

## Appendix 2- FEEDBACK QUESTIONNAIRE (word format)

Thank you for taking the time to respond to our questions

We hope all the questions are understandable, If you have any difficulties please email [REDACTED]

Once the questionnaire has been completed, please send it back to us using the email address above. Please return the completed questionnaire by 4 August 2015.

Section 1 - About you	
Question	Response
What is your name	
What is your job title	
What is your contact detail	
What is your company name	Electricity North West
What is the name of your group (applicable only if you are representing a user group)	

Section 2 – RIIO Accounts	
Questions	Response
1. Do you have any comments on the withdrawal of the current regulatory accounts as specified in standard special licence conditions A30 on Regulatory accounts for Gas Distribution and Transmission, standard condition B1 on Regulatory accounts for Electricity Transmission and standard condition 44 on Regulatory accounts for Electricity Distribution?	<p>The Regulatory Accounts in their current form have a number of benefits that will need careful consideration in the construction of a new RIIO Accounting framework. The statutory accounting rules and regulations that underpin them are well established providing a consistent, well-understood and comparable framework for reporting. This assists in a number of ways:</p> <ul style="list-style-type: none"><li>• The auditing framework is well established thereby creating stakeholder confidence in the quality of information being submitted</li><li>• The existing framework is also well understood by credit rating agencies and other stakeholder groups seeking to assure themselves of a secure financial environment which in itself helps to assure an investment grade credit rating, thereby benefitting consumers in the long run with a lower cost of capital</li><li>• The consistency and longevity of</li></ul>

	<p>the current framework permits comparability between NWO's as well as across years</p> <p>In developing a new framework, Ofgem and all other stakeholders should seek to ensure that the advantages realised from the statutory accounts are transferred and enhanced under a new accounting framework.</p>
<p>2. Do you agree with the use of RFRS principles as a basis for the preparation of RIIO accounts? If not, please give further information why.</p>	<p>Under the current set of high level proposals, we find it difficult to see how a principles based RFRS can achieve a fairly presents basis and therefore work in practice. Further dialogue with all stakeholders, but particularly auditors in this instance, is necessary to understand how this concept may be progressed.</p>
<p>3. Do you agree that the new framework for reporting on Network's financial position and performance would be more beneficial to users and stake holders? If you don't please explain.</p>	<p>We understand Ofgem's reasons for questioning the relevance of the Regulatory Accounts, and agree that the current basis, for those NWOs with a 31 March year end, adds little extra value to the statutory accounts and omits RIIO based metrics. A carefully considered and constructed RIIO Accounts framework could provide any extra Regulatory context required by stakeholders and provide a more enriched information environment on which to base decisions and opinions.</p> <p>We are concerned however about how the current "middle-way" proposals will work in practice. The framework is to be based around the three primary statements as set out in the Open Letter, underpinned by the RFRS and supported by a PCFM module. This raises a number of questions:</p> <p>(i) How useful will reporting be to investors using a model based, in part, on notional elements? It is our contention that investors are keen to see actual positions rather than notional, and that the current Regulatory accounts affords them this</p>

	<p>key benefit, albeit on a statutory basis. If the RIIO Accounts are primarily targeted at investors, then this key concern must be addressed.</p> <p>(ii) How will the calculations and estimations that will go into components such as incentives, MOD, K factor, tax, net debt, etc be calculated? Issues will arise regarding timing, degree of estimation, double-entry, audit sign-off, etc</p> <p>(iii) How can the position adopted for a new RFRS be reconciled with a fairly presents audit opinion?</p> <p>(iv) Will there be overlap with other Regulatory reporting - possibly at different times in the year – that would give rise to stakeholder confusion if different reporting bases are adopted? In particular, there will be new requirements arising from other Regulatory Instructions and Guidance that will have to be considered in light of the concurrent development of the RIIO Accounts.</p> <p>(v) Will the statements be able to satisfy the information requirements of all stakeholders in one place?</p>
<p>4. Do you have any comments on the principles stated in the statement of regulatory corporate governance contained in Appendix 1 of this letter and do you support the development of such principles?</p>	<p>We welcome the principles as stated and feel they give a more regulatory focus to the UK Corporate Governance Code compliance statement that has been required previously. Given the intention that the revised governance statement should be more relevant to users of the accounts, the statements should ensure key messages are visible and any superfluous information is excluded. This will be especially key in the first</p>

	<p>year of reporting to ensure statements remain comparable with previous years but do not result in additional reporting.</p> <p>The role of the Sufficiently Independent Director (SID) could be further enhanced by annotating Code Provision B.4.1 to include that SIDs are given a copy of Licence Condition 43a as part of their induction process. An annotation could be made to Code Provision A.1.1 to state that, as the board include in the annual report a statement of how the board operate, including a high level statement of which types of decision are to be taken by the board and which by management, further add that a statement should be given on how the board have supported the executive in their regulatory and stakeholder engagement.</p> <p>Finally, the requirement of the regulatory corporate governance statement should be reviewed on a regular basis, as is the UK Corporate Governance Code, to reflect developing corporate governance.</p>
<p>5. Do you have any comments on the proposed time line in Appendix 3?</p>	<p>The current proposal maintains the 31 July deadline that exists for the Regulatory accounts. This will significantly increase the Regulatory burden over April to July each year. Our 31 March year-end ensures significant resource is already allocated in April and May. Historically, the accounts production process – Statutory and Regulatory - has been efficient as the Regulatory Accounts have been based on the same rules with additional Regulatory requirements such as segmental reporting. Our resources have been carefully managed to ensure both the Statutory accounting (and concurrent Regulatory accounting) and Regulatory RIGs processes are delivered to timetable.</p> <p>The current proposals for the RIIO accounts would introduce a sequential</p>

	<p>dependency which is summarised in Appendix 1. Appendix 1 demonstrates the many inter-dependencies and complexities in meeting all Regulatory requirements scheduled for 31 July delivery. Crucially, to deliver a set of RIIO Accounts outputs, all direct and indirect supporting Regulatory reports/material have to be completed and go through a DAG process before we can be happy that the RIIO Accounts inputs will be correct. To maintain a 31 July deadline for the RIIO Accounts would place an even greater burden on the considerable undertaking in completing the existing Regulatory requirement that runs concurrently alongside the Statutory accounts at our year end.</p>
<p>6. Do you have any comments on our proposal to develop an audit opinion that provides assurance on the proposed RIIO accounts on a 'fairly presents' basis?</p>	<p>We believe audit firm engagement and securing an audit opinion are essential to the new framework. The RIIO Accounts would be replacing Regulatory accounts framework that secure a "true and fair" view assessment from the auditors and therefore provide a high level of assurance for investors and other stakeholders. Will a "fairly presents" basis – if this can be achieved under the current proposals – provide the same level of assurance. Engagement with the audit and investor community is key to understand this question.</p>
<p>7. What are your expectations on how NWO boards should report on their governance (comments from investors are particularly welcome)?</p>	<p>Under the current regulatory accounting requirements, ENWL provide information that exceeds the minim requirement and try to enhance our corporate governance where appropriate that using the new RIIO Accounts framework we will continue to explore opportunities to enhance our regulatory and our corporate governance reporting.</p>
<p>8. Please use this section to let us know of any other thoughts you might have on the introduction of RIIO accounts.</p>	<p>We welcome Ofgem's commitment to positively engage with all stakeholders in this area and would like to be a part of the process to bring a relevant and transparent Regulatory reporting environment to fruition. We believe the transparency it would bring will</p>

deliver benefits for all stakeholder groups; not just investors.

We remain cautious about how some of the elements will be developed as alluded to above, and will therefore find it very useful to understand and participate in the creation of the detail behind the high-level proposals.

A key objective for the whole reporting framework – not just RIIO accounts – should be clarity. Development of this process and the RIGs performance process to ensure the right information is delivered to the right stakeholders at the right time need careful coordination and consideration.

Stakeholder engagement is also key to the success of this process and to this end, we think that Ofgem's preliminary consultation with stakeholder groups - particularly those relating to the views of auditors and investors – should be made available to the group tasked with developing the proposals. This would enhance the wider visibility of the project and help shape its strategic development.

At this early stage, it is difficult to see what the appropriate strategic development direction should be given the lack of detail in the Open Letter. The consultation raises many questions about how the framework will operate, what it will be able to deliver and whether it will be sufficient to meet the needs of all interested stakeholders