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Our ref

Your ref

Date

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25 February 2015

Dear Joanna,

The regulatory instructions and guidance for the next electricity distribution network operators' price control, RII0-ED1

I am writing on behalf of Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc, Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) plc in response to the above consultation of 28th January 2015.

Ofgem has embarked on an extensive restructuring and redesign of the reporting requirements for distribution network operators. This is a huge undertaking which has required detailed reviews by both Ofgem and DNOs. Inevitably this consultation does not include the complete reporting guidelines and there are areas which still require considerable work.

Following the closure of this consultation there will be limited time to incorporate the feedback and complete outstanding areas. We will work with Ofgem during these final stages to ensure that the reporting requirements are reasonable, workable and relevant.

In parallel to this consultation, we have continued to work on the reporting requirements and provided numerous comments on costs and volumes reporting. We have also contributed significant effort to drafting outstanding areas. We have not included those details in this response.

We provide responses to the specific questions raised in the consultation in the following pages. Should you wish to discuss any aspects of our response please contact amichalowski@westernpower.co.uk or dbroderick@westernpower.co.uk.

Yours sincerely



ALISON SLEIGHTHOLM
Regulatory & Government Affairs Manager

Question 1 - What are your views on the proposed structure? Does the proposed structure appropriately split reporting between different annexes?

The proposed structure, to bring all reporting requirements under a common set of regulatory instructions and guidance (RIGs), is a sensible way forward. This particularly applies to glossary definitions which relate to the same data in different annexes. Having one glossary avoids the risk of differences in definitions and reduces inconsistencies in data submissions.

The process of integrating definitions from a number of sources requires care. Where definitions are used in a number of places they need to be checked to ensure that they adequately cover all requirements. In doing so, it is also important to ensure that they don't contradict other definitions.

With the RIGs being revised and expanded, there is a need to check that all new/revised terms are defined and all superfluous terms are removed. Ofgem needs to allow sufficient time for these checks.

There is one area of reporting that causes concern. This relates to the memo tables (M5, M7, M10 and M11) that are currently part of the Annex B – Costs and Volumes, but will be required to be appended to the Environment Report. These tables should be removed from Annex B and form a new annex for the following main reasons:

- It is more practical to have them in their own pack rather than having to create a pack by extracting them from the cost and volume annex.
- The data in the memo tables is mainly estimates, extracts from CBAs and counterfactuals (e.g. avoided costs). This is different to the rest of cost and volumes which is based on actual measures of costs or volumes of activity.
- As the memo tables are new and associated with evolving areas of activity they are likely to change during ED1. These changes would be more easily managed if they were in a standalone annex rather than part of the much larger cost and volumes pack.

Question 2 - What are your views on the information we are asking the DNOs to forecast? (See the F1 - Forecasts worksheet in the Costs and Volumes Reporting Pack.)

At present there is no guidance on the F1 - Forecasts table in the Costs and Volumes pack, but the 'Overview' document provides the following high level details:

- Purpose is to help Ofgem better understand the implementation of the price control and any changes to the planned activities, and to allow Ofgem to examine the robustness of DNOs' forecasting processes over time.
- Forecasts will be in 12/13 prices and include RPEs.
- Requirements will be extended during ED1 price control to include years beyond ED1.

There are a number of specific forecasting requirements throughout the annexes. For example:

In Annex B

M5 - Losses: requirement to provide a forecast for the following year

M11 - LCTs: providing a forecast of the DECC low carbon scenario

Ofgem needs to ensure that the basis of forecasting is consistent. For example the overarching guidance states that forecasts will be in 2012/13 prices, but the losses forecasts could be in nominal values. Furthermore forecasts for RIIO-ED2 business plans will most likely be in 2021/22 prices.

The F1 Forecasts table is at the "C1" summarised level. This will be adequate in the early years of RIIO-ED1 for providing a high level view of any significant changes to the scale of work programmes.

Any significant changes should be explained within the commentary. Discussions at working groups have suggested that the commentary will not cover forecasts, but it will be applicable for the F1 Forecasts table.

Although it may not be possible to specify the detail, it would be useful for DNOs to know the different staging posts when forecasting requirements will change during the period. We do not expect that there will be a requirement for a detailed forecast until data submissions for RIIO-ED2. We therefore expect that most, if not all, forecasts prior to this point will be based upon the F1 Forecast table. At some point in time Ofgem will want to extend the time period of the F1 Forecast table to cover RIIO-ED2. We suggest that an appropriate time to do this would be at the mid-point of RIIO-ED1 as part of the data submission for the 2018-19 regulatory year.

There may also be specific tables where Ofgem will want a detailed forecast. It would be useful for DNOs to know which tables this affects and when the forecasts will be required.

The following table of comments relates to the structure and detail on the F1 Forecast table:

Columns AI-AO need deleting
If the current format is retained, an additional section for 'Net costs after allocations to RAV' would be useful

Columns AF and AG should be yellow and blue cells, rather than green
It would be more useful to split out column AD 'Other costs within price control' between atypicals and innovation costs
It would be more useful to split out column AF 'Total costs outside price control' between connections and non-connections costs

Question 3 - We and DNOs may publish information contained in the RIGs. What information would you like to see published? What format would you like to see it published in and how often?

WPD supports publishing data that stakeholders will find useful.

The amount and type of data needs to be related to the needs of the stakeholders, but different stakeholders may have different levels of interest. Ofgem should not be driven to try to meet all requirements as this may lead to vast quantities of data being published. The requirements should remain proportionate and balanced.

In recent stakeholder engagement sessions, WPDs stakeholder indicated that there are different levels of detail that they may be interested in. At the simplest level there are short summary overviews. Where necessary, these can be supplemented by more detailed information for those stakeholders with a more detailed interest.

Since data is collated each year, it would follow that the shortest publication period is annual. Any requirements to publish data more frequently would lead to an administrative burden on DNOs.

Question 4 - We are consulting in parallel on the Environment Report. Most of the data to be included in the Environment Report will be collected in the RIGs. What are your views on this approach? Do you think some or all of the data in the Environment Report should be collected separately?

WPD has responded separately to the Environment Report Guidance. WPD is concerned that Ofgem's ERDG requires a report which is beyond the scope of the licence requirement as it duplicates the requirements of other licence conditions. The scope and content of the report needs to be streamlined to make it more relevant to the majority of stakeholders.

The requirement to append regulatory reporting tables and numerous cost benefit analysis spreadsheets make the report more like a regulatory submission. A better approach would be to include summary data within the report. This would remove the need for stakeholders to be familiar with the structure and content of regulatory data templates and cost benefit analysis spreadsheets.

However if Ofgem is going to require the publication of detailed tables from the RIGs, then we agree that all of the data should be collected via the RIGs. Furthermore the structure of the RIGs tables need to be changed to create an Environmental Reporting pack containing all the information required for the Environment Report, including memo tables (M5, M7, M10 and M11) and commentary. Cost information should be retained within Annex B – Costs and Volumes to ensure that all costs are captured in the same place. This Environment Reporting pack could then be published as an Annexe for those more specialist stakeholders who are interested in detailed data. In turn this would minimise the duplication of data assurance activity in relation to this data.

We do not support a requirement to collect additional environmental data separately from the RIGs. It is our understanding that the Environment Report is a summary of all of a DNO's environmental activities based on data already reported to Ofgem and signposting other published information. It was not intended to create new data requirements.

It is also important that data reported to Ofgem is covered by consistent governance. This ensures that any changes proposed to data for the Environment Report is assessed in relation to its impact on the rest of the pack. It also means that reporting requirements are more likely to be balanced and proportionate in relation to other data requirements.

Question 5 - Specific comments on individual tables and their associated guidance and definitions.

WPD has provided extensive input into working groups and the majority of comments have been provided directly to Ofgem through those groups.

We provide additional comments in the spreadsheet (WPD RIGS RESPONSE FEB 2015.XLS) submitted with this response.