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27th November 2012

Dear Hannah,

RIIO-T1/GD1: Office of National Statistics (ONS) review of Retail Prices Index (RPI) methodology

We welcome Ofgem's letter and the acknowledgement that it is appropriate to consider the impact on network companies of any change to the methodology to calculate the RPI arising from the current ONS review.

As stated in the ENA letter dated 12th October, any changes to the calculation of the RPI would come in to force at a very unfortunate time period within the RIIO cycle for Gas Distribution.

We are supportive of Ofgem's proposal to include a provision for a reopener within the RIIO GD1 settlement which would provide networks with the right to make a request to Ofgem to reconsider their allowed revenues in the event of a change in ONS' methodology for calculating RPI.

Our key points in relation to the structure and properties of such a mechanism are as follows:

1. As the full extent of the change is not yet known, the wording within the reopener mechanism should be flexible to reflect this point.
2. The reopener should not be limited to a specific application window but should be triggered when a change to the RPI methodology is known.
3. The networks or Ofgem should have the ability to trigger the reopener.
4. Once the impacts are identified, networks should be remunerated in full to reflect the total impact.

24 hour gas escape number
Rhif 24 awr os bydd nwy yn gollwng

0800 111 999*

*calls will be recorded and may be monitored
caiff galwadau eu recordio a gellir eu monitro

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We would welcome the opportunity to further discuss the Ofgem view ahead of the RIIO GD1 Final Proposals and ahead of the Statutory Licence Consultation.

Yours sincerely,

A handwritten signature in black ink, appearing to read "S. Edwards", with a long, sweeping underline.

Steve Edwards
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