

Respondent details		Wales & West Utilities Ltd			
No.	Condition number / RIIO tracking number	Condition name	Page/Paragraph Ref	Comments	Suggested alternative drafting (please use tracked changes wherever possible)
1	SC28/95	Termination of Shipping Arrangements	Para 1 & Para 2 (c)	WWU assume that references to Supply Licence conditions are accurate and up to date	
2	GTD/GDC 76	Data Assurance requirements	76.1	No level of materiality over data – ‘any inaccurate or incomplete’ ‘any misreporting’	‘any material inaccurate’ ‘any material misreporting’
3	GTD/GDC 76	Data Assurance requirements	76.3 (a)	What does the DAG contain?, we are yet to see and agree the detail	
4	GTD/GDC 76	Data Assurance requirements	76.3 (d)	Appears that we can be ‘directed by the authority, [to] procure an independent review...’ There are no conditions/circumstances stated under which the Authority might chose to do this.	
5	GTD/GDC 76	Data Assurance requirements	76.3 (e)	The provision of internal reports is not an issue, however, we would need permission to provide those of third parties and would be required to sign ‘hold harmless’ letters of indemnity.	
6	GTD/GDC 76	Data Assurance requirements	76.8	DAG may be changed by the Authority at any time – whilst this is no different to RIGS that are changed from time to time, because of this licence condition, the changes could result in onerous costs in compliance, especially where the DAG requires the procuring of a review.	

7	GTD/GDC 76	Data Assurance requirements	76.10	The Authority is looking to obtain the ability to force licensees to audit whatever it chooses at intervals that it chooses. This clause allows the Authority to amend the requirements of the licence condition through the DAG. This is a concern	
8	GTD/GDC 76	Data Assurance requirements	76.16 & 76.17	Authority ability to direct audits and the timescales thereon, which we know from experience are short. Same issues with third party reports if we are forced to procure the audit (76.3 (e))	
9	GDC 83	Distributed Gas Connections Guide and Information Strategy	83.1	Why do we need a purpose section as they are not found in other conditions . This point was not raised in distributed gas workgroup discussions but would be consistent with other licence drafting.	Delete 83.1 in its entirety
10	GDC 83	Distributed Gas Connections Guide and Information Strategy	83.8	Ofgem has no timetable to approve	Either give them a timetable such as with 4B (6) which is 28 days or (2 nd preference) say that approval shall not be unreasonably delayed or use wording in 83.10 “and the Authority must respond in a reasonable period”
11	GDC 83	Distributed Gas Connections Guide and Information Strategy	83.6	See response to 83.1 above	Delete 83.13 in its entirety

12	GTC/GDC 71	Regulatory Accounts`	<p>Page 13 Para 16 Page 17 Para 31 Page 15 Para 21 (a) Page 16 Para 30 (a) and (b)</p> <p>Page 20 Para 76.5 (g) Page 88 Para 30.14 (a) & (b)</p> <p>Page 105 Para 28.2</p> <p>Page 105 Para 28.5</p> <p>Page 106 Para 28.7 Page 106 Para 28.9 Page 106 Para 28.12 (a) & (b) Page 107 Para 28.17 (a) & (b) Page 123 Para 47.5 Page 123 para 47.6 Page 133 Para 26.2</p>	<p>Could Para 16 be built into Para 17?</p> <p>Why under paragraph 31 are the provisions being back-dated?</p> <p>In para 21 (a) What are the A6 and A46 Standard Special conditions?</p> <p>In Para 30 (a) & (b) There are no Statement of Directors' Responsibilities – is this correct?</p> <p>In Para 76.5 (g) delete the word “the” where it states “or the with”.</p> <p>In Para 30.14 (a) & (b) Where the reference is to procedures are these the AUPs procedures?</p> <p>In Para 28.2 please provide definition of IAE.</p> <p>In para 28.7 – What is the Central Agent Costs?</p> <p>In para 28.12 (a) & (b) – Why are the Windows so short and limited to only two in this RIIO-GD1 period?</p> <p>In para 28.17 (a) & (b) – What is this trying to do?</p> <p>In para 47.5 – There are references to transmission rather than distribution</p> <p>In para 47.6 – Please insert the word “actual” in between licensee’s Totex.</p>	<p>Delete the word “the” where it states “or the with”</p> <p>Insert the word “actual” in between licensee's Totex.</p>
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13	GTC/GDC 74	Regulatory Instructions and Guidance		This condition appears to combine the E20 and D19 and A40 RIGs processes. In so doing, it appears to change the balance of precedence between of the Licence and the RIGs. Under this condition the RIGs in effect define the Licence rather than the other way around. In particular, any reference to materiality has been removed leaving that to be set out in the RIGs. This has been commented on previously by WWU in the working groups but rejected by Ofgem.	
14	GTC/GDC 76	Data Assurance requirements	76.3 (b)	Sub-paragraph (b) should be deleted. This condition should be about the processes to assure data. It should not be about the provision of data itself. The provision of data is covered by other licence conditions.	Remove 76.3 (b)
15	GDC 83	Distributed Gas: Connections Guide and Information Strategy		This appears to create a hugely increased ten-year statement type of document. The provisions relating to the legal framework ought to be unnecessary on the basis that commercial organisations in particular should have their own legal advice on such matters. The provisions relating to engineering and technical matters appear greatly over-detailed and inflexible.	

16	GDC20	Restriction of Revenue in respect of the Distribution Network Transportation Activity	20.2 and 20.7	It is noted that the provisions relating to what happens if the licensee over recovers by more than 4% etc in any year have been removed. Is this deliberate and is it the intention to rely more heavily on the general condition 20.2 to force licensees not to over-recover? In 20.7 the definition should be definition of RPI rather than RPI otherwise a separate definition is needed for RPI 2009/10.	
17	GDC 8	NTS Exit Capacity Cost Adjustment	8.5	In 8.5 the definition of IQI is referred to in the final proposals document and also a proposed definition of IQI is found in SSCA40. It would be sensible to have a single definition throughout the licence if the same document is referred to.	

18	GDC 24	Incentive adjustment in respect of the Broad Measure of Customer Satisfaction	Page 50 para 4 and page 54 para 7	<p>WWU is most concerned about the definition of “Customer” within the factor BM_t. Although “customer”, as so defined, solely for the purpose of BM might be correct, in the sense that the broad measure does cover customers acting as such and other parties, e.g. general stakeholders it should not be used for those elements where customers acting in their capacity as such, are meant - that is particularly in complaints and genuine customer satisfaction type matters, connections, planned interruptions, etc. On page 54 para 7, there are a number of matters which ought to be defined for the purpose of the licence, such as complaint and repeat complaint and what is meant by a finding of the Ombudsman against the licensee. It appears that the definitions are to be found in the RIGs, see Condition 23(c), which is unacceptable. The RIGs should not define the Licence, the Licence should define the RIGs.</p>	
19	GDC 25	Revenue adjustments for performance in respect of gas shrinkage and environmental emissions	25.7	<p>As per point 17 above, the same applies to para 25.7 regarding the definitions found in the final proposals being consistent throughout the Licence Conditions.</p>	

20	GDC 11	The Network Innovation Allowance		<p>The NIA governance document is another document which will sit outside the licence. Where, in other places such documents exist, there are safeguards written into the Licence. The safeguards include such matters as 1) the document may not exceed what is necessary to achieve the purposes of the Condition; 2) the document may not purport to have effect with respect to the interpretation of any other condition; 3) modifications to the document may not include the requirement for information provision, which could not be required under SSCA26; 4) that the licensee cannot be required to produce documents which are legally privileged. It would seem appropriate that at least some of these savings should go into the NIA licence condition to control the modification of the governance document.</p>	
21	GDC 32	Restriction of charges for Tariff-Capped Metering Activities	Page 80 para 32.6(b)	<p>In 32.6(b) there is reference to Standard Special Condition NOP? What is NOP?</p>	

22	GDC 9	The Innovation Roll-out Mechanism	<p>Page 91 para 9.6 (b) Page 91 para 9.6 (c) Page 94 para 9.24 Page 94 para 9.25 Page 95 para 9.26 Page 96 para 9.27</p>	<p>9.6(b) refers to electricity consumers - which is assumed to mean gas consumers.</p> <p>9.6(c) This should not be a total bar as such benefits should be taken into account in the allowance</p> <p>9.24 there is a phrase “a carrying value adjustment”. Does this have an ordinary meaning or does it need to be defined?</p> <p>9.24 time value of money needs to be define as it is used in several conditions, GDC 26 definitions in two places refer to electricity</p> <p>9.25 this is the only real sanction on Ofgem to deliver- consider extending it to other like conditions</p> <p>In 9.26 The definitions of “ordinary business arrangement” and “proven innovation” seem to refer to electricity rather than gas distribution – Is this correct?</p> <p>Para 9.27 - This condition appears in various Special Conditions and it appears to allow documents outside the licence to define the licence as mentioned above in point 13.</p>	
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23	GDC 22	Mains and Services Replacement Expenditure	Page 97 para 2	In para 2, there is a definition of Formula Year. Is this necessary? This comment appears in a number of the Special Conditions. Unless a particular use is being made of the phrase, then it ought to appear in the definitions at the start of the Special Conditions.	
24	GDC 26	Annual Iteration Process for the GD1 Price Control Financial Model	Page 133 para 26.1 Page 133 para 26.3 Page 134 Para 26.11	GDC 26 definitions in two places refer to electricity 26.1, please see comments about general licence conditions. Para 26.3 - delete consistent with and insert in accordance with. Being consistent is a wider concept Para 26.11 - In the definition of annual iteration process, Please see comments about non-licence documents.	Para 26.3 - Delete the words "consistent with" and insert "in accordance with"
25	GDC 28	Arrangements for the recovery of uncertain costs	Page 111 para 28.37	In para 28.37 – please see comments above about RIGs defining licence.	
26	GDC 64	Legacy price control adjustments	Page 114 para 64.2, Page 115 para 64.4	In para 64.2, please see comments above about appropriate place for general licence definitions. In para 64.4, again please see comments above regarding RIGs and other documents defining the licence.	

27	GDC 47	Determination of PCFM Variable Values for Totex Incentive Mechanism Adjustments	Page 122 para 47.2 Page 122 para 47.3 Page 123 para 47.5 Page 123 para 47.9	<p>Para 47.2, please see comments regarding general definitions.</p> <p>In 47.3 and 47.5, there seem to be references to transmission rather than gas distribution and in any event reference to “base revenue” needs to be amended to be consistent with definitions used elsewhere in the Licence.</p> <p>In 47.9 and the heading to Part C, seem to relate to transmission rather than distribution in the references to T0.</p>	
28	GDC 27	Specified Financial adjustments	Page 127 para 27.2 Page 132 para 27.31	<p>In 27.2, please see comments about general licence definitions.</p> <p>In 27.31, please see comments regarding non-licence condition documents defining the Licence.</p>	

29	GDC 57	Governance of GD1 Price Control Financial Instruments	Page 137 Para 57.4 Page 137 Part A Page 138 Part B Page 138 Para 57.10 Page 138 Para 57.10(c) Page 138 Para 57.14	<p>In 57.4, Is provision 57.4 required as Formula Year could be defined as previously discussed.</p> <p>In GDC57 Part A it is essential that Ofgem publishes its full assessment</p> <p>Part B appears to deal with what the Authority considers as minor changes. If it does make a minor change, in addition to the provisions set out, it should publish its assessment as to why it's minor under 57.10. The condition is silent about the process for making major changes. What are Ofgem's proposals in that respect?</p> <p>57.10(c) doesn't do that</p>	
30		Draft Price Control Financial Handbook	Page 7 Para 1.2	<p>Para 1.2 Financial adjustments covering tax, pension and cost of debt issues – what does this mean?</p> <p>Para 1.2 Adjustments relating to allowed Totex expenditure and the totex incentive – How is IQI impact of Incentive Income dealt with?</p>	

31		Draft Price Control Financial Handbook	Page 8 footnote 4	Footnote 4 – Isn't it zero for 2014/15 also? Adjustment to revenue are only included from 2015-16 (i.e. Adjustment in t+2 for differences in year t).	
32		Draft Price Control Financial Handbook	Page 9 Para 1.11	Para 1.11 – the base revenue figure for each licensee – Why does the base revenue change? Isn't it just the adjustments that get factored in? Also isn't base revenue fixed by year at the start of the Control?	
33		Draft Price Control Financial Handbook	Page 10 Para 1.20	Para 1.20 – Will the Model be held in a confidential part of Ofgem's website?	
34		Draft Price Control Financial Handbook	Page 12 Para 1.26	Para 1.31 – Assume the Ofgem notes will be shared with the group.	
35		Draft Price Control Financial Handbook	Page 16 Para 2.10	Para 2.10 True-up revenue Allowances – The relevant years are not just 2013/14 i.e. Pension deficit payments in excess of allowances during GDPCR1.	
36		Draft Price Control Financial Handbook	Page 18 Para 3.2	Para 3.2 delete one of the "as" word in last sentence.	Delete of the word "as" in last sentence.
37		Draft Price Control Financial Handbook	Page 18 Para 3.4	Para 3.4 – It is very unlikely that these thresholds will ever be hit. Also a cumulative reopener is also required.	
38		Draft Price Control Financial Handbook	Page 20 Para 3.12	Para 3.12 where it refers to Table x insert 4.1	Insert 4.1 where it states Table x.
39		Draft Price Control Financial Handbook	Page 23 Para 3.31 & 3.34	These paragraphs specify that ii is a <i>de minimus</i> threshold £1 million per annum; but should also be subject to a cumulative re-opener?	

40		Draft Price Control Financial Handbook	Page 23 & 24 Para 3.32 & 3.35	These paragraphs explain that the costs are not actually subject to <i>de minimus</i> threshold as amounts that are above the allowance and yet below the threshold are ignored in the True-up Calculation. Therefore, the paragraphs 3.31 to 3.35 should be amended to make it clear that this is a dead-band and not a <i>de minimus</i> .	
41		Draft Price Control Financial Handbook	Page 26 Para 4.4	Para 4.4 –With regards to the licensee’s gearing levels and corporate debt interest costs (TGIE values) – Are these actual or Notional?	
42		Draft Price Control Financial Handbook	Page 27 Para 4.12	Para 4.12 – With regards to the level of gearing – Is this notional or actual?	
43		Draft Price Control Financial Handbook	Page 28 Para 4.15	Para 4.15 – What is this trying to achieve? Adjustment should reflect the new prices introduced by HMRC etc.	
44		Draft Price Control Financial Handbook	Page 29 Para 4.23	What if new/updated standards come in?	

45		Draft Price Control Financial Handbook	Page 30 Para 4.28 & 4.29	<p>Together, these paragraphs state that if we do not notify Ofgem of any Type B Trigger events by the 30th September following the end of the tax year, the change will not be allowed to apply to that year's calculations ("...it will not be made retrospective or PV neutral.") This indicates that we must have finished our tax return by then as it is the completion of that which would make us aware of such events. This deadline forces us to look at the tax return early and is inconsistent with paragraph 4.36 which says that "The final quantification and adjustment for any type B triggers event will be deemed to have occurred when the licensee and HMRC conclude the agreement of the licensee's tax liabilities for the relevant Formula Year" – i.e. once we have submitted and agreed our tax return. We therefore believe the cut off point for retrospective adjustments caused by Type B Trigger events should match the timing of 4.36.</p>	
46		Draft Price Control Financial Handbook	Page 31 Para 4.32	<p>Where the licensee is asked to submit the results of limited scope audit procedures specified by Ofgem – Should this be agreed between Ofgem and the licensee?</p>	
47		Draft Price Control Financial Handbook	Page 32 Para 4.38	<p>Where a copy of the GD1 PCFM is held on Ofgem's website – Will this be confidential or public access?</p>	
48		Draft Price Control Financial Handbook	Page 34 Para 4.45	<p>Here the tax will be clawed back but what about additional debt costs?</p>	

49		Draft Price Control Financial Handbook	Para 37 Para 4.64	Assume no increase in allowances – Is this logical for interest?	
50		Draft Price Control Financial Handbook	Page 53	Glossary – Totex – This entry does not specify that Opex excludes Shrinkage & Exit Capacity, which are part of a GDN's operational expenditure and have not been classed as pass-throughs. This might be included in the "Other expenditure... excluded from Totex by RIIO-GD1 Cost Reporting Instructions and Guidance"; but, even if they are, we believe that these items are material enough to justify inclusion on this list.	
51		Draft Price Control Financial Handbook	Page 7 Para 1.5	Para 1.5 As we have stressed in our responses to the initial proposals. Tax calculations using embedded RPI data are too prone to error. All calculations should be subject to true-up to reflect actual RPI. We have illustrated in our response to the Initial Proposals that the use of estimated RPI overstates our tax losses by c£10m	
52		Draft Price Control Financial Handbook	Page 26 Para 4.9	As we have stressed in our responses to the initial proposals. Tax calculations using embedded RPI data are too prone to error. All calculations should be subject to true-up to reflect actual RPI. We have illustrated in our response to the Initial Proposals that the use of estimated RPI overstates our tax losses by c£10m (same point as above)	

53		Draft Price Control Financial Handbook	Page 28 Para 4.16	Para 4.16 WWU would appreciate clarity as to what 'demonstrably used all reasonable endeavours' would mean in practice	
54		Draft Price Control Financial Handbook	Page 30 Para 4.29	Para 4.29 This too prescriptive. Failure to notify could be for valid reasons and should not automatically result in penalty to the licensee or a deemed breach of license	
55		Draft Price Control Financial Handbook	Page 42 Para 5.11	There should be a window for licensees to check and agree CDE values prior to this date	