Network Planning & Regulation

By E-mail

Your ref

Our Ref

Date

4 August 2015

Contact / Extension

[redacted]

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Dear Ian

Proposals to develop RIIO Accounts

Further to your open letter issued on 24th June 2015 on proposals to develop RIIO Accounts, please find attached the response from SP Energy Networks ("SPEN").

We support the aim to make relevant regulatory information available to stakeholders in an open and transparent manner. However, we believe that there should be a single annual report to stakeholders which brings together the required information, for clarity and the convenience of stakeholders. In particular, we are keen to avoid duplication of reporting which could arise from the Regulatory Reporting Pack (RRP), the Annual Performance Report, statutory Report and Accounts, and the proposed RIIO Accounts. We would urge Ofgem to review reporting requirements in their entirety and not add incremental reporting requirements through separate consultations. In this regard, we are encouraged by the Business Secretary's Red Tape Challenge and the government's commitment to reduce the burden on business, including those in the regulated energy sector.

Furthermore, we believe that moving away from IFRS would cause confusion and frustration amongst users, who have come to expect the consistency and comparability of financial information prepared under IFRS, and especially those who utilise group financial accounts and announcements.

We believe the proposed development of new accounting standards would significantly increase the regulatory burden on Ofgem, the utility sector, and audit firms - the resourcing and costs of which are unnecessary given the well-established IFRS. If such a project were to be embarked upon, the proposed timeline appears far too ambitious to allow delivery of the desired outcome.

Ofwat consulted on a similar approach within the last year; listened to their stakeholders; and scaled back their original proposals. The result is a single annual report which maintains financial reporting under existing accounting standards (e.g. regulatory accounts) supported by additional information to help stakeholders understand performance compared with the regulatory settlement and proportionate audit/assurance of the additional disclosures.

We believe that companies in the electricity sector already have strong governance arrangements in place. Those that are part of a larger group will also conform to the listing rules of the parent company's stock exchange. Ofwat have recently undertaken a similar exercise and concluded that a

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light-touch principles-based corporate governance approach is more appropriate than rules-based regulation in the UK. An additional system of governance as proposed by Ofgem would be onerous and unnecessary given that no additional value will be provided to investors or other stakeholders.

In conclusion, we propose that a similar approach to Ofwat's should be considered by Ofgem which would achieve the aim of more transparency in respect of regulatory information (i.e. maintain the current IFRS regulatory accounts and include additional regulatory information to help stakeholders to understand our performance compared with the RIIO price control determination). This maintains, for stakeholders, the comparability of financial information under IFRS which, under the current proposed RIIO accounts approach, would be lost in respect of companies who do not have statutory reporting 31 March year ends. To support this approach, we attach an example of the additional RIIO information which could be included in the single annual report (see Annex).

If you have any queries on this response or any further questions, please do not hesitate to contact either myself or [redacted] on the number above.

Yours sincerely

[redacted]

pp [redacted]
Head of Licence & Revenue

Ofgem proposals to develop RIIO Accounts

We welcome the opportunity to comment on the open letter issued by Ofgem on 24th June 2015; please find below the response from SP Energy Networks.

We support the aim to make information available for stakeholders in an open and comparative basis. However we believe the proposals laid out in the open letter are overly burdensome (and ultimately overly costly to the consumer), and could be achieved in a more efficient manner. Details are provided under each question heading below:

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?

Our understanding of the *RIIO Accounts* is that they would be prepared on a completely different basis from the *Regulatory Accounts*.

Regulatory Accounts are currently:

- Prepared from the same ledgers as the statutory accounts;
- Using actual costs and income;
- Using International Financial Reporting Standards (IFRS), which are governed by the globally recognised and independent International Accounting Standards Board (IASB), and are applied consistently across industries.

RIIO Accounts are proposed to be:

- Prepared from a combination of the Regulatory Reporting Pack (RRP), Price Control Financial Model (PCFM), and Revenue Return – information currently supplied directly to Ofgem as part of the annual reporting cycle;
- Based on a mix of actual and notional values (e.g. Actual: working capital and net debt, but Notional: allowed RIIO costs and revenues, regulatory depreciation, debt and equity splits, and Return on Regulatory Equity, etc.);
- Using Regulatory Financial Reporting Standards (RFRS), which would be created specifically by Ofgem for this industry;
- Not reconciled to statutory or group accounts – which would be almost impossible given the different sources of data, and quite possibly un-auditable.

We currently communicate the activities of our business through a number of stakeholder channels, and review these on an on-going basis. For example, we include a Strategic Report in the Regulatory Accounts to provide further information on current issues and forward-looking plans, prepared from ledgers which are consistent with our statutory accounts. These Regulatory Accounts have been prepared for a number of years, providing additional information along with our statutory accounts each year. We are not aware of any specific requests from our stakeholders that these are lacking.

It may be worth noting that a significant amount of detailed information is currently reported to Ofgem via the Regulatory Reporting Pack (RRP) by 31st July each year. This is resource-intensive and therefore a costly task undertaken by all of the electricity distribution companies on an annual basis, and is used for Ofgem's regulatory oversight. We understand that Ofgem is conducting a separate consultation on whether any of this information should be made available to stakeholders, and would suggest that these two consultations should be merged.

Regulatory Accounts are prepared to a 31st March year-end, whilst some companies (ourselves included) report statutory accounts to 31st December. The Regulatory Accounts currently provide a key link to our statutory reporting. In addition they are the basis of certain reconciliations for the RRP reporting to Ofgem – Financial Information (FI) tables are still required under the RIIO-ED1 reporting framework which would mean that companies with 31st December statutory reporting year ends would still need to produce 31st March accounts in order to complete these detailed FI tables. Regulatory Accounts are covered by the same governance and controls which underpin our statutory ledgers and financial reporting. Removal of the Regulatory Accounts would remove the ability to compare statutory-based financial information across all DNOs at a 31st March year-end.

There are further timing issues which may prove problematic. The RIIO Accounts (as proposed) would require inputs from the RRP information. However the RRP is not finalised until 31st July each year. This would mean that the further process of calculating, preparing, assuring, auditing, and signing off the RIIO Accounts would take the timeline out to, say, the end of September. In addition, the Price Control Financial Model (PCFM) is not currently agreed between DNOs and Ofgem until the end of November, but this is proposed to become a key input to the new accounts. This would necessitate using key numbers in a draft form, with the possibility that any modification in the PCFM process would require the restatement of figures in the RIIO Accounts. Ofgem's suggestion that the RIIO Accounts could be submitted alongside the other regulatory reporting by 31st July seems unrealistic, and would impose significant resource issues on the DNOs. The sequential nature of some of the reporting is key to mapping out realistic submission deadlines.

In order to assist stakeholders, we would be keen to understand exactly what information is required which is not yet available. We would be grateful if Ofgem could share a summary of their engagement with stakeholders and, specifically, the additional information stakeholders have requested. As always we would ask: which decisions would be taken differently if this information were available. This would allow us to consider how best to provide that information in a way that is helpful. We would urge Ofgem to be mindful that increased reporting obligations inevitably adds time and resource, and ultimately cost to the consumer bills.

On this basis we are not in favour of withdrawing the current* Regulatory Accounts*, but of course we are more than happy to modify these accounts to provide further information that stakeholders require.

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.

We believe that IFRS are the most appropriate basis of reporting. This is the basis on which statutory accounts are prepared and audited. Significant debate and scrutiny goes into these standards, which are applied internationally and provide a level of consistency across all methods of financial reporting.

Accounting standards have been developed by independent bodies for centuries: the Institute for Chartered Accounts in Scotland (ICAS) since 1854 and the Institute for Chartered Accountants in

England and Wales (ICAEW) since 1880. International developments have been formally co-ordinated since 1973[1].

The IASB have considered Rate Regulation since 2009. IFRS 14 Regulatory Deferral Accounts was issued as an interim standard[2], but this is only available to first time adopters of IFRS and therefore not applicable to the SP Energy Networks group of companies. A discussion paper has recently been published[3] illustrating some of the challenges on this topic, mainly around accounting for revenues in the regulated sectors. It is not straightforward. Writing appropriate guidance will be difficult and it may be a few years until a full international standard becomes available. However we believe this is the most robust and transparent way to agree the basis for reporting regulated financial information.

We believe that moving away from IFRS, and mixing actual and notional values in the proposed RIIO Accounts, would cause confusion and frustration amongst users, who have come to expect the consistency and comparability of financial information prepared under IFRS, and especially those who utilise group financial accounts and announcements[4].

We do not believe that Ofgem is the appropriate body to define and issue accounting standards. In any event this would require a significant allocation of time and resources on top of an already burdensome regulatory environment. There would be further, costly, requirements for auditors to set up new processes to deal with these new standards, the cost of which would ultimately be charged in audit fees and passed onto the regulated businesses and consumer bills.

We also suspect that Regulatory Accounts will still need to be prepared under IFRS to satisfy the requirements of the RRP reporting, even if RIIO Accounts are introduced – Financial Information (FI) tables are still required under the RIIO-ED1 reporting framework which would mean that companies with 31st December statutory reporting year ends would still need to produce 31st March accounts in order to complete these detailed FI tables. Thus these proposals would lead to duplication of effort, further increases in administrative burden, and ultimately increased cost to the regulated companies which equates to additional cost to the consumer.

However, we must not lose sight of the objective: to make information more accessible.

<u>Alternative approach</u>

Once the stakeholder needs are identified, we would suggest:

- Retaining the existing *Regulatory Accounts*, or re-branding them '*RIIO Accounts*' to take account of the new RIIO regulatory environment;
- Prepare them using IFRS, which retains the high levels of consistency and comparability for existing users, and the credibility of the internationally recognised IASB;
- Continue to publish KPIs which are currently within the Regulatory Accounts;
- Provide additional financial and/or performance information where appropriate. This could include Regulated Asset Values (RAV), or the value of incentive mechanisms, along with a narrative to explain how these numbers are derived and differ from the statutory accounting information. This could take a number of forms, such as:

[1] The International Accounting Standards Committee (IASC) from 1973, which became the International Accounting Standards Board (IASB) in 2001.
[2] effective 1 January 2016
[3] 'Reporting the Financial Effects of Rate Regulation' issued 17/09/14. Comments were returned by 15/01/15 and currently being deliberated by IASB.
[4] As mentioned previously, SP Energy Networks prepares statutory accounts to 31st December, and Regulatory Accounts to 31st March each year.

- If the information is already available within PCFM / RRP / Revenue Returns, a simple summary document could be added to these spreadsheets and published as an appendix to the Regulatory Accounts.
- Alternatively, a similar approach could be taken to the Consolidated Segmental Statements (CSS) reports now produced for electricity Retail and Generation sectors. Here it was agreed that IFRS would be the most appropriate basis, allowing a link to the statutory financial statements, with specific adjustments and reconciliations to provide additional information required by stakeholders.

- Communication with stakeholders (whether in the form of *Regulatory Accounts*, *RIIO Accounts*, or an annual report) should be made in a single document, published at a specified time each year, which contains all of the necessary information or provides a cross-reference to the information where it exists elsewhere, e.g. where this is contained in the statutory accounts. We advise against multiple publications, as this is likely to just add confusion.

To support this approach, we attach an example of the additional RIIO information which could be included in the single annual report (see Annex).

3) Do you agree that the new framework for reporting on Network's financial position and performance would be more beneficial to users and stakeholders? If you don't please explain.

As noted in our response above, we believe that the aim should be to make information clearer and more accessible – please refer to question 2 for further details.

However in summary we believe the introduction of new and unfamiliar financial statements is likely to confuse stakeholders, and they would lose the ability to compare on a consistent basis with all other accounting information prepared under IFRS. It would require a significant amount of time and resources to develop (costs which are ultimately borne by consumers) and would lack the credibility of accounting standards issued by the IASB which are robust and internationally recognised.

We note that in its recent consultation, Ofwat chose certain specific disclosures for publication but left it up to the regulated companies to present these in the way they saw fit. This accords with principles-based regulation, and avoids the creation of a whole new set of financial reporting statements. We would echo that approach and would be happy to work with Ofgem and stakeholders to identify any items which should be incorporated into the Annual Report / Regulatory Accounts.

Therefore we do not support the framework as proposed, but would be keen to assist stakeholders by providing the information they require (see Q2).

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?

SP Energy Networks believe that the draft principles set out in Appendix 1 are neither required nor appropriate, underpinned by two reasons:

1) Iberdrola, Scottish Power, and SP Energy Networks (SPEN) currently adheres to best practice principles of corporate governance, in line with its listing on the Madrid stock exchange. Applying the Ofgem proposals to individual lower-level Network Operators (NWOs) would not bring any additional value to, or improve the transparency of, information to investors or other stakeholders;

2) Scottish Power is concerned that these regulatory proposal either seek to amend or conflict with UK company law.

Best Practice governance already in place:

The SPEN group of companies' ultimate parent company, Iberdrola S.A., is listed on the Madrid stock exchange. As a guiding principle, the Iberdrola S.A. group adopts the principles and rules contained in the most widely recognised good governance recommendations and, in particular, has taken as a reference the Uniform Good Governance Code for Listed Companies approved by the National Securities Market Commission of Spain.

Each SPEN NWO's Board includes three independent non-executive directors ("SIDs") which provide independent oversight to the activities and operations of those NWOs. The three SIDs also sit on the Scottish Power Energy Networks Business Holding company board.

In addition to this, at a group level oversight is provided by the Scottish Power Limited board which includes 4 independent non-executive directors, together with the Audit and Compliance Committee (the "ACC") for the UK group. The ACC's responsibilities include monitoring for the UK group (including the UK networks business) on:

(i) financial reporting;

(ii) the effectiveness and operation of internal controls (e.g. financial reporting);

(iii) internal audit;

(iv) compliance (including regulatory compliance);

(v) risk management; and

(vi) financial statutory auditing of annual and consolidated accounts.

An additional system of governance would be onerous and unnecessary given that no additional value will be provided to investors or other stakeholders.

We note that in a recent update on corporate governance [5] Ofwat stated that:

> *"We [Ofwat] are introducing a self-regulatory approach, where companies' Boards take the lead in setting out how they meet or exceed our principles. We have adopted this approach as it means that ownership of Board leadership and governance rests where it should.*
>
> *We are giving companies greater ownership and accountability by placing less emphasis on simply meeting regulatory requirements and by moving to a less intrusive regulatory approach. Implicit in this is the expectation that companies are operating to high standards of Board leadership and governance."*

We believe this approach aligns with the aim of principles rather than rules-based regulation, and would suggest that this aligns with Ofgem's aims in the electricity sector.

Therefore we believe that the draft principles set out in Appendix 1 of Ofgem's open letter are not required.

The regulatory proposal conflicts with UK company law:

SPEN is concerned that these proposals could conflict with or seek to amend UK company law. At present, only listed companies are required to apply the UK Corporate Governance Code. The effect of these proposals could create this obligation in respect of NWOs by the back door and create a two tier system between unlisted NWOs and other unlisted companies. If there is a requirement for an unlisted

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[5] *https://www.ofwat.gov.uk/regulating/gud_pro20140131leadershipregco.pdf*

company to apply the UK Corporate Governance Code then we consider that this should have UK wide application to unlisted companies (rather than only to a selection of unlisted companies from the energy sector) and be addressed by way of a change to UK company law rather than being introduced through a regulatory licence amendment.

We are also concerned that the corporate governance proposals set out in the Open Letter may conflict with Directors Duties under the Companies Act 2006 ("CA 2006"). In particular S172(1) of the CA 2006 provides that "[a] director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole"

Section 172 of the CA 2006 is therefore quite clear that directors must promote the success of the company for the benefit of is shareholders. On the other hand, the proposals set out in the Open Letter would require directors to give weight to the interests of consumers and in particular, report on the benefit consumers have received from the company's performance. SPEN is fully cognisant of consumer interests. Equally, their directors are aware of their duties to shareholders under the CA 2006. Although it does not follow that consumer and shareholder interests will always be different, it is also clear that they will not always be aligned and therefore the possibility of conflict is likely to arise. Scottish Power therefore believes that the proposals set out in the Open Letter can only be implemented if that CA 2006 is also amended.

We do not consider it appropriate to bring forward the draft corporate governance principles set out in Appendix 1 of the Open Letter at this time.

5) Do you have any comments on the proposed time line in Appendix 3?

We would like to split this into two parts:

a) **Modified KPIs or disclosure.** If additional disclosures are to be added to the existing *Regulatory Accounts*, the timetable looks ambitious but may be achievable. Stakeholder views must be sought and refined to agree the most appropriate disclosures across the industry – we wish to avoid 'reporting for reporting's sake'. Once guidelines are in place, it will take time for each business to amend current procedures to meet the requirements of the new format, including internal controls, audit and sign-off.

   We would propose a 'dry run' for 2015/16 (reporting autumn 2016) to allow any issues to be ironed out, with full implementation for 2016/17 (reporting autumn 2017).

b) **New accounting standards (if applicable).** We do not believe this element is necessary, as the well-established IFRS already exist, but if new accounting standards were to be developed from scratch for the industry we are concerned with the ambitious timeline.

   - Developing new accounting standards would be a significant and onerous process.
   - In line with the production of IFRS, initial drafts of the standards should be subject to appropriate scrutiny before a final set of standards are agreed, and could take a number of years if a robust process is followed[6]. Of course, standards could be rushed through quicker without the appropriate governance, but this approach is likely to lead to even greater uncertainty and confusion for all involved.

[6] For example, IFRS14 began with an initial Exposure Draft in 2009, and a significant number of points have been raised subsequently, contributing to a full and robust process.

- Extensive documentation would be necessary to detail the principles and guidance for preparers and users.
- Once written, there would be a learning curve and a necessary level of education for the utility and audit industries, as well as stakeholders, to understand the implications of the alternative accounting treatments in this specific group of companies. This would require a significant lead-time in advance of reporting against these new standards.
- For the auditors: gaining a clear understanding of their remit and producing new audit procedures will be time consuming and costly. In addition, drafting a clear audit opinion would be a timely process and require agreement amongst the various audit firms. The financial auditors may develop the expertise to sign off a new form of financial numbers, but they may be more reluctant to audit and sign off technical values which may be part of the additional disclosures.
- Ofgem would be committing itself to on-going review, issuance, and compliance monitoring of these new standards. This would necessitate significant additional resources to be made available within Ofgem.
- As previously mentioned, IFRS equivalent values would still be required to support existing reporting – thus the companies would be reporting against two sets of (potentially conflicting) accounting standards, which duplicates the workload, and could introduce confusion amongst users of the two different sets of accounts (IFRS v RFRS).

In summary we believe the development of new accounting standards would significantly increase the regulatory burden on Ofgem, the utility sector, and audit firms. The resourcing and costs of which are unnecessary given the well-established IFRS. If this project was embarked upon, the timeline appears far too ambitious to produce the desired outcome.

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?

We have concluded above that we do not support the development of RFRS and the RIIO accounts framework as proposed. We agree that an audit opinion on regulatory and financial reporting is necessary but consider that a shift to the reporting framework as proposed would result in significantly more work for both network operators and their auditors on top of the existing statutory audit work which would ultimately result in significant fees for the network operators.

As detailed above in Question 5, changing the basis of preparation of the accounts will result in new audit procedures being developed in order to report an audit opinion. It is envisaged that a great deal of time will require to be spent by the auditors in understanding a new RFRS framework even before they can begin the lengthy task of auditing comparatives and opening balances. Clear guidance would need to be provided as to how specific regulatory values were to be determined and consideration given as to how opening balances were to be agreed for audit purposes, for example: opening RAV, regulatory assets and theoretical values.

In both the examples of the introduction of the CSS report and Ofwat reporting amendments, it is understood discussions were held between the industry, Big 4 and the regulator regarding what constituted an audit. In the examples provided, an audit opinion can be provided on the basis that the opinion is well defined and is contingent on a clear basis of preparation (currently recognised international or UK accounting standards). It was agreed in both these examples that recreating separate standards and the basis of preparation, which subsequently require an audit opinion, is a large task and would unlikely be achievable in the short timescale provided and this approach was therefore scrapped. These issues, which mirror those of the current RIIO accounts proposal, were documented during both scenarios along with comments from the 'Big 4' accounting firms.

We therefore support the need for an audit of financial and regulatory information but believe that the framework as proposed would be overly complicated, require significantly more work than currently completed under the statutory audit basis for the current regulatory accounts and would therefore attract significantly greater audit fees for the network operators.

7) What are your expectations on how NWO boards should report on their governance (comments from investors are particularly welcome)?

We believe that our existing arrangements for reporting on corporate governance are adequate. As a guiding principle, SP Energy Networks, within the Iberdrola group, adopts the principles and rules contained in the most widely recognised good governance recommendations and, in particular, takes as reference the Uniform Good Governance Code for Listed Companies approved by the National Securities Market Commission of Spain. A Corporate Governance Statement forms part of the Corporate Report and Regulatory Accounts. This statement offers a detailed breakdown on governance systems, including information on:

- (i) administrative, management and supervisory bodies;
- (ii) the Iberdrola Appointments and Remuneration Committee;
- (iii) internal control systems;
- (iv) the identification and evaluation of risks and control objectives;
- (v) capital investment;
- (vi) monitoring and corrective action;
- (vii) auditor independence; and
- (viii) social, environmental and ethical matters.

In its open letter, Ofgem notes: "*We envisage boards reporting on how they satisfy themselves that they comply with their licence obligations*." Network Operators are fully aware of how they comply with their licence obligations – this is a fundamental part of the ability to operate. Issuing a statement to stakeholders merely adds a further reporting requirement, but adds no value.

In respect of SP Energy Networks, the Network Planning & Regulation Director of SPEN sits on the board of the holding company as well as each of the licensee company boards. He reports on the regulatory performance of the Group at each board meeting and ensures that the regulatory and licence requirements are taken into account in wider discussions at board meetings.

8) Please use this section to let us know of any other thoughts you might have on the introduction of RIIO accounts.

<u>Impact Assessment</u>

We note that Ofgem has a process for

"[providing] a structured framework for understanding the impacts associated with important proposals" [7]

and we would welcome a full impact assessment for any proposed reporting changes.

<u>Ofwat consultation</u>

We note that a similar consultation[8] was undertaken recently by Ofwat in the water sector. They consulted with a wide range of stakeholders including:

- companies;
- analysts and rating agencies;
- customer challenge groups (CCGs);
- non-governmental organisations (NGOs); and
- held a number of stakeholder workshops.

It appears that Ofwat listened to their stakeholders, and significantly scaled back their original proposals as a result. They responded in a pragmatic way with some focussed conclusions which included:

- Requiring a single annual report to be published annually – this brings information together and makes it more accessible for stakeholders.
- Reporting under existing accounting standards – in their case the well-established UK GAAP.
- Including further disclosure where these accounting standards do not provide sufficient regulatory reporting information.
- Remove some unnecessary reporting.
- A balanced approach to audit/assurance that depends on the quality of previous reporting – some companies will self-assure, and some will have prescribed assurance requirements.

<u>Red Tape Challenge</u>

We note that the Business Secretary, Sajid Javid, recently announced an "ambitious review into burdensome red tape in 5 key industry sectors" including the energy sector [9]. He said:

> *"I am determined to take the brakes off British businesses and set them free from heavy-handed regulators. The government's pledge [is] to cut £10 billion in red tape over the course of this parliament"*
>
> *This programme of work will build on the better regulation measures announced in May as part of the government's Enterprise Bill. These include plans to... make sure the activities of regulators contribute to the government's better regulation target.*
>
> *Energy – this will be a wide ranging review across the sector and will include regulation and its enforcement by government, the energy regulator Ofgem, etc.*

As an example, Scottish Power currently operates under a significant number of regulations and guidance documents from various government departments. To highlight a small selection, the following are issued by Ofgem (this is not a complete list):

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[7] *https://www.ofgem.gov.uk/publications-and-updates/impact-assessment-guidance*
[8] Summary of responses: *http://www.ofwat.gov.uk/regulating/compliance/res_stk201502regrepsumm.pdf*
[9] *https://www.gov.uk/government/news/javid-launches-new-drive-to-cut-red-tape* (16th July 2015)

Electricity Distribution Licence (RIIO-ED1):

- Standard licence conditions – 60 (207 pages)
- Charge restriction conditions – 33 (219 pages)

Electricity Distribution Price Control Cost and Revenue Reporting - Regulatory Instructions and Guidance: Version 2 [10]

- Cost and Volumes reporting table
- Revenue and Financial Issues reporting table
- Secondary Deliverables reporting table
- Reinforcement Load Index reporting tables
- QOS Interruptions reporting tables
- QOS Interruptions Stage Data reporting tables
- Guaranteed Standards of Performance reporting tables
- Occurrences not Incentivised reporting tables
- QOS HV Disaggregation reporting tables
- Connections Costs and Volumes reporting tables
- Connections Guaranteed Standards reporting tables
- SLC12/15 Non Contestable Connections reporting tables
- Customer Service reporting tables
- Environmental and Innovation reporting tables
- Triennial Pensions reporting tables

Electricity Transmission Licence (RIIO-T1):

- Standard licence conditions – 39 (101 pages)
- Charge restriction conditions – 38 (185 pages)

Regulatory Reporting Pack (RRP) for RIIO-ED1:

- 199 separate data tables. Increased from 160 tables under the previous price control (DPCR5).

Regulatory Reporting Pack (RRP) for RIIO-T1:

- 71 separate data tables.

We would urge Ofgem to view the reporting process in its entirety, rather than each consultation in isolation (an approach which leads to continuous incremental reporting requirements) and to ensure that the information requested specifically impacts decision making, or is useful for stakeholders. This is an ideal opportunity to simplify and streamline the whole reporting process and we are keen to engage with Ofgem and stakeholders on how best to achieve this.

[10] https://www.ofgem.gov.uk/ofgem-publications/46627/costandrevenuereportingrigs.pdf

Annex

Summary of RIIO performance indicators

1. Regulatory finance

	Current year	Prior year	Change %
Revenue			
Tax			
Dividends			
Regulatory Asset Value			
Gearing %			

2. Incentive performance summary

Incentive	Current year performance	Target	Value	Timing of reward/ penalty
CI				
CML				
BMCS				
Stakeholder Engagement				
SF_6				
Environmental Discretionary Reward				

3. Other regulatory information

	Current Year		Cumulative	
	Actual	Allowed	Actual	Allowed
Totex				
RoRE				
MOD term				