

RIIO-ED1 electricity distribution price control - overview of the regulatory instructions and guidance

Guidance

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Overview:

RIIO-ED1 is the price control for electricity distribution network operators (DNOs) from 1 April 2015 to 31 March 2023.

This document is part of the regulatory instructions and guidance (RIGs) for RIIO-ED1. The term RIGs refers to a collection of documents – our instructions and guidance and the reporting packs and commentaries the DNOs have to fill out. The RIGs are the main way we get information from the DNOs. We need this information to administer, and check compliance with, the electricity distribution licence and RIIO-ED1 final determinations.

This document outlines reporting timescales and common guidance for the DNOs to follow when submitting reporting packs and commentaries to us.

The RIGs will be used to collect data from 1 April 2015 to 31 March 2023.

Context

RIIO-ED1 is the first electricity distribution price control to reflect the new RIIO (Revenue = Incentives + Innovation + Outputs) model. The RIIO-ED1 price control review set the outputs that the 14 electricity distribution network operators (DNOs) need to deliver for their consumers and the associated revenues they are allowed to collect. RIIO-ED1 covers an eight-year period from 1 April 2015 to 31 March 2023.

The purpose of this document and its annexes is to provide a framework that DNOs are required to follow when submitting information to us.

Reference documents

Final determinations

[RIIO-ED1 final determinations for the slow-track electricity distribution companies](#)

[RIIO-ED1 final determinations for the four licensees owned by Western Power Distribution](#)

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1. Introduction

Background

1.1. The RIIO-ED1 price control review set the outputs that the 14 electricity distribution network operators (DNOs) need to deliver for their consumers and the associated revenues they are allowed to collect. RIIO-ED1 covers an eight-year period from 1 April 2015 to 31 March 2023.

1.2. We will monitor and evaluate the DNOs' performance over RIIO-ED1. The main reporting mechanism is the regulatory instructions and guidance (RIGs), which provide a common framework for DNOs to report relevant performance data, cost and financial information.

1.3. The RIGs specify the information we want and provide guidance on how to provide this information.

1.4. We collect this information to enable us to:

- monitor DNOs' delivery of their price control outputs and associated deliverables
- monitor the rewards and penalties the DNOs have received as a result of this performance
- monitor DNOs' delivery of wider price control commitments
- monitor compliance with licence requirements
- collect information for use in the annual iteration process¹
- have visibility of the DNOs' latest forecasts on key deliverables
- inform the assessment in the next price control review.

Legal framework

1.5. RIGs are documents associated with the electricity distribution licence. The DNOs are required to comply with them as if they were part of the licence.

1.6. Standard licence condition 46 (Regulatory Instructions and Guidance) of the electricity distribution licence sets out the scope, contents and common governance arrangements for the RIGs. The information a DNO provides must relate to its licensed distribution business and any affiliates or related undertakings.

1.7. Where appropriate, the specified information a DNO provides to us must comply with the requirements under standard licence condition 45 (Data Assurance

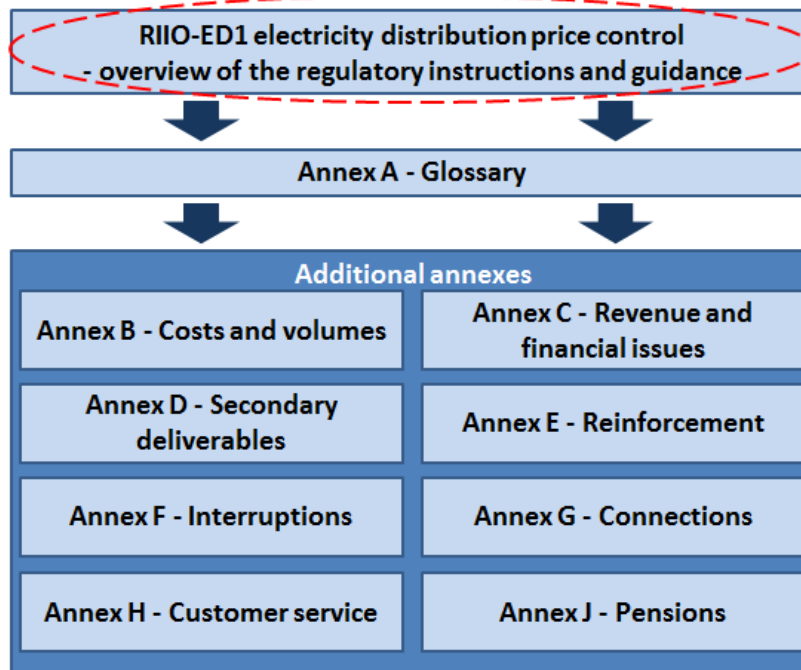
¹ The annual iteration process uses revised price control financial model (PCFM) variable values to recalculate base revenue for each DNO.

requirements). Standard licence condition 45 and its associated guidance (the data assurance guidance (DAG)) specify the information in these RIGs where the DAG requirements apply. The DAG requires the DNO to perform a risk assessment and carry out data assurance activities on the information it provides.

Structure of the RIGs

1.8. This document, as circled in red in Figure 1.1, is an overview of the RIIO-ED1 RIGs and the DNOs' reporting requirements. The RIGs also include templates the DNOs must use to submit the information. Figure 1.1 shows that there are a series of further documents providing additional instructions and guidance that DNOs must follow when submitting specified information to us. There is a link to the annexes in the 'Reference documents' section on page 2 of this document.

Figure 1.1: Map of the RIIO-ED1 RIGs documents



2. Content and submission of information

Overview

2.1. The RIGs comprise:

- instructions and guidance on how report and, where applicable, derive information, including a list of definitions
- reporting pack templates (in Microsoft Excel® format) for the submission of numerical information
- commentary template[s] for providing information to support the reporting packs.

Form and purpose of the instructions and guidance

2.2. This document together with its annexes listed in Figure 1.1 are the instructions and guidance.

2.3. The purpose of the instructions and guidance is to provide DNOs with the information they need in order to accurately complete the reporting packs. The instructions and guidance provide, where applicable, information on:

- requirement for historical and forecast data
- reporting units
- the methodology for calculating or deriving required numbers
- the provision of the data to us (format, frequency etc.)
- any audit or examiner requirements
- reasons for the data requirement
- definitions of the terms used in the RIGs.

Submission of completed templates

What is submitted and when

2.4. Information is normally provided for a regulatory year. The regulatory year for the provision of information runs from 1 April in one calendar year to 31 March in the next. For specified information, the instructions and guidance may reference a shorter time period for the recording and reporting of information.

2.5. Table 2.1 lists each annex and associated reporting pack and commentary templates. Submissions are made once per year, except for Annex J – Pensions which is submitted every three years. Most data covers a regulatory year however some information covers a shorter time period eg, each month or quarter of the regulatory year. Table 2.1 specifies the period covered by each reporting pack and the submission deadline. DNOs are required to submit completed templates no later than the deadline specified.

2.6. When submitting completed templates DNOs must ensure that any additional submission requirements outlined in the annexes have been met, eg an audit.

Table 2.1: RIGs annexes, reporting pack commentary templates, and timeframes

Instructions and guidance annexes	Reporting pack templates	Commentary templates	Period	Submission deadline
Annex B – Costs and Volumes	Costs and Volumes	Costs and Volumes	Regulatory year	31 July
Annex C – Revenue and Financial Issues	Revenue	Revenue	Regulatory year	31 July
	Financial Issues	Financial Issues		
Annex D – Secondary Deliverables	Secondary Deliverables	Secondary Deliverables	Regulatory year	31 July
Annex E – Reinforcement	Reinforcement	Reinforcement	Regulatory year	30 September
Annex F – Interruptions	QoS Interruptions	n/a	Regulatory year	30 April
	QoS Interruptions Stage Data			
	Guaranteed Standards of Performance	n/a	Regulatory year	31 July
	Occurrence Non-incentivised			
	QoS HV disaggregation	n/a	Regulatory year	30 November
Annex G – Connections	Connections	Connections	Regulatory year	31 July
	Connections Guaranteed Standards (SLC 15A)	n/a	Quarterly, starting April to June	31 July
	SLC 12 and 15 reporting	n/a	SLC 12: regulatory year SLC 15: quarterly, starting April to June	31 July

Instructions and guidance annexes	Reporting pack templates	Commentary templates	Period	Submission deadline
Annex H – Customer Service	Customer service	n/a	Complaints and customer satisfaction - quarterly, starting April to June Telephony – monthly	31 July
Annex J – Pensions ²	Triennial Pensions	<i>See appendix 2 of the pensions RIGs</i>	-	July and September 2017, July and September 2020, July and September 2023

Resubmission

2.7. Our agreement is needed before a DNO can resubmit any RIGs information. The DNO must resubmit the relevant template (and commentary where appropriate) in full. It must provide an accompanying list of input cells it has changed, with a commentary explaining the reasons for the changes.

2.8. Where we require a DNO to resubmit RIGs information we will inform the DNO of the actions it must take and the timelines over which they must be taken.

2.9. In addition, the Revenue reporting pack template (submitted in accordance with Annex C – Revenue and Financial Issues) can only be resubmitted where the appropriate auditor has deemed it necessary.

Publication and sharing of information

2.10. We may publish information DNOs provide us in the RIGs. This will primarily be to inform stakeholders of DNOs' performance against their price control commitments. We will not publish information that is commercially sensitive. This should not prevent DNOs from publishing any further information that their stakeholders want to see.

2.11. DNOs will also be required to publish information each year. This information is likely to include a summary of relevant information contained in the RIGs. We will work with DNOs and other stakeholders to finalise this reporting requirement. We will modify the RIGs to include this requirement.

² The [Pension RIGs](#) are published separately as common RIGs apply to all network companies.

3. Instructions for completing reporting pack and commentary templates

Overview of the reporting pack templates

3.1. DNOs must use the reporting pack templates when reporting specified numerical information to us as part of the RIGs. They are in Microsoft Excel® format. They ensure the DNOs submit data in a consistent format.

3.2. Below are general instructions that apply to all reporting packs. Specific instructions and guidance for completing each worksheet within the reporting packs are included in the associated annexes.

Filling in the reporting pack templates

Overview

3.3. The majority of reporting pack templates contain the following common worksheets:

- Navigation – provides a reference and link to each table in the reporting pack
- Changes log – for DNOs and us to log changes that are made to the template, eg correcting an error in a formula
- Data change log – for a DNO to record any changes that it has made to historical, and therefore previously submitted, data.

3.4. DNOs must not change, add or delete any cells, formulae or formatting in the reporting pack templates unless we have directed DNOs to do so. For example, to correct an error or if the guidance allows for additional rows to be added.

Inputting values and linking

3.5. Cells in the worksheets are colour coded to reflect the action required. Unless otherwise stated, DNOs are required to input data in yellow cells. DNOs are only required to enter values related to the regulatory year under report, and any previous regulatory years, unless specified in the guidance ie, where forecasting is required.

3.6. Cells in worksheets may be linked to other cells either in the same reporting pack or another reporting pack. DNOs must maintain these links. We will consider failure to do so as non-compliance with the RIGs unless we have directed that a change be made.

3.7. Where one reporting pack links to another reporting pack, DNOs must save the reporting packs on their own systems and re-establish the links to operate correctly.

Dealing with errors in the templates

3.8. Where a DNO identifies an error in a reporting pack template, eg a cell incorrectly linking to another cell, they must notify us of the error as soon as possible. If we confirm there is an error we will notify all DNOs. If there is adequate time before the submission deadline we will instruct each DNO to correct the error in the reporting pack template before it is submitted. We will decide whether adequate time exists based on the materiality of the error and by consulting with DNOs. The change must be logged in the “changes log” worksheet in the relevant reporting pack template.

3.9. Where we identify an error in a reporting pack template we will notify all DNOs. If there is adequate time before the submission deadline we will instruct each DNO to correct the error in the reporting pack template before it is submitted. The change must be logged in the “changes log” worksheet in the relevant reporting pack template.

Complying with definitions

3.10. Definitions are included in Annex A – Definitions. DNOs must comply with the definitions when entering data in the reporting pack templates. They should consult us for clarification where there is doubt or uncertainty. If we think that the clarification may be useful for all DNOs we will inform them via email.

Accounting policies

3.11. DNOs should enter all costs on a cash basis and exclusive of atypical items except where specifically instructed to report data. On a cash basis means exclusive of all provisions and accruals and prepayments that are not incurred as part of the ordinary level of business.

Use of estimates, apportionments and allocations

3.12. DNOs must identify in the commentaries where they have used estimates, apportionments and allocations when completing the RIGs. Where the DNO has applied an estimate, apportionment or allocation methodology the basis of this must be kept on record and be provided in the relevant commentary. This should include a record of the systems and/or methodology used to derive the values submitted in the RIGs.

Accuracy of reporting

3.13. DNOs are required under standard licence condition 45 (Data Assurance requirements) to perform a risk assessment and carry out data assurance activities on the information submitted in the RIGs. The data assurance activities carried out should ensure the accuracy of the information submitted.

Provision of historical data

3.14. All historical expenditure should be input in nominal terms ie, in the prices of the year to which the data relates.

3.15. Some reporting packs require data to be submitted for years prior to RIIO-ED1. Where this is the case DNOs must provide this data in the reporting packs which report on performance in 2015-16, or earlier.

3.16. At each submission DNOs may resubmit values included in previous submissions. Changes to historical values may be:

- Due to finding an error in the recording or reporting of information.
- To take account of a direction by Ofgem to revise allowed expenditure for smart meter roll-out costs, worst served customers and visual amenity projects. This ensures that the data in the RIGs is kept up to date and in line with figures used in the Price Control Financial Model.

3.17. For example, the reported expenditure on worst served customer projects will be used to calculate the input to the price control financial model (PCFM). We may subsequently issue a direction revising these values where worst served customer projects do not deliver the required performance improvement. The reporting pack templates require DNOs to take account of previous directions when submitting each year.

3.18. Where a previously submitted value has been changed the DNO must notify us of this change and the reason for it by recording in the "data change log" in the relevant reporting pack.

3.19. There are further instructions and guidance on historical data in the annexes.

Provision of forecast data

3.20. DNOs are required to provide forecasts in the RIGs. The detailed requirements are in the relevant annexes. The purpose of requesting forecasts is to help us better understand the implementation of the price control and any changes to planned activities, and to allow us to examine the robustness of DNOs' forecasting processes over time.

3.21. Reporting of forecast expenditure should be in 2012-13 prices and include the expected impact of real price effects but not the expected impact of economy-wide inflation.³

3.22. During the RIIO-ED1 price control period we expect to extend the requirement to report forecasts for years beyond RIIO-ED1.

3.23. There are further instructions and guidance on forecast data in the relevant annexes.

Overview of the commentary templates

3.24. The purpose of the commentary templates is for the DNOs to provide evidence and explanation of the information they are submitting. The commentary templates include specific instructions on what each commentary should include. Not all reporting packs have associated commentary templates.

3.25. DNOs that are part of one ownership group need only submit one copy of each completed commentary template per group. Where the commentary varies between the DNOs in the group it should be clearly stated which DNO the commentary applies to.

³ When considering the impact of real price effects DNOs should reference economy-wide inflation as measured by the retail prices index (RPI).