

RIIO-ED1: Re-cap

RIIO-ED1 Price Control Review Forum

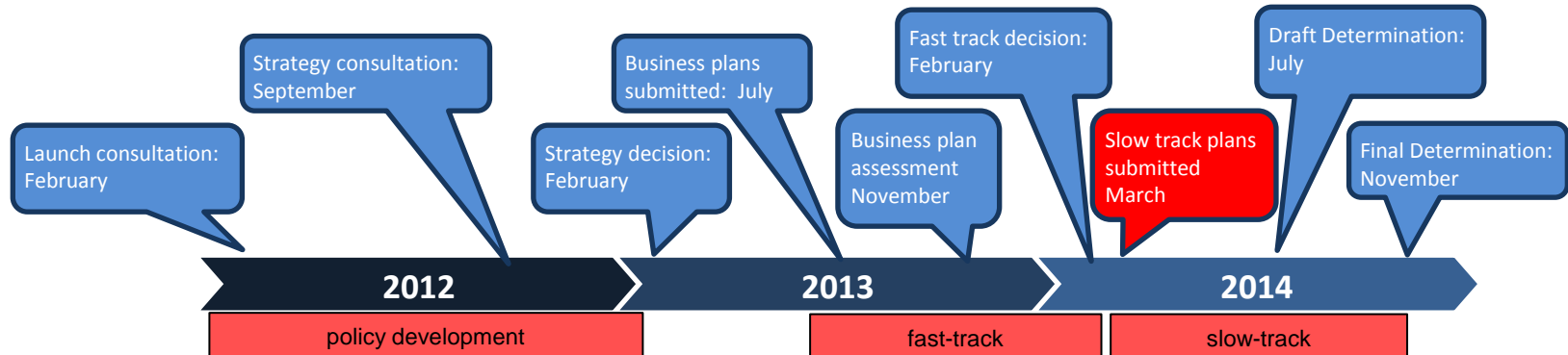
Anna Rossington
23/04/14

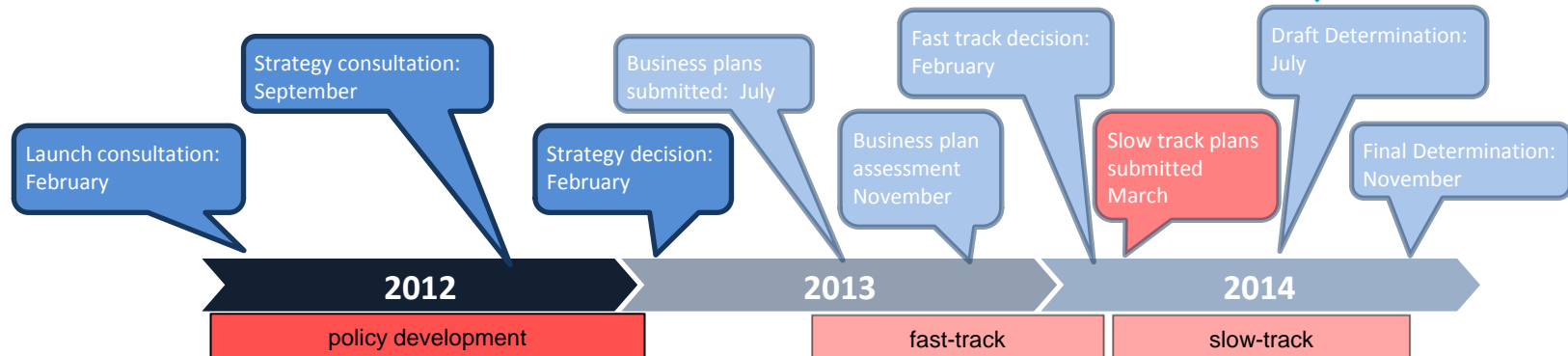
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Agenda

- 10:00 Welcome and introductions
- 10:10 Overview of RIIO-ED1 so far
- 10:30 DNO short summaries of their business plans
 - SP Energy Networks
 - UK Power Networks
 - Scottish & Southern Energy
 - Northern Powergrid
 - Electricity North West
- 11:45 Consumer Futures
- 12:00 Discussion 1 – elements of the plans
- 12:20 Discussion 2 – monitoring the price control
- 12:50 Any other business
- 13:00 Close (buffet lunch)

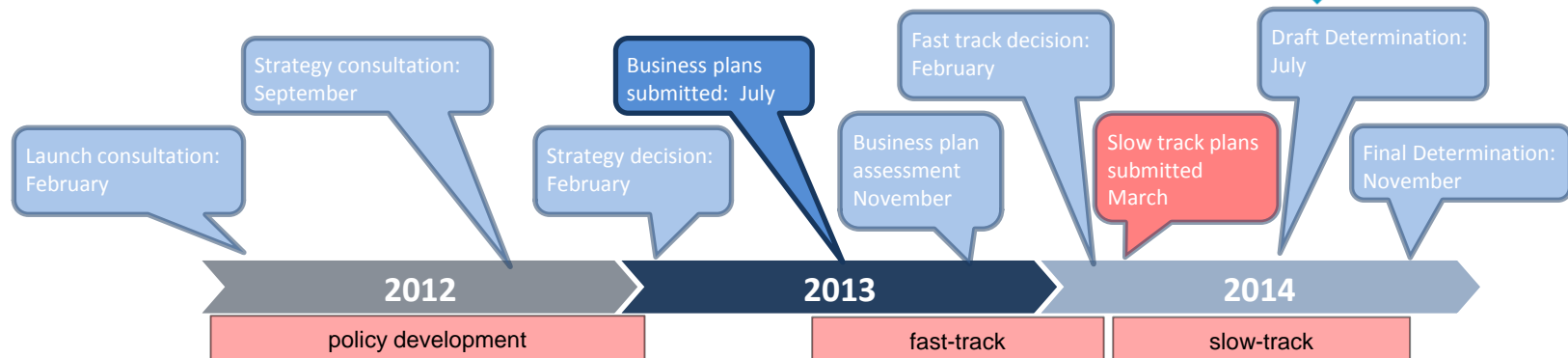
RIIO-ED1 timetable





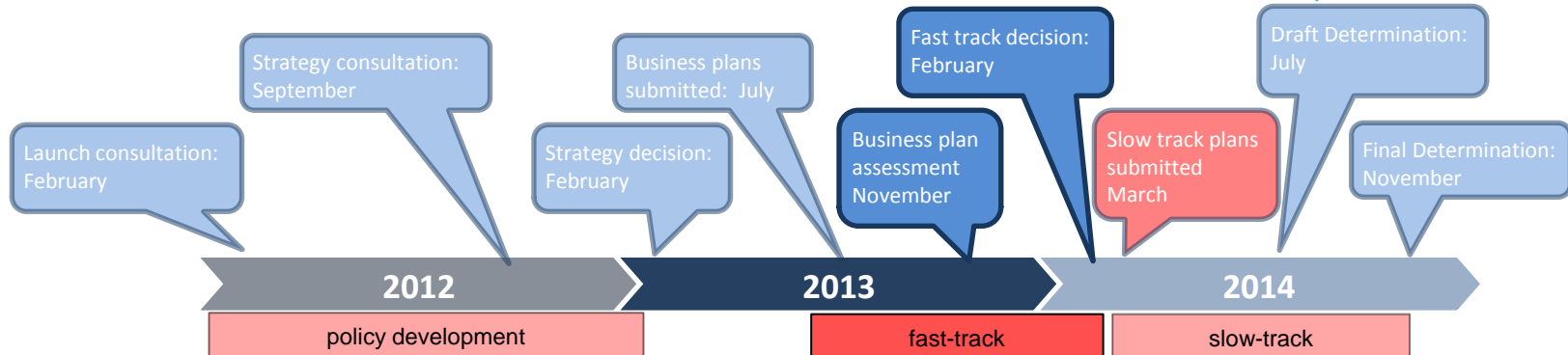
Strategy/policy development:

- The framework on which DNOs based their business plans
- Set out the outputs and incentives in 6 primary categories:
 - Safety
 - Reliability and availability
 - Environment
 - Customer satisfaction
 - Connections
 - Social obligations
- Set out the key financial parameters and Ofgem views on uncertainty and risk
- Developed with input from working groups including DNOs and stakeholders



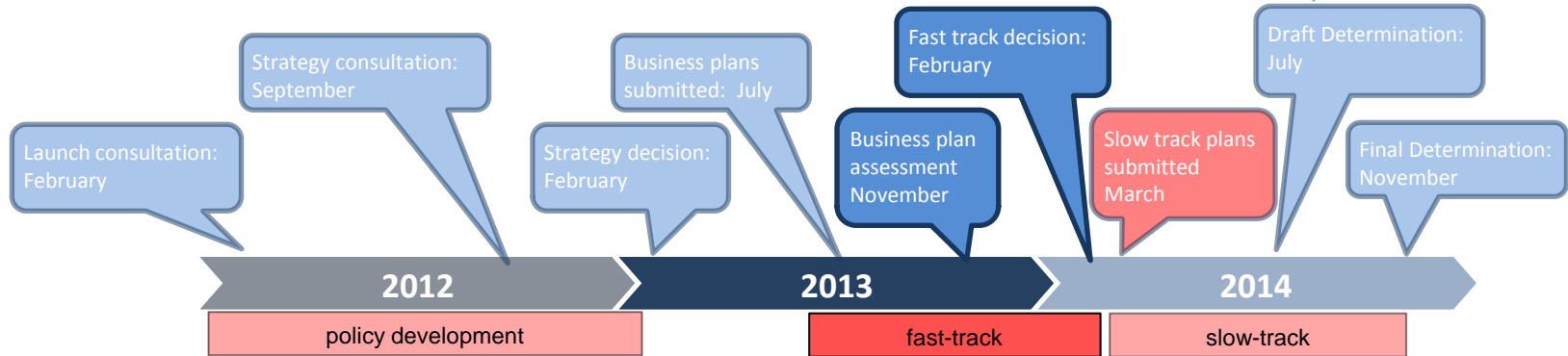
Business plans:

- Well-justified
- Set out DNO's long term strategy on what and how they will deliver
- Justify strategy for output delivery against understanding of long-term trends
- Show how they will deliver in the interests of current and future consumers
- Show how they will meet the challenge of moving to a low carbon economy
- Show how they will deal with risks and uncertainties
- Show they have considered a range of stakeholder views
- Show they have considered opportunities for innovative approaches
- Show a holistic view of the price control package



Fast-track:

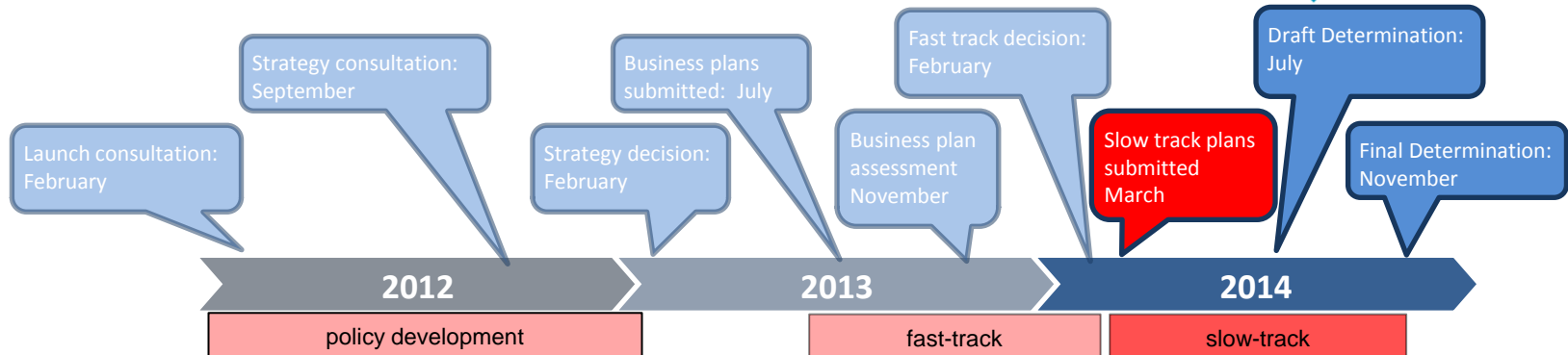
- RIIO uses a proportionate approach
- Intensity and timing of assessment reflects quality of business plans and company record for output delivery
- For a very high quality business plan we might fast-track a company and conclude its price control early
- Business plans assessed against 5 criteria:
 - Has the DNO followed a robust process?
 - Does the plan deliver the required outputs?
 - Are the costs of delivering the outputs efficient?
 - Are the proposed financing arrangements efficient?
 - How well does the plan deal with uncertainty and risk?



Fast-track:

- One group, WPD, judged strong across all criteria – and have been fast-tracked

DNO Group	licensee	Process	Outputs	Resources – efficient costs	Resources – efficient finance	Uncertainty and risk
Western Power Distribution	WMID	Green	Green	Green	Green	Green
	EMID	Green	Green	Green	Green	Green
	SWALES	Green	Green	Green	Green	Green
	SWEST	Green	Green	Green	Green	Green
Electricity North West Ltd	ENWL	Green	Green	Yellow	Green	Green
Northern Powergrid	NPgN	Green	Green	Yellow	Green	Green
	NPgY	Green	Green	Yellow	Green	Green
UK Power Networks	LPN	Green	Yellow	Red	Green	Green
	SPN	Green	Yellow	Red	Green	Green
	EPN	Green	Green	Red	Green	Green
SSE Power Distribution	SSEH	Green	Red	Yellow	Green	Red
	SSES	Green	Yellow	Yellow	Green	Red
SP Energy Networks	SPD	Yellow	Red	Red	Green	Yellow
	SPMW	Yellow	Red	Red	Green	Yellow



Slow-track:

- Remaining companies submitted revised plans in March
- Consulting on the plans as part of our assessment
- Will use the same assessment criteria as fast-track
- Will consult on the results of our assessment in the draft determinations which we will publish in July 2014
- Final assessment will be issued in November
- RIIO-ED1 price control starts 1 April 2015

Licence

What the
company
must do

Standard conditions
(SLCs)
(apply to all DNOs;
some apply to IDNOs)

Charge restriction
conditions (CRCs)
(DNO specific)

How the allowed
revenue is
calculated

- Ongoing statutory consultation on changes to SLCs for all DNOs
AND CRCs for WPD's DNOs ("fast-track" licence)
- Both to be issued in May (but don't start until April 2015)
- "Slow-track" licence (CRCs) will be informally consulted in September
- Statutory consultation in December

Discussion 1 – plans

- Do you think the DNOs are doing enough in their plans to address the issues associated with the low carbon future?
- Do you think the DNOs are making sufficient use of smart grids technologies and other innovations?
- Given the profile of reliability over Christmas, do you have views on the reliability proposals in the plans?

Discussion 2 - monitoring

- The start of the RIIO-ED1 price control provides an opportunity to consider appropriate monitoring and reporting of network company performance.
- We, and the DNOs, have started work on:
 - what information we receive, when we receive it and what we do with it
 - ensuring consistency across information required for different purposes
 - what and how information is shared with stakeholders

Monitoring the price control

- We are interested in your views on:
 - what has worked well in the past in how we and the DNOs communicate with you on network company performance?
 - what additional information would you value?
 - should the network companies publish more information?
 - when should key information be made publically available?
 - what format do you want to see the information in, eg web-based tool or document based report?

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