



Making a positive difference
for energy consumers

Email: RIIO.Implementation@ofgem.gov.uk

Date: 22 January 2016

Dear Stakeholder

DPCR5 Closeout methodologies – notice of forthcoming consultation on timetable

On 29 September 2015,¹ we published an informal consultation on the methodologies for calculating several elements of the previous price control, DPCR5, which could not be settled until that price control had ended. On 2 December 2015,² we published a further consultation letter focusing on additional changes to specific areas since the initial consultation. Both consultations are now closed and responses are published on our website.³

One issue that has arisen, both through these responses, and as part of our ongoing engagement with stakeholders, is in relation to the timetable for concluding the DPCR5 close out process. The date currently set for formally modifying the RIIO-ED1 Price Control Financial Handbook to incorporate the DPCR5 close out methodologies is 31 March 2016. A number of stakeholders have highlighted the large scope of the work involved in finalising the policy and in reflecting that finalised policy in changes to the Financial Handbook. As a result, those stakeholders have suggested the potential need to extend this timetable to allow more time for the development of, and consultation on, the key methodologies.

We recognise the timetable constraints that have been identified by stakeholders. The closeout review is a significant piece of work and we agree that the priority should be ensuring that the methodologies are in customers' interests. As a result, we consider that a change to the timetable may be appropriate.

The current date of 31 March 2016 is set out in the Financial Handbook. We propose to modify this date pursuant to the process outlined in Part B of Charge Restriction Condition (CRC) 4A of the Electricity Distribution Licence, which applies to modifications that do not have a significant impact (see CRC 4A.11). The process requires us first to publish a consultation pursuant to CRC 4A.9. Subject to the views of respondents, we would then consider whether to direct the modification pursuant to CRC 4A.10. We propose to launch a 28-day consultation in February 2016 as part of our wider process to make a number of minor changes to the ED1 Handbook and Model.

¹https://www.ofgem.gov.uk/sites/default/files/docs/2015/09/consultation_on_close_out_methodologies_for_the_d_pcr5_price_control_final_0.pdf

²https://www.ofgem.gov.uk/sites/default/files/docs/dpcr5_closeout_methodologies_followup_letterfinal_2_0.pdf

³<https://www.ofgem.gov.uk/publications-and-updates/consultation-methodologies-dpcr5-close-out>

In light of the extent of the work required to introduce the close out methodologies, we are minded to propose modifying the date for completion of the methodologies to **31 July 2016**. We would also intend to review other dates in the Financial Handbook impacted by this change.

We are continuing to engage actively with stakeholders to revise the DPCR5 close out methodologies, and we welcome representations to our forthcoming consultation. If you have any views on the information contained in this letter, please submit your responses to RIIO.Implementation@ofgem.gov.uk by 4 February 2016 or alternatively contact Grant McEachran at grant.mceachran@ofgem.gov.uk.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Paul Branston', is centered on the page. The signature is stylized and cursive.

Paul Branston
Associate Partner, RIIO Networks