



RIIO ED1 Business Plan Guidance Workshop: Summary of Proceedings

Date: Friday 13 July 2012

Venue: Ofgem, 9 Millbank

On 13 July 2012 Ofgem held a workshop for Distributed Network Operators (DNOs) and a range of other stakeholders to discuss the guidance that Ofgem will produce on drafting business plans. The objective of the event was to discuss how the business plans should be structured and presented to make them as easy to read and comparable as well as to ensure that readers are able to easily find the information they require.

The event began with presentations from Ofgem on the assessment criteria that Ofgem will be using to assess the plans. Ofgem then gave a presentation on the structure of the plans this was followed by presentations from a readers perspective - Consumer Challenge Group and a writers perspective - the Energy Networks Association (on behalf of all DNOs). All slides from the workshop are available on the [RIIO-ED1 website](#).

The group was then opened up to a discussion, the key issues raised are summarised below.

1. Structure

Participants began by discussing how prescriptive the structures of the business plans should be, balancing having a set structure and giving DNOs the freedom to write their own plans. Participants discussed the structure set out in Ofgem's slides; there was broad agreement that this structure seemed a sensible way forward. There was agreement on the need for a common structure; however, it was also noted that DNOs would need some flexibility, particularly over any limits to the lengths of sections.

Stakeholders stressed the importance of consistency across all the DNOs business plans. There was a consensus from participants that the executive summary needed to be kept a summary, i.e. short, it was agreed that the summary needed to be produced in a similar way across all the DNOs and should include certain key information. Also noted was the importance of having some similarity of terminology throughout the plans, and a common metric for measurements. The importance of clearly explaining the innovation strategy throughout the plans was stressed; a structure will help the reader know what direction the plan is going towards whilst helping the writer's to know what to include.

Some participants argued that the structure should not be too constrained to let each DNO tell its individual story. Although participants felt that a common structure was useful, it is important to allow room for DNOs to reflect their corporate identities and individual approaches. All participants agreed that hyperlinks would be very useful for finding information.

There was general agreement that the plans should be written as an internal document for the business itself, rather than a submission to the regulator that the business will not use throughout the price control period.

2. Comparison

The DNOs were interested to know what areas Ofgem and stakeholders needed for comparison. It was noted that smaller, more vocal customers may have their own interest, but that this may not be in the interests of customers as a whole. Some stakeholders noted that it would be useful if plans illustrated the transition from the final year of the current price control to the first year of the new price control. This would allow the DNO to highlight key changes.

The group discussed the customer service element of the business plans and the importance for the DNOs to distinguish between stakeholders, i.e. suppliers and customers. It is important to know from the business plans the assumptions made from the DNO and what implications this will have on their service to customers, allowing comparison between the network companies. Stakeholders also stressed that plans needed to be consistent and readable. A standardised approach to recording data would be key to making the plans readable. Participants discussed the importance of seeing in the plans reflect change over the review period and beyond.

3. Scenarios

The group held a discussion regarding the scenarios that the plans should assume. This included noting the risk of excluding future technology or options from the plans. It was stated that plans would be much clearer if everyone was working to the same scenario as there is so much to change in the future; for example, renewable energy. There was a debate as to whether the plans should be based on each DNO's view of the future or one central view of the future. It was noted that the RIIO-ED1 flexibility and capacity working group has been looking in detail at many of these issues.

4. Publishing

Participants discussed what information should be published. There was preference from Ofgem and Stakeholders that as much information as possible should be published. The DNOs agreed with this approach, although they emphasised that security and commercial confidentiality issues meant that there might need to be limited redaction.

There were some thoughts from some DNOs that the issue was not about whether to publish information but more around timing; their concern was that by publishing before other DNOs they could give away a competitive advantage, especially as DNOs are increasingly expected to act as competitive companies.

All stakeholders expressed the importance of honesty throughout the business plans; DNOs should be upfront about what they don't know as well as what they do know and how they intend to address gaps in information.

5. Next Steps

Ofgem will keep ongoing engagement with the DNOs and Stakeholders; it welcomes further views on the business plan guidance. All stakeholder views will help inform the strategy document that will be published in September, after which there will be further chance to provide views ahead of the final strategy in February.