

The background features a large, semi-transparent white arrow pointing to the right, overlaid on a collage of images including solar panels, a close-up of a gas valve, and stalks of grain. The overall color palette is light and airy, with soft blues and whites.

Biomethane Workshop: GDPCR2

6 August 2010

GDPCR2

We have started work on the gas distribution price control review for the price control starting April 2013

Key points:

- Incorporating RIIO principles
- Run in parallel with TPCR5
- Open letter published 30 July setting out principles and process, consulting and inviting participation
 - consults on primary outputs companies should deliver
 - requests indication on working group & fora participation (working group deadline 13 August)

Key proposed components of revised controls

Objective: encourage network companies to (1) play full role in the delivery of a sustainable energy sector (2) deliver long-term value for money network services for existing and future consumers

2. Enhanced engagement with published guidelines on third party 'modification requests'

1. Primary outputs that companies expected to deliver over time and secondary deliverables relating to the way a company plans, develops and maintains its network to deliver primary outputs

➤ Facilitate effective competition upstream and downstream

3. Innovative and efficient delivery for long term

Longer-term ex ante

Well-justified business plans

Proportionate assessment

Upfront symmetric incentive rate

Best use of existing assets

Focus on total cost

Limited use of ex-post efficiency assessments

Option of giving third parties greater role in delivery

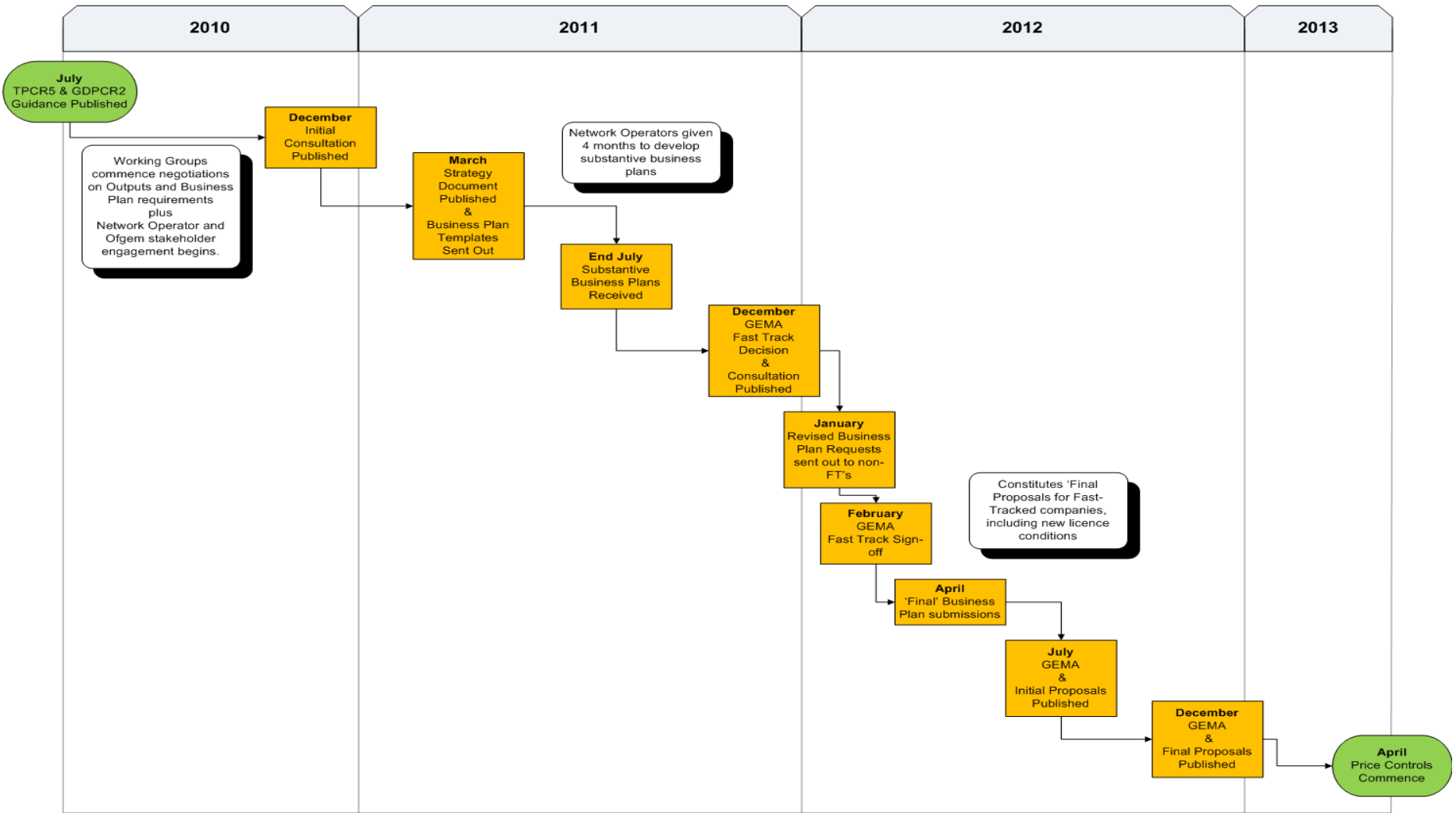
5. Innovation Stimulus
(time limited)

4. Principles on when and how to include uncertainty mechanisms

6. Long-term commitment to principles for ensuring financeability

This slide sets out the key proposed components of the new controls based on minded-to recommendations set out for consultation.

Timetable



Initial Strategy Consultation

- Applying RPI-X@20 principles will require key elements of price control to be taken forward at earlier stage
- Significant changes to the content of initial consultation – document will include consultation on:
 - primary outputs
 - approach to cost assessment
 - additional detail on business plans
 - the outline of the financial methodologies
 - length of control
 - the level of the incentive rate + level of the sharing factors
 - an outline of how the incentive framework should be applied etc.
- Will publish a decision on Strategy elements in March 2011 to enable companies to develop business plans

What would enhanced engagement look like?

Ofgem and networks focus on the needs of existing and future consumers

To do this, we need to understand the needs of a range of network consumers

Primary means



Networks engage with their stakeholders on an ongoing basis

Networks should demonstrate engagement in planning/delivery

To complement network engagement, our approach would be multi-layered

A price control review forum for open discussion

Consumer Challenge Group

Developing existing tools

Making better use of existing fora & working groups

Making information more accessible

Government should be involved at key stages of engagement

- Facilitate better understanding of policy by networks and stakeholders
- Government would not be involved in detailed discussions on policy