



Your ref RIIO ED1
Our ref Plan Engagement 2013
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Hannah Nixon
Senior Partner
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3rd July 2013

Dear Hannah

RIIO-ED1 Distribution Network Operator Business Plan Stakeholder Engagement

The RIIO price control process has been designed to allow network companies to conduct stakeholder engagement to formulate robust, justified business plans. Through this process, two Distribution Network Operators have carried this out to a very high standard. Such good stakeholder engagement provides, in our view, a more 'well justified' business plan. The purpose of this letter is to highlight to you where we believe this has taken place. Our key considerations have been where we feel consumers have benefited the most - through early visibility, publication and explanation of allowed revenues. We have also taken account of how each DNO has engaged with us during the process, including justification of the potential spend and overall consideration of how the consumer may be impacted by any changes that the process will introduce.

We have had widely differing levels of engagement from the network businesses during this period.

In summary

- Northern Powergrid and UK Power Networks (UKPN) have both engaged with us in an exemplary manner.
- We have also had constructive discussions with Western Power Distribution (WPD), although they were not as far reaching and informative.

We have provided our reasoning for this below.

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Northern Powergrid:

Northern Powergrid consulted with us individually and also as part of a small stakeholder expert group (including suppliers, local government and other impacted parties). These meetings will be ongoing. They highlighted at one of our first sessions how they could use their financial flexibility to produce the least impact on consumers over the RIIO-ED1 period. This is extremely encouraging from our perspective and highlights their focus on the end consumer.

We also discussed a number of other initiatives around how we could work together to support a more integrated, coherent and consistent strategy for assisting customers facing fuel poverty in their region.

Northern Powergrid also requested our input into their DCUSA Change Proposal (DCP178), designed to provide 15 months notice of DUoS charges to the market. This is an extremely positive and forward thinking proposal and we cannot commend enough Northern Powergrid for bringing it as a solution to volatility during the course of this business plan period. That this comes from their recognition of the large impact any uncertainty can have on the end consumer is extremely welcome.

Northern Powergrid shared early drafts of their Business Plans, including their Allowed Revenues to allow the market to understand their direction of thinking and also what the potential impacts will be. This was especially welcome bearing in mind the large changes that occurred at the start of the DPCR05 period in both tariff methodology and revenue allowances. We were particularly impressed by the quality of the information released on their website, which was easy to read and informative.

UKPN:

We appreciated that UKPN were very keen to engage with us early on in the process via a bilateral meeting. Although the main engagement took place in the last 5 months the early session started to give us valuable information regarding the process they were following and the potential final outputs.

UKPN listened to our concerns as suppliers and on behalf of our consumers regarding lack of transparency and predictability of DUoS tariffs, particularly around the start of the RIIO-ED1 period. They have also taken this on board and, like Northern Powergrid, were very keen to put forward a proposal to provide 15 months notice to the market for DUoS tariffs. Again, we feel this shows an understanding and appreciation of the needs of their stakeholders – suppliers and customers alike.

UKPN were among the first to share early drafts of their business plans, including Allowed Revenues. This has allowed suppliers in the market to have early insight into initial business plan revenue levels.

WPD:

Western Power Distribution shared an early plan view with us and also conducted a bilateral session with us outlining their aspirations for the Business Plan and their expected Allowed Revenue position. We attended their wider stakeholder events. Their confidence in and aspirations for this plan are welcome and highlight their understanding of the impact on the end consumer.

In Summary:

Overall, we feel that the Stakeholder Engagement we received from Northern Powergrid, UKPN and WPD during this process has been of sufficiently high standard to endorse their business plans as 'well justified'.

Please contact me if you require any further information.

Yours sincerely

Helen Inwood
Network Charging Manager
(sent by email so unsigned)

CC Anna Rossington, Head of RIIO-ED1