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21st November 2011

Dear Grant

Initial Assessment of RIIO – T1 business plans and proportionate treatment

1. Thank you for the opportunity to comment on Ofgem's latest consultation regarding the RIIO-T1 business plans and proportionate treatment. At Centrica, we believe a strong focus on the business plans is required to ensure that the new price control process is a success. This is a non-confidential response on behalf of the Centrica Group excluding Centrica Storage.
2. In our response we will concentrate on the fast tracking and proportionate treatment of the business plans and not the detail of the TOs' plans.

Fast tracking and proportionate treatment

3. RIIO:T1 and RIIO:GD1 have the potential to have a significant impact on customer bills, with a significant amount of risk being driven from the network owners' business plans and the price control lasting longer at 8 years. We believe that it is inappropriate to apply fast tracking to the RIIO business plans and recommend that Ofgem conducts a full evaluation to all parts of the network owners' business plans and does not apply proportionate analysis.
4. The business plans from the Transmission Network Owners are very detailed and require significant analysis to ensure they are reasonable, whilst creating efficiency, effective investment and innovation. It is noted that one of the areas specified where further work is required is 'providing evidence of cost efficiency throughout the plan'. This is so fundamental to the assessment of the business plans it is difficult to envisage how plans can be considered for fast-tracking in these circumstances.
5. The TOs are asking for considerable amounts of money to enable us to 'Go Green' and meet our 2020 targets, putting end consumers with a burden of investment, which in some circumstances is very uncertain. The transmission charges for a domestic consumer could more than double during the price control. A full assessment is required to ensure this represents value for money.

6. Centrica does not believe that the operating cost savings from fast tracking or proportionate treatment offsets the risk consumers are exposed to and can not control.
7. Within Ofgem's initial assessment, document 136/11, there is a summary table (table 1) showing Ofgem's assessment of the Transmission Owners business plans and where improvements are required and whether these could be resolved by January 2012. We note that for the 2 companies where fast-tracking remains under consideration all issues are either 'red' or 'amber' and are not wholly 'green' for any company. It would therefore appear extremely ambitious to be considering reducing the level of scrutiny.
8. We hope Ofgem understands Centrica's reasons for not supporting the fast tracking and proportionate treatment within the first RIIO price control and we urge Ofgem to consider whether the benefits are appropriate given the significant risks to the energy industry and end consumer.
9. We are happy to discuss in more detail if Ofgem would find this useful.

Yours Sincerely,

Andy Manning
Head of T&D Network Regulation
British Gas,
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