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Dear Andrew,

Governance Arrangements for Gas Discretionary Reward Scheme (DRS) under RIIO-GD1

Thank you for the opportunity to comment on these proposals.

We are broadly happy with the proposed arrangements for the DRS under RIIO-GD1. The only improvement we would suggest is that the question and answer session with the Panel takes place before the decisions are made on the outcome and that the Panel is able to take into account responses to the questions in making its recommendations.

In relation to the broader purpose of the DRS it is important that there is delineation between the DRS and the stakeholder engagement incentive scheme so all parties clearly understand what is being assessed under each of these mechanisms. It would be helpful if the guidance documents could set out more clearly where linkages are expected and the differences in the focus of the assessment criteria for each scheme. For example, where a company passes the stage 1 assessment under the stakeholder incentive then under DRS there should not be a need to explain the stakeholder processes in relation to the various initiatives being assessed under DRS.

Enhancing the guidance documents to clearly distinguish between the two mechanisms is something that could be developed and drafted through the customer working group.

Please do not hesitate to contact myself or David Gill if you wish to discuss any aspect of our response.

Yours sincerely



**Stephen Parker
Regulation Director**