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Date: 28 August 2015

## Open letter consultation: how we report on electricity distribution company performance

We would like your feedback on how we and the Distribution Network Operators (DNOs) report on company performance during the current electricity distribution price control, RIIO-ED1<sup>1</sup>. RIIO-ED1 was implemented from April this year (running until 2023). We will start reporting on first year performance in 2016.

We want the wider stakeholder community to have access to good quality information on company performance. In doing so, we must consider the time and cost burden of providing information with the usefulness of the information provided to stakeholders. This consultation aims to balance these concerns while improving the quality of information stakeholders have access to.

### Introduction

Every year, DNOs send us extensive information as part of their Regulatory Instructions and Guidance (RIGs)<sup>2</sup> submissions. This lets us monitor their performance through the price control. You will find more information on the RIGs on [our website](#). In the RIGs Guidance Document issued on 18 June 2015<sup>3</sup>, we said we may publish information in the RIGs. We also indicated that future versions of the RIGs will require DNOs to publish more RIGs information - including summary information in a more accessible format.

We have also previously published some of this information for electricity distribution companies in our annual reports<sup>4</sup>. Although we did not publish annual reports during the years while RIIO-ED1 was being set, performance related information was made publicly available as part of the RIIO-ED1 process. We intend to publish a report based on the first year's data for RIIO-ED1 (2015-16) in late 2016. Ahead of this, we want your views on the form, scope and timing of information on company performance published by both Ofgem and the DNOs.

The transmission and gas distribution RIIO controls (RIIO-T1 & GD1) started in April 2013. In 2014, we created a new section on our website showing the companies' performance. It provides summary information with our 2013-14 annual reports for transmission and gas distribution. The network companies also published information on their websites on what

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<sup>1</sup> For more information on RIIO-ED1, please see: <https://www.ofgem.gov.uk/network-regulation-riio-model/riio-ed1-price-control>

<sup>2</sup> You will find more information on data collected in the RIGs on our [website](#).

<sup>3</sup> Please see 'Overview of the regulatory instructions and guidance'  
[https://www.ofgem.gov.uk/sites/default/files/docs/2015/06/rigs\\_overview\\_0.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2015/06/rigs_overview_0.pdf)

<sup>4</sup> Our Electricity Distribution Annual Report for 2010/11 is available on our website:

<https://www.ofgem.gov.uk/ofgem-publications/46553/electricitydistributionannualreportfor201011.pdf>

they are delivering (outputs), the efficiency of delivery and other information including financial information and a commentary on their performance<sup>5</sup>.

Although this provides a starting point for performance reporting for electricity distribution, we would like your views on what performance related information you would like to see published for RIIO-ED1. We want to ensure that the content and format of information published meets the needs of stakeholders, and is appropriately targeted. In the future the monitoring and reporting may be standard across the different networks. However, this may take a number of years and stakeholders should not feel constrained by what has already been developed. In practice, we are likely to see developments feeding across from one network to other networks over time, but different approaches may still be needed for each sector.

Reporting on company performance during RIIO-ED1 should remain flexible to reflect the fact that our approach and analysis, and that of the companies, is likely to change as we move through the price control and more data becomes available. Companies have committed to deliver their outputs over an eight-year period and a combination of in-year, forecast and cumulative data will need to be used to provide a clear, transparent and accurate picture of DNO performance.

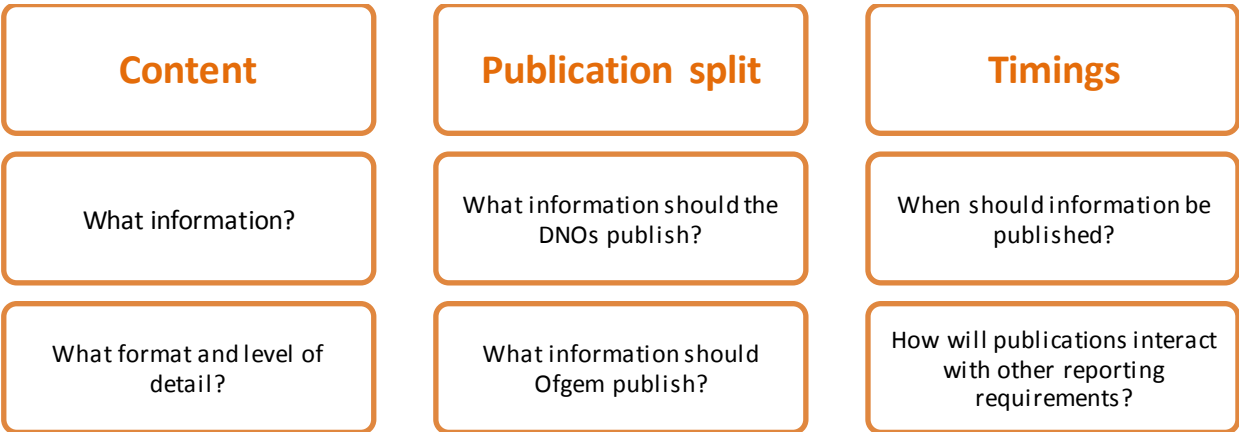
**Interactions**

The focus of this consultation is on DNO performance under RIIO-ED1. Where appropriate, feedback from this project will be used to inform reporting on company performance in RIIO-T1 and RIIO-GD1, just as our work on the first years of those reviews will also influence monitoring and reporting of DNO performance.

This also includes aspects of monitoring and reporting that are under development. In particular, we have recently published an open letter consultation on the proposed development of RIIO Accounts. These will replace the existing regulatory accounts which all network companies are required to publish annually<sup>6</sup>. RIIO Accounts will apply to all sectors (electricity transmission and distribution, gas transmission and distribution) and are mainly targeted at the investor community. The accounts will provide audited information about a company performance early in the reporting cycle.

**Structure**

This letter is structured around the following key questions:



<sup>5</sup> You will find links to company reports on our website: <https://www.ofgem.gov.uk/network-regulation-riio-model/network-performance-under-riio>

<sup>6</sup> <https://www.ofgem.gov.uk/publications-and-updates/open-letter-consultation-development-and-introduction-riio-accounts>

Some stakeholders have already given us their ideas on the type and format of performance information. We have included these as appendices to this letter. We are not consulting on these ideas as options, but have included them to help support and inform consultation responses.

*Q1: Do you have any comments on the scope and purpose of this consultation?*

### **Responding to this consultation**

Please send your response using the response template in Annex 6 to Clothilde Cantegreil at [RIIO.Implementation@ofgem.gov.uk](mailto:RIIO.Implementation@ofgem.gov.uk) by 9 October. Unless your response is clearly marked as confidential, we will publish it on our website.

Yours faithfully,

**Anna Rossington**  
**Associate Partner - RIIO Implementation**

## 1. Content

We would like your views on:

- what information you would like to see published; and
- the appropriate level of detail and format for you.

We understand that stakeholders will need different types of content and level of detail. We are therefore seeking views on what information you are interested in seeing published at the following levels of detail:

- Summary information;
- Mid-level information focusing on key aspects of DNO performance; and
- In-depth information or data.

We explain each of these levels in more detail below.

### Summary information

Stakeholders have been calling for key indicators to be published in a simple format<sup>7</sup>. Making a set of core metrics publicly available in a highly-accessible format will be a useful tool to help stakeholders who do not engage regularly with DNOs understand how company performance affects them. We think this information could be presented in a short infographic-style report. This would be targeted at consumers, their representatives and other interest groups<sup>8</sup>.

We have identified key information in Table 1 which we think may be of interest to the wider stakeholder community. Under the RIIO framework, we have set outputs that the DNOs will need to deliver for their customers and the revenues that they can collect. Some of these outputs are also financially incentivised. The outputs are split into six categories:

- Safety
- Reliability
- Environmental impact
- Customer satisfaction
- Social obligations
- Connections

You will find further details on outputs and incentives in the Strategy Decision for the RIIO-ED1 price control: Outputs, incentives and innovations<sup>9</sup>. An infographic-style report would be structured around these six outputs and would provide a clear indication of the impact of any incentives on the DNOs' financial performance, as well as key comparator data (e.g. number of customers).

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<sup>7</sup> See Citizens Advice report - 'Beginning to see the light':

<https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/Beginning%20to%20see%20the%20light%20-%20reporting%20paper.pdf>

<sup>8</sup> We have already published high-level information on the results of the RIIO-ED1 price control review in an infographic format on our website: <https://www.ofgem.gov.uk/publications-and-updates/infographic-how-ofgems-network-price-control-proposals-riio-ed1-will-affect-you>

<sup>9</sup> Available on our website: <https://www.ofgem.gov.uk/ofgem-publications/47068/riioed1decoutputsincentives.pdf>

**Table 1 - Summary information**

Category	Description	Type of information/ data			
General comparator data	Number of customers	Raw data			
	Network length	Raw data			
	Number of new connections	Raw data			
Revenue	Bill impact	£/ average domestic household bill			
	Revenue - difference between allowed revenue <sup>10</sup> at time of ED1 settlement vs. actual revenue	Chart breakdown including total expenditure (amount of money spent by the DNO - £), and any penalties or rewards resulting from incentives (£)			
Summary of outputs performance <sup>11</sup>	Safety	Based on compliance with HSE legislation			
	Reliability	Based on number of interruptions and minutes lost as experienced by customers			
	Environmental impact	Based on company's Business Carbon Footprint			
	Customer Satisfaction	Based on company's performance in customer satisfaction survey			
	Social obligations	Based on company's performance in stakeholder engagement scheme			
	Connections	Based on average time for the company to quote and connect a customer			

<sup>10</sup> Maximum revenue that a company can earn each year

<sup>11</sup> Summary based on key metrics - not all metrics to be included. Use of traffic lighting to indicate level of performance for each output.

Please refer to annexes 1 and 2 for examples provided by stakeholders.

*Q2: What do you think about the information we suggest including in an infographic-style report included in Table 1?*

*Q3: Are there any other metrics you would wish to see included in an infographic-style report and why? You will find more information on data collected in the RIGs on our [website](#).*

*Q4: Do you have any comments on the sample infographic-style report included in Annex 1 and the suggested content for an infographic-style report included in Annex 2?*

*Q5: Should an infographic provide information at DNO or DNO group level<sup>12</sup>?*

### **Mid-level information**

This would give more details and narrative or commentary on the key components of the RIIO framework. Stakeholders targeted include anyone interested in getting more information on specific aspects of company performance and how incentives affect company revenue.

This information could also be structured around the six primary output categories and also include financial information and innovation performance. We include a summary in Table 2 below. We have defined all key terms in the [RIIO-ED1 Glossary](#). In order to provide a clearer, more complete picture of how DNOs are performing, information on how companies are forecasting to perform against their outputs could also be included.

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<sup>12</sup> There are 14 regional DNOs in total, owned by six different companies.

**Table 2**

Category	Description	Type of information/ data	Rewards/ penalties (£)?
Revenue, customer bill impact and total expenditure	Revenue	<ul style="list-style-type: none"> <li>Explanation of base revenue</li> <li>Allowed revenue</li> </ul>	n/a
	Bill impact	<ul style="list-style-type: none"> <li>Real bill impact on average customer household bill, including breakdown of: costs, outputs, rewards and penalties, and returns</li> </ul>	n/a
	Total expenditure <sup>13</sup> (Totex)	<ul style="list-style-type: none"> <li>Totex allowance vs. actual spend</li> <li>Reasons behind any over or underspend</li> </ul>	n/a
Financial performance	Return on Regulatory Equity (RoRE) <sup>14</sup>	<ul style="list-style-type: none"> <li>Including breakdown based on: base return, and rewards and penalties under each individual incentive</li> </ul>	n/a
	Regulatory Asset Value <sup>15</sup> (RAV)	<ul style="list-style-type: none"> <li>Opening and closing RAV</li> </ul>	n/a
Primary outputs	Safety	<ul style="list-style-type: none"> <li>Compliance with HSE legislation, including any outstanding issues</li> </ul>	n/a
	Reliability	<ul style="list-style-type: none"> <li>Guaranteed Standard of Performance (GSoP)</li> <li>Number of interruptions and customer minutes lost per 100 customers</li> <li>Secondary deliverables - Summary of Asset Health and Loading Indices Performance<sup>16</sup></li> </ul>	Yes - rewards and penalties
	Environmental impact	<ul style="list-style-type: none"> <li>Business Carbon Footprint</li> <li>KMs of lines buried underground in National Parks/ Areas of Outstanding National Beauty</li> <li>Discretionary reward for incentives to reduce losses</li> <li>Number of low carbon technologies connected</li> </ul>	Yes - losses discretionary reward
	Customer Satisfaction	<ul style="list-style-type: none"> <li>Broad Measure of Customer Satisfaction (BMCS)<sup>17</sup> - including scores for customer satisfaction survey, complaints metric, and stakeholder engagement incentive</li> <li>Number of calls taken</li> </ul>	Yes - rewards and penalties under BMCS
	Social obligations	<ul style="list-style-type: none"> <li>Details of company activities targeted at vulnerable customers</li> </ul>	n/a
	Connections	<ul style="list-style-type: none"> <li>Incentive of Connections Engagement (ICE)<sup>18</sup></li> <li>Time to Quote and Time to Connect incentives</li> <li>Guaranteed Standards of Performance (GSoP)</li> </ul>	Yes - rewards and penalties
Innovation	Innovation	<ul style="list-style-type: none"> <li>Network Innovation Allowance (NIA)<sup>19</sup></li> <li>Network Innovation Competition (NIC)<sup>20</sup></li> <li>Innovation Rollout Mechanism (IRM)<sup>21</sup></li> </ul>	Funding awarded under NIC for innovation project and under IRM to fund the roll-out of innovative technologies/ projects

Please refer to annexes 2 and 3 for other examples provided by stakeholders.

<sup>13</sup> Totex mainly consists of all the expenditure relating to a licensee's regulated activities

<sup>14</sup> The RoRE is a measure of the financial return achieved by shareholders of a company. It is a useful way to gain an overall picture of how companies are performing under the price control.

<sup>15</sup> The RAV indicates how much a company's assets are worth

<sup>16</sup> Secondary deliverables are additional indicators of company performance which look at the health and loading of a DNO's assets.

<sup>17</sup> You will find more information on the BMCS on our website: <https://www.ofgem.gov.uk/electricity/distribution-networks/network-price-controls/customer-service>

<sup>18</sup> You will find more information on the ICE on our website: <https://www.ofgem.gov.uk/publications-and-updates/incentive-connections-engagement-ice-guidance-document-decision>

<sup>19</sup> You will find more information on the NIA on our website at: <https://www.ofgem.gov.uk/network-regulation-riio-model/network-innovation/electricity-network-innovation-allowance>

<sup>20</sup> You will find more information on the NIC on our website at: <https://www.ofgem.gov.uk/network-regulation-riio-model/network-innovation/electricity-network-innovation-competition>

<sup>21</sup> You will find more information on the IRM on our website: <https://www.ofgem.gov.uk/publications-and-updates/assessment-benefits-rollout-proven-innovations-through-innovation-roll-out-mechanism-irm>

*Q6: Are there any metrics included in Table 2 which you do not think are relevant or important? Why?*

*Q7: Are there any other metrics not included in Table 2 which you would also like to see reported in a mid-level report? Why? You can find more information on data collected in the RIGs on our [website](#).*

*Q8: Would you like information and/or data published to reflect in-year performance or are you also interested in performance up to date and/or forecast or cumulative data? If so, why?*

*Q9: Do you have any comments on the templates provided by stakeholders in annexes 2 and 3?*

Some areas of DNO performance outlined in Table 2 are financially incentivised including for example the BMCS, Customer Interruptions, Customer Minutes Lost, ICE, Time to Connect and Losses Discretionary Reward.

*Q10: Would you be interested in the bill impact of each individual incentive or is overall bill impact a more useful measure?*

### **Detailed information and data**

We recognise that some stakeholders would also be interested in seeing more detailed information and data being made publicly available. This could include data on a very specific aspect of DNO performance or data which is only relevant at the local level. We would like to better understand stakeholders' needs to ensure that any detailed data or information published either by us or the DNOs is relevant and useful.

*Q11: What additional data or information submitted in the RIGs would you like to see made publicly available and why? You can find more information on data collected in the RIGs on our [website](#).*

### **Format of information**

Information and data can be presented in a variety of different formats such as charts, graphs, tables and descriptions. You might find some more useful than others – but this could also depend on the data being presented. We note that this question links to the discussion under section 2 on the way Ofgem should present comparative data.

*Q12: Do you have any preferences on the way data and information is presented?*

## **2. Publication Split**

There needs to be a clear and balanced split between information published by us and information published by the DNOs. This is to avoid unnecessary duplication and that published information remains relevant and findable.

### **Information and data published by the DNOs**

DNOs are responsible for supplying the accurate information their stakeholders need, and for explaining the reasons behind their performance. As such, DNOs should act as the primary suppliers of information, and should be the first port of call for detailed information on specific aspects of performance, or information which is relevant at the local level.

We will add a requirement in the RIGs for DNOs to publish some of the RIGs data. We are interested in your views on what information the DNOs should publish, at what level and in what format (please see section 1 above for potential content)



DNOs are required under their licence to report against the commitments that they made in their business plans (SLC50 Business plan commitment reporting). We expect DNOs to actively talk with their stakeholders in order to determine the scope, content and format of these reports. We see the RIGs requirement as being the primary reporting mechanism for the DNOs to publish their RIGs data. You will find an overview of DNO reporting requirements in Annex 5.

*Q13: What data should the DNOs publish?*

### **Information and data published by Ofgem**

Our role is to provide comparison across all DNOs and analyse DNO performance. In particular, stakeholders have been calling for us to make more comparative information available, and to provide a clear view of company performance, for example by using a performance ranking or traffic light system. We include some examples of traffic lights in Annex 4.

*Q14: What are your views on what data Ofgem should publish?*

*Q15: Based on the examples in annexes 1 and 4, and in tables 1 and 2 above, what do you think about using ranking and/or traffic lights? What are the advantages and disadvantages? Are there any alternative systems?*

*Q16: Are there any particular aspects of DNO performance that you are interested in and think are well-suited to ranking and/or traffic lights?*

### **Use of Ofgem website**

All information we publish should be easily accessible on our website. After we considered how to monitor and report transmission and gas distribution network company performance during RIIO-T1 and RIIO-GD1, we made changes including to our website. We introduced a new section on [Network performance under RIIO](#).

Although developments on performance reporting in RIIO-T1 and RIIO-GD1 can inform what we do for electricity distribution, you should not feel constrained by this in responding to this consultation. We may use feedback from this consultation to inform further website development for the other sectors as well as electricity distribution.

*Q17: What information or data would you like us to publish on our website?*

## **3. Timings**

The regulatory year ends on 31 March and DNOs submit the RIGs on the 31 July of each year. The DNOs also have additional reporting requirements under their licence. These are set out in Annex 6.

Stakeholders have asked for us to publish information in a more timely and predictable way. We have previously published annual reports and may reintroduce them for RIIO-ED1. In addition to an annual report, we would like further data to be made available every year. We would also like to know if you would like to see some information and/or data published more regularly.

*Q18: Keeping in mind the reporting requirements and timings set out in Annex 5, is there any specific data or information which you would like to see reported on more than an annual basis? If so, why?*

## **Annexes**

### ***Annex 1: Infographic Style Report that could be published by individual companies - Citizens Advice***

Annex 1 is available on our website at:

<https://www.ofgem.gov.uk/publications-and-updates/how-we-report-electricity-distribution-company-performance>

### ***Annex 2: RIIO-ED1 Reporting Template - ENWL***

Annex 2 is available on our website at:

<https://www.ofgem.gov.uk/publications-and-updates/how-we-report-electricity-distribution-company-performance>

### ***Annex 3: RIIO-ED1 Reporting Template - British Gas***

Annex 3 is available on our website at:

<https://www.ofgem.gov.uk/publications-and-updates/how-we-report-electricity-distribution-company-performance>

### ***Annex 4: Additional examples of traffic lighting***

### ***Annex 5: Overview of DNO reporting requirements***

### ***Annex 6: Response Template***

Annex 6 is available on our website at:

<https://www.ofgem.gov.uk/publications-and-updates/how-we-report-electricity-distribution-company-performance>

**Annex 4: Additional examples of traffic lighting**

*Example 1:*

This example is taken from the latest Electricity Distribution Annual Report 2010/11.<sup>22</sup> The table provides an example of how traffic lights could be used to represent company performance in specific areas.

Reliability and availability	Customer satisfaction	Connections	Social responsibility

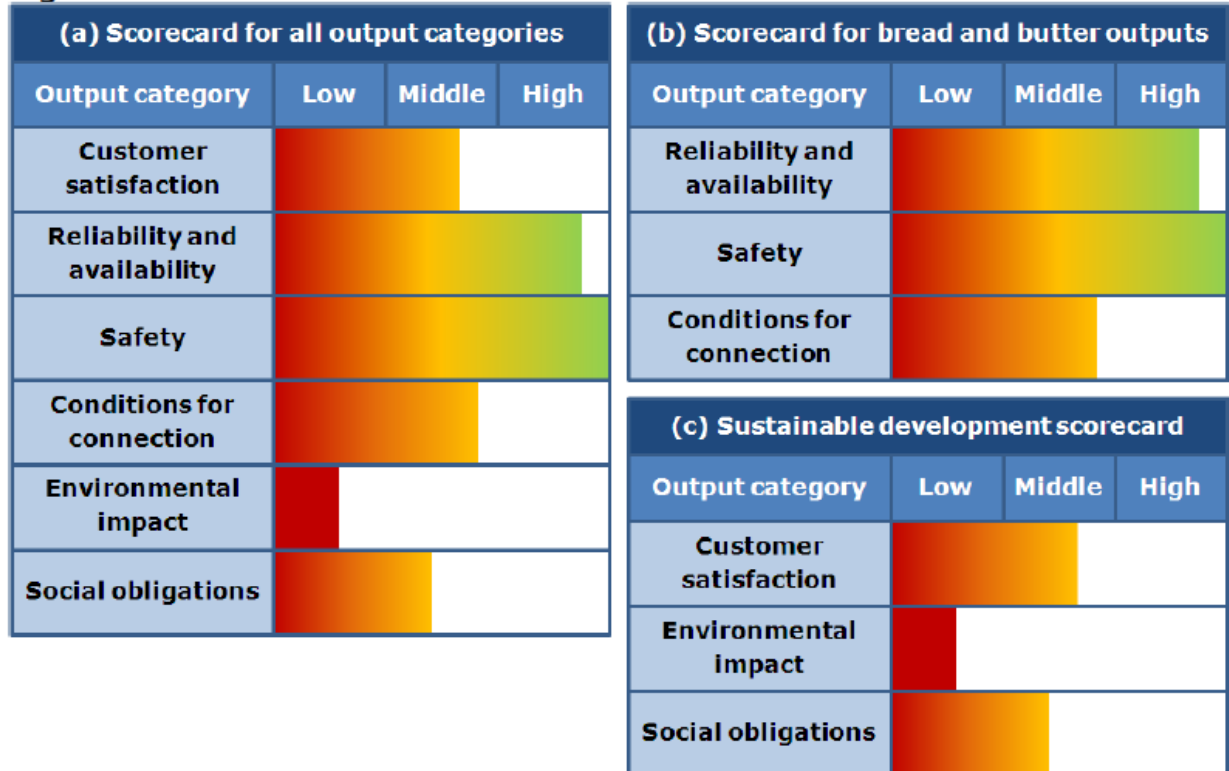
Notes: A small traffic light indicator represents partial or specific performance and is a narrow representation of overall performance in that area.  
 An environmental performance traffic light is not used this year as the data currently collected is not easily comparable. We intend to produce an environmental traffic light in future reports.

<sup>22</sup> Available online at: <https://www.ofgem.gov.uk/ofgem-publications/46553/electricitydistributionannualreportfor201011.pdf>

Example 2:

This example is taken from the RIIO Handbook.<sup>23</sup> It provides a sample scorecard for company performance during RIIO.

**Figure 23: Illustrative overview of a balanced scorecard**



<sup>23</sup> Available online at <https://www.ofgem.gov.uk/ofgem-publications/51871/riiohandbook.pdf>

## Annex 5: Overview of DNO reporting requirements

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
<b>RIGs (SLC46)</b>												
Costs and Volumes												
Revenue and Financial Issues												
<i>Revenue</i>												
<i>Financial Issues</i>												
Secondary Deliverables												
Reinforcement												
Interruptions												
<i>QoS Interruptions</i>												
<i>QoS Interruptions Stage Data</i>												
<i>Guaranteed Standards of Performance</i>												
<i>Occurrence Non-incentivised</i>												
<i>QoS HV disaggregation</i>												
Connections												
<i>Connections</i>												
<i>Connections Guaranteed Standards (SLC 15A)</i>												
<i>SLC 12</i>												
<i>SLC 15</i>												
Customer Service												
<i>Complaints and customer satisfaction</i>												
<i>Telephony</i>												
Environment and Innovation												
Pensions (2017/ 2020/ 2023)												
<b>Other Licence requirements (reporting/ submissions to the Authority)</b>												
System planning/ quality of performance (SLC 24)												
DAG (SLC 45)	*										**	
Environment (SLC47)												
Business Plan Commitment (SLC50)												
Stakeholder engagement incentive (CRC 2C)												
ICE (CRC 2E)												

\*2015 only

\*\*All subsequent years

\*\*\*Resubmission