

To all holders of an Electricity
Distribution licence and
interested parties

Direct Dial: 0207 901 3195
Email: RIIO.ED1@ofgem.gov.uk
Date: 23 February 2016

Dear stakeholders,

Proposal to issue the Business Plan Commitment Reporting Guidance

We introduced Business Plan Commitment Reporting under Standard Licence Condition (SLC) 50 in May 2014,¹ in order to ensure that the electricity Distribution Network Operators (DNOs) are accountable for those commitments made in their RIIO-ED1 business plan² which are not otherwise the subject of specific licence conditions. We are now proposing to issue the Business Plan Commitment Reporting Guidance (the Guidance). You will find Notice of this proposal and the text of the Guidance document attached to this letter.

Background

Last summer, we consulted on how we report on DNO performance.³ Within this context, in December 2015⁴, we indicated our intention to:

- introduce a new summary spreadsheet in the Regulatory Instructions and Guidance (RIGs), which pulls together key indicators of performance from existing data already reported in the RIGs; and
- introduce a requirement on DNOs to publish the content of this summary spreadsheet as part of their Business Plan Commitment Reporting requirement under SLC 50.

Our proposed Guidance explains how DNOs should incorporate summary information on their performance during the price control in their SLC50 reports. It also clarifies that DNOs should engage actively with their stakeholders to determine the remaining content of their reports.

¹ <https://www.ofgem.gov.uk/publications-and-updates/riio-ed1-modifications-standard-conditions-electricity-distribution-licences-0>

² as at July 2013 for WPD licensees and as at March 2014 for all other DNOs

³ <https://www.ofgem.gov.uk/publications-and-updates/how-we-report-electricity-distribution-company-performance>

⁴ <https://www.ofgem.gov.uk/publications-and-updates/how-we-report-electricity-distribution-company-performance-next-steps>

In parallel with this consultation Notice, we are consulting on proposed modifications to the RIGs, including the introduction of the summary spreadsheet described above; the Notice in respect of this latter consultation is on our website.⁵

Next steps

We propose to issue the Guidance in a direction to be issued on or before 31 March 2016 and for the Guidance to take effect from 1 April 2016. The same timetable applies to the proposed changes to the RIGs for the introduction of the summary spreadsheet described above. Any representations on the proposed modifications must be made on or before 22 March 2016 as specified in the Notices.

We may decide to review the Guidance in the future to ensure that reporting remains relevant and continues to meet the needs of stakeholders. We would consult with stakeholders as part of any such review.

Yours faithfully,

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Paul Branston
Associate Partner, RIIO Networks
23 February 2016

⁵ <https://www.ofgem.gov.uk/publications-and-updates/notice-proposing-modifications-regulatory-instructions-and-guidance-rigs-riio-ed1>

**To: Electricity North West Ltd (ENWL)
Northern Powergrid (Northeast) Ltd (NPgN)
Northern Powergrid (Yorkshire) plc (NPgY)
London Power Networks plc (LPN)
South Eastern Power Networks plc (SPN)
Eastern Power Networks plc (EPN)
SP Distribution plc (SPD)
SP Manweb plc (SPMW)
Scottish Hydro Electric Power Distribution plc (SSEH)
Southern Electric Power Distribution plc (SSES)
Western Power Distribution (West Midlands) plc (WMID)
Western Power Distribution (East Midlands) plc (EMID)
Western Power Distribution (South Wales) plc (SWALES)
Western Power Distribution (South West) plc (SWEST)**

Notice under Part B of Standard Condition 50 (Business Plan Commitment Reporting) of the Electricity Distribution Licence of proposed Business Plan Reporting Guidance

1. Each of the companies to whom this Notice is addressed (each 'the Licensee') is the holder of an Electricity Distribution Licence granted or treated as granted under section 6(1)(c) of the Electricity Act 1989.
2. Standard Licence Condition ('SLC') 50 ('Business Plan Commitment Reporting') of the Electricity Distribution Licence establishes the requirement for each Distribution Network Operator ('DNO') to publish a report detailing how it has performed against any commitments made in its RIIO-ED1 Business Plans. Part B of SLC 50 sets out the process for the Authority to issue Business Plan Reporting Guidance.
3. The Gas and Electricity Markets Authority (the 'Authority'¹) hereby gives notice under Part B of SLC 50 of its proposal to issue the Business Plan Reporting Guidance (the 'Guidance') with the form and content indicated in Appendix 1 to this Notice.
4. The Authority proposes to issue the Guidance to explain what summary information on their performance under RIIO-ED1 DNOs should make available to stakeholders as part of their reports.
5. The Authority proposes to issue the Guidance in a direction to be issued on or before 31 March 2016 and for the Guidance to take effect from 1 April 2016.
6. Copies of this Notice and other documents referred to in it are available on the Ofgem website (www.ofgem.gov.uk).
7. Any representations on the proposed modifications must be made on or before 22 March 2016 to Clothilde Cantegreil, Office of Gas and Electricity Markets, 9 Millbank, London, SW1P 3GE or by email to RIIO.ED1@ofgem.gov.uk.

¹ The "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports the Authority in its day to day work.

8. All responses will normally be published on our website. However, if you do not wish your response to be made public then you should clearly mark your response as not for publication. We prefer to receive responses in an electronic form so that they can be published easily on our website.

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Paul Branston
Associate Partner, RIIO Networks
Duly authorised on behalf of the Authority
23 February 2016

Appendix 1 – Proposed Business Plan Commitment Reporting Guidance

1. Background and General Instructions

- 1.1 Standard Licence Condition 50: Business Plan Commitment Reporting (SLC50) of the Electricity Distribution Licence requires each licensee to publish an annual report (the Report) on how it has performed against commitments made in its RIIO-ED1 Business Plan.
- 1.2 Each licensee is required to publish the Report on or before the 31 October 2016 and by each subsequent 31 October, unless otherwise directed by the Authority.² The Report should be published and be readily accessible to the public from each DNO's Website.
- 1.3 The licensee is also required to send a copy of the Report to the Authority by the same date. The licensee should send this copy via email to RIIO.ED1@ofgem.gov.uk.
- 1.4 In accordance with SLC 50.4, the licensee must have regard to the Business Plan Reporting Guidance (the Guidance) in preparing its report.
- 1.5 This document constitutes the Business Plan Reporting Guidance referred to in SLC50.4. This document is issued by the Authority under Part B of SLC50. The Guidance may be revised and reissued in accordance with Part B of SLC50. The most recent version of the Guidance published on the Authority's website is the current version.

2. Purpose

- 2.1 The purpose of the reporting requirement is to oblige licensees to provide stakeholders with information on how they are performing against the commitments they made in their business plans.
- 2.2 The Guidance defines the compulsory summary information which must be published by the licensee as part of the Report. Licensees should engage actively with their stakeholders to determine the remaining content of the Report. This content should be focused on providing stakeholders with clear and well-structured information on how the licensee is performing against its RIIO-ED1 business plan commitments.

3. Scope of the Report

- 3.1 The licensee is required to provide high-level summary information on its overall performance under RIIO-ED1 as part of the Report.
- 3.2 The purpose of this summary is to ensure that stakeholders are provided with summary performance information on a comparable basis across all DNOs.

4. Structure and Content of the Report

- 4.1 The Report must include the content specified in this Guidance and, where a form is specified, that content must be provided in the form specified in this Guidance.

² The reporting requirement in SLC50 applies to each licensee. A group may publish a single Report, which applies to all of the licensees within the group, provided that sufficient information about each individual licensee is reported.

- 4.2 The licensee must include a one page summary of its performance under RII0-ED1 entitled 'Performance Snapshot' in the Report. This one page summary must be prominent in the Report. The licensee may use an executive summary, introduction, and/or other introductory section to provide context on the information and data contained in the Performance Snapshot.
- 4.3 The content of the Performance Snapshot must include the following data and information:
- Data contained in the Key Summary Information RIGs sheet SI11 for the relevant Regulatory Year on the following general and financial indicators, namely:
 - Number of customers;
 - Total DNO network length;
 - Total Expenditure, including total expenditure as a percentage of allowed revenue; and,
 - Unrestricted Domestic Tariff charge – not including the £5 rebate scheme.
 - Data contained in the summary RIGs sheet SI11 for the relevant Regulatory Year on the following outputs:
 - Reliability and Safety: Customers Interrupted and Customer Minutes Lost (absolute performance);
 - Connections: Time to Quote, Time to Connect;
 - Additional information on the following outputs:
 - Customer Satisfaction: Broad Measure of Customer Satisfaction score out of 10;
 - Social Obligations: Stakeholder Engagement and Consumer Vulnerability score out of 10; and,
 - Incentive on Connections Engagement (ICE): penalties incurred under the ICE scheme, if any;
 - Additional qualitative information on the following outputs;
 - Reliability and Safety: licensee safety performance and compliance with Health and Safety Executive (HSE) legislation;
 - Environmental Impact; and
 - Additional qualitative information regarding the licensee's activities relating to innovation.
- 4.6 The price base for all values should be 2012/13.
- 4.7 The licensee may include references to other sections of the Report and/or to other reports that it is required to publish under the Electricity Distribution Licence for further detail on performance.

- 4.8 The data and information included in the Performance Snapshot must relate to the regulatory year covered by the Report only.
- 4.9 In order to ensure that the information published in the Performance Snapshot is meaningful to stakeholders, the licensee must ensure that any technical terms or acronyms are clearly explained. This could be in the form of a glossary.

5. Appendices

- 5.1 The licensee must provide an electronic copy of SI11 as an appendix to the Report. This appendix could be an electronic version and/or hard copy depending on the format of the report. The appendix will include information on previous regulatory years and will enable stakeholders to compare performance year-on-year.