Core incentives in price control package
  - Option of giving responsibility for delivery to third parties
  - Innovation stimulus gives support and ‘rewards’ for commercial innovation, building on LCN Fund

+

Outputs

- Outputs set out in licence
- Consumers know what they are paying for
- Incentives on network companies to deliver
- Outputs reflect enhanced engagement with stakeholders

Recommendations: What will networks deliver?

Outputs-led

- Transparent ‘contract’ on what networks required to deliver in return for revenue from consumers
- Outputs reflect what is needed from networks for delivery of sustainable energy networks
- Informed by enhanced engagement

Recommendations: What will networks deliver?

Enhanced engagement

- Companies to engage effectively with wide range of stakeholders
- Ofgem to develop engagement with stakeholders
- GEMA will remain decision-maker

Recommendations: What will networks deliver?

Third party modification requests

- GEMA could make Competition Commission reference following public interest concern raised by third party
- Publishing guidance on how we would consider such requests under existing legislation
- Keep open case for government to introduce formal third party right of appeal under review

Recommendations: What will price control look like?

Retain ex ante control

- Upfront revenue constraint, having consider alternative approaches (including ex post)
- Continue to determine control by assessing ‘building blocks’, including return on regulatory asset value (RAV)
- Retain RPI indexation but seeking views on merits of CPI

Recommendations: What will price control look like?

Longer price control period

- Move to 8 years
- Tightly defined mid-period review of output requirements
- Transparent principles for uncertainty mechanisms
- Review length in future price control periods

Recommendations: What will price control look like?

Industry structure

- Effective implementation under existing structure
- Keep developments under review – e.g. TO/SO alignment, potential DSO role, developments offshore

Recommendations: How will we assess efficient costs?

Proportionate assessment

- Transparent assessment of business plans
- Intensity and timescale to reflect quality of business plan and record for efficient output delivery
- Focus attention and effort where adds most value
- Potential for fast-tracked process for some companies

Recommendations: How will we assess efficient costs?

Option of greater role for third parties in delivery

- Network companies to continue to opt for outsourced delivery when efficient
- Option to require market testing evidence to ensure long-term value for money
- Option to involve third party delivery and ownership of large and separable projects
- Only use where expected to deliver long-term value for money and support timely delivery
- If third party ownership, costs outside existing company’s price control

Recommendations: How will we encourage efficient delivery?

Incentives

- Transparent rewards/penalties for output delivery
- Equalisation of incentives – opex and capex
- Upfront symmetric rules for over/under spend
- Calibrate incentives individually and as package
- Efficient companies can earn higher returns
- Inefficient companies can earn returns below cost of debt

Recommendations: How will we encourage efficient delivery?

Innovation stimulus package

- Building on Low Carbon Networks Fund (LCNF) from DPCR5
- Supplements incentives in package
- Open for gas and electricity sector
- Open to network companies and third parties
- Open to projects at any point in innovation cycle
- Specific rewards for new commercial and charging arrangements aligned with sustainability
- Bids assessed by independent panel; final decision GEMA

Recommendations
Ensuring efficient delivery is financeable

Hannah Nixon, Partner

Recommendations: Financeability – Our duty

Our financeability duty

- Ofgem's principal objective is to protect the interests of existing and future consumers
- But we also have a duty *"to have regard to the need to secure that licence holders are able to finance the activities which are the subject of obligations on them"*

- It is in the interest of consumers that efficient network companies are able to secure equity and debt financing in a timely way and at a reasonable cost in order to facilitate the delivery of their regulatory obligations
- No bail-out if financial distress is due to own behaviour
- No reward of inefficiency or unwarranted returns
- Capital structure remains the responsibility of network companies' management

RIIO provides regulatory commitment through transparency and predictability

Transitional arrangements to avoid sudden impact on earnings and cash flows

Recommendations: Financeability – The Principles

Transparent principles

- Longer-term view reinforced by regulatory commitment
- Risks appropriately allocated between companies and consumers
- Notional gearing to reflect level of risk exposure and may vary within and between sectors
- Allowed returns set by real, WACC-based approach
- Cost of debt based on long-term trailing average and updated annually
- Cost of equity set by CAPM, supported by other models
- Capitalisation policy that equalises incentives and closely aligned to capex/opex split
- Depreciation policy to reflect expected economic life of asset and potential uncertainly in future use
- Financeability assessment informed by various sources including rating agencies' credit metrics. Onus on companies to manage short term requirements
- RORE analysis to calibrate package of returns and incentives

Recommendations: Financeability - WACC

Allowed rate of return based on real WACC

Cost of debt

- Based on long-term trailing average of forward interest rates
- Annually adjusted
- New debt efficiently financed will be fully funded

Gearing

- Reflect risks company is exposed to
- Risks include:
  - Efficiency incentive rate
  - Uncertainly mechanisms
  - Penalties/rewards
- A greater variance in returns leads to greater cash flow risk which leads to a greater equity component

Cost of equity

- Retain our current approach
- Based on CAPM and sense checked with other models e.g. DGM, MAR

Good performers will earn good returns; Poor performers will not

Recommendations: Financeability - RAV

Strengthened commitment to Regulatory Asset Value (RAV)

Capitalisation

- A fixed % of total expenditure will be capitalised in the RAV
- Builds on DP5 initiatives aimed at equalising incentives
- % will represent a fair balance between existing and future consumers

Depreciation

- Rate of depreciation reflects expected economic asset life
- Will conduct full assessment of asset lives as part of TPCR5 and GDPCR2
- Transition arrangements where needed
- Considering profiling depreciation to reflect future demand for assets

Recommendations: Financeability – Impact by sector

	Regulatory life (post-vesting assets)			RAV additions	
Sector	Current	Future?	Reason	Current	Future?
Electricity Distribution	20	40+	Unwinding accelerated depreciation	85% of totex	Fixed % of totex
Gas Distribution	45	< 45	Uncertainty over resource / use of gas in low carbon economy	Cap-ex; 50% of repex	Fixed % of totex; repex likely to be treated as capex
Electricity Transmission	20	> 20	Less than ED - reflecting uncertainty in useful life of wind turbines	Cap-ex	Fixed % of totex
Gas Transmission	45	< 45	Uncertainty over resource / use of gas in low carbon economy	Cap-ex	Fixed % of totex

Recommendations: Financeability – Transition

Where implementation in a single step could result in excessive disruption to capital markets and/or raise financeability concerns

Transitional arrangements

***Factors to consider*:**
- Length of price control
- Effect on allowed revenue
- Ability to raise debt & equity
- Impact on key cash flow ratios

Options for smoothing impact of depreciation

- Gradually moving to new depreciation rates
- Only applying new rates to new RAV additions
- Using an alternative form of depreciation for existing RAV

Appropriate approach determined at the relevant price control review

Next steps

Recommendations consultation period
26 July to 6 September 2010

Decision document
Autumn 2010

Implementation as part of forthcoming price reviews

- TPCR5 – April 2013
- GDPCR2 – April 2013
- DPCR6 – April 2015

Key references and Ofgem Contacts

Consultation document available on our website:
http://www.ofgem.gov.uk/Networks/rpix20/ConsultDocs/Documents1/RPI-X@Recommendations.pdf

Consultation open until 6 September

For formal responses:

RPI-X20@ofgem.gov.uk

For further information or to request meetings:

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Annex A: Detailed overview of recommendations

Moving from an inputs to an outputs focus

Overriding objectives

Play a full role in the delivery of a sustainable energy sector

Deliver long-term value for money network services for existing and future consumers

Output categories: Key areas of network company delivery

Customer satisfaction	Reliability and availability	Safety	Conditions for connection	Environmental impact	Social obligations

Underpinned by primary outputs and secondary deliverables to monitor performance

Building on outputs from DPCR5 and transmission -eg DNO asset health indices

Enhanced engagement

Network companies provided with strong incentives to engage, including via:

- Customer satisfaction output
- New business plan requirements

Ofgem engagement expected to complement network engagement

Introduce new tools (eg price control review forum)	Developing existing tools (eg Consumer Challenge initiative)	Making better use of existing for a	More accessible information

Framework to enhance incentives on network companies to engage with stakeholders
Ofgem engagement developed for each price control review - reflecting key issues and stakeholders
Approach will develop and build on existing tools

Modification requests and CC references

- Guidelines to be published on how GEMA would respond to a price control modification request from a third party to make a reference to the Competition Commission on public interest grounds
- Publishing guidance expected to improve transparency, our accountability and complement enhanced engagement
- Guidance efficacy to be kept under review, with ongoing consideration of merits of asking government to introduce a formal right of appeal

Implementing under existing legislation means power to make modification references will continue to sit with GEMA, but with new guidance to provide greater transparency on the process

Retaining an ex ante price control

Build on the benefits of the existing framework

Ex ante price control with indexation for inflation

- £ amount revenue constraint tied to delivery with no 'X' factor
- Having considered case for moving to CPI, propose to retain RPI but revisit if CPI-indexed bond market develops

Building blocks approach

Price control will continue to be determined by assessing expected costs of delivery, depreciation allowances and an allowed return on RAV

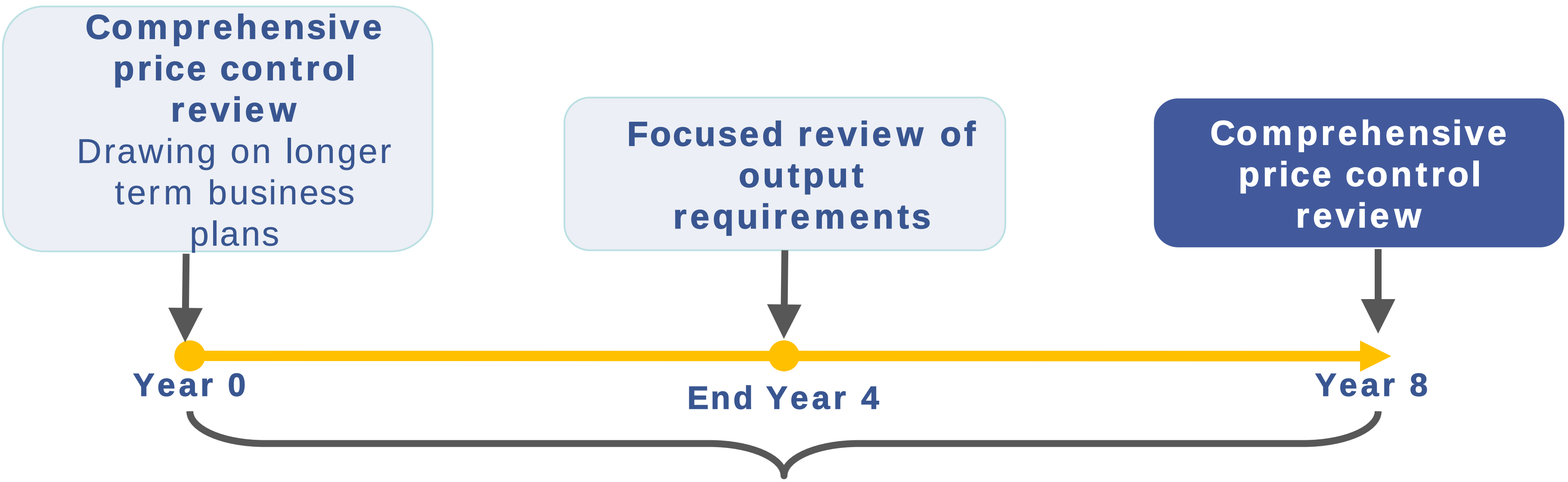
Incentivise network companies to deliver efficiently

Strong, clear, incentives calibrated to encourage efficient long-term delivery

Different regulatory approaches considered and rejected

- Ex-post regulation –enduring monopoly conditions in GB energy networks suggest risk of higher prices without gains in resource efficiency or investment
- Formal models of consumer involvement (Negotiated settlement/constructive engagement) – support for influence on decisions rather than formal role
- Other ex ante models e.g. pure yardstick competition

Move from a 5 year to an 8 year control



No unnecessary delays to revenue adjustments

Expose companies to penalties/rewards for output delivery, and implement efficiency incentives during price control period – don't wait until next review

Potential use of uncertainty mechanisms, supported by transparent application of principles

Adopting a more proportionate approach

- Vary our treatment of network companies at price control review according to their record for delivering outputs efficiently and the quality of their business plan:
  - Focus our attention and effort where most needed
  - Incentivise network companies to reveal best available information in business plan
- No variation in rewards and penalties that companies face during the price control review
- Develop existing range of tools for assessing business plans and apply to new well-justified plans

Range of options to consider when determining how best to treat companies

Light scrutiny
- Clarification questions
- Limited detailed analysis
- Limited time discussing with company senior team

Fast tracking
- Early final price control agreement (eg 12 months early)
- Licence modification implemented for same April 1st date as others

Benefits and potential risks vary across these options
We will consider what is practical for TPCR5 and GDPCR2

Option of greater role for third parties in delivery

- As now, network companies would be expected to involve third parties in delivery of outputs where this delivers cost savings and/or supports timely delivery of projects

- New additions to the regulatory tool-kit will see option made available to:
  - require a company to provide additional market testing evidence
  - involve licensed third parties in delivery and ownership of large and separable projects

- Having these options in the tool-kit will:
  - enhance incentives on network companies to innovate and actively seek out lower cost delivery solutions
  - provide a mechanism to facilitate involvement of new parties, where evidence that this can offer value for consumers

- Use of tools will be supported by application of principles; will only be used where evidence of value for money without compromising timely delivery

- Potential opportunities for involving licensed third parties in ownership of new projects will be taken outside of the price control and responsibilities determined through competitive process

Incentives for efficient long-term delivery

Efficiency Incentives

Approach to encouraging long-term efficient delivery builds on that taken in DPCR5:

- Strength of the incentives individually and as a package will be calibrated to ensure the price control delivers long-term value for money
- Commitment to symmetric efficiency rate for the price control period
- Same rate would apply to operating expenditure and capital expenditure
- Adjustments to revenue for the efficiency incentive rate implemented during the price control period
- No penalty for companies that took reasonable decisions, even if merits might be questioned with the benefit of hindsight

Incentives for output delivery

Output Incentives

Develop existing approaches to establish transparent rewards/penalties linked output delivery:

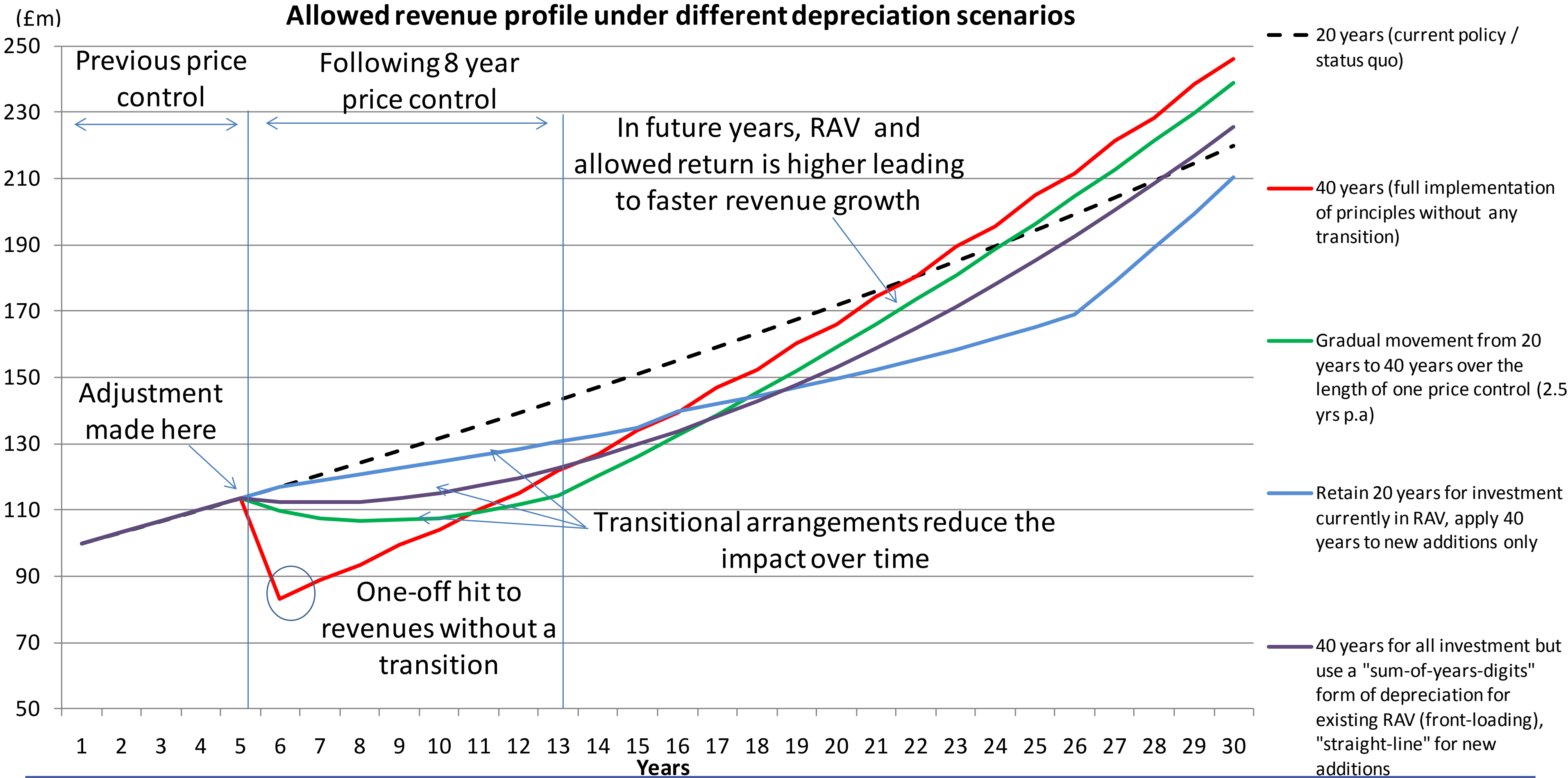
- Strength of the incentives individually and as a package will be calibrated to ensure the price control delivers long-term value for money
- Choice of financial/reputational will reflect assessment of what is most appropriate given nature and quality of output measures and their 'controllability'
- Where there is clarity on the primary outputs, confidence in available data and the output is 'important', we would likely use financial incentives. Reputational incentives would be used where these conditions were not evident.
- Publish information on primary output delivery on an annual basis, reinforcing reputational incentives
- Backstop threat of enforcement action and licence revocation for persistent output delivery failure

Recommendations on incentives involve building on past approaches and implementation under existing powers and duties

Innovation stimulus package

- Build on early success of Low Carbon Networks Fund, with an innovation stimulus package designed to encourage step changes with technological and commercial innovation.
- Like the LCN Fund, stimulus will involve:
  - partial project funding
  - requirements for sharing of information and lessons learned
  - competitions for funding
  - competitions for funding, with bids assessed by independent panel but final decisions taken by Authority on award of funding
  - decisions on funding cap made at each price control review
  - funding being recouped from consumers through use of system charges
- But it would:
  - Be open to gas and electricity network companies and appropriately licensed third parties seeking to progress innovation related to delivering networks required for a low carbon energy sector
  - Be open to projects at any point in the innovation cycle
  - Be supported by the expectation that companies could also seek funding to progress innovative projects, potentially akin to small scale projects that could be progressed under tier 1 of LCN Fund, through their business plan
  - Make available specific rewards for network companies and third parties that successfully implement new commercial and charging arrangements aligned to delivery of a sustainable energy sector

Recommendations: Financeability – Appropriate transition



We will ensure efficient delivery is financeable

Promoting choice and value for all gas and electricity customers

RIIO

Annex B: Comparison against RPI-X

Comparison against RPI-X

	Moving from RPI-X to RIIO
Type of control	▪ Retain upfront price control, with return on regulatory asset value and RPI indexation ▪ Price control sets £m revenue constraint – no X factor
Length of control	▪ Move from 5 years to 8 years with mid-period review of outputs
Proportionate treatment	▪ More transparent approach to varying the level of scrutiny that network companies face during price control review ▪ New option of reaching agreement on price control early for some companies
Outputs-focused	▪ Outputs rather than costs at the heart of the framework ▪ Underpinned by primary outputs and secondary deliverables
Assessment of required revenue	▪ Develop and broaden range of assessment tools used, with focus on assessing expected efficient total cost of delivery. ▪ New opportunities for network companies to make their case, with supporting evidence, of what is needed to delivery primary outputs as part of their business plan

Comparison against RPI-X

	Moving from RPI-X to RIIO
Role of incentives	▪ Evolve and strengthen incentives, building on DPCR5, to seek out lower cost delivery solutions, with focus on long-term value for money rather than short-term savings ▪ Evolve, clarify and strengthen incentives to deliver primary outputs ▪ Clarify role of enforcement action and potential licence revocation as backstop threat for persistent non-delivery of outputs
Uncertainty mechanisms	▪ Companies expected to manage normal business risk ▪ Uncertainty mechanisms used where provide value for money for existing and future consumers ▪ Commitment to not intervene for other reasons (save in exceptional circumstances)
Financing	▪ Adapt and clarify our approach to setting the allowed return, committing to transparent principled-based approach ▪ More transparent principled-based approach, with transition where needed, to ensure fair balance of costs paid by existing and future consumers whilst also ensuring that network companies can raise required finance at reasonable cost

Comparison against RPI-X

	Moving from RPI-X to RIIO
Role of stakeholders	▪ Develop and build on our approach to engaging with stakeholders ▪ Strengthen incentives developed in DPCR5 to encourage network companies to engage effectively on ongoing basis with their stakeholders
Responsibility for delivery	Introduce transparent option to test market to enable third parties to be more involved where this ensures outputs and long-term value for money are delivered.
Support for innovation	Build on early success of Low Carbon Network Fund, with an innovation stimulus package designed to encourage network companies and other parties to make step changes with technological and commercial innovation.
Price review process	Similar duration to now but more front-loaded. Fast track option for qualifying companies.

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