



**22 March 2016**

Dear Clothilde,

Thank you for inviting us to respond to your consultation on your proposal to issue the Business Plan Commitment Reporting Guidance. We regard them as a welcome step forward in delivering greater transparency about the detail of electricity distribution network companies' performance, but believe there are a number of ways in which the requirements should be strengthened.

Throughout our participation in these discussions, we have been led by a need for distribution companies' reporting on performance to be accountable to consumers and stakeholders, most recently put forward in our report *'Beginning to see the light'*. In this report, we made the case that networks' performance reporting should be:

- Non-whitewash - they should be an unbiased account of network performance that clearly links outputs to returns.
- Findable - reports should be prominent on both networks' and Ofgem's websites.
- Simple - reports should be concise and fully understandable by non-specialist readers.
- Comparable - Reports should be standardised across form and content.
- Timely - reports should be at regular, frequent intervals.

### **How the proposals meet this framework**

We have several concerns with the proposed reporting arrangements. While we welcome that paragraph 4.3 of the guidance sets out a set of common information, we are concerned that characterising the requirements as a 'Performance Snapshot' rather than requiring networks to complete a common template will restrict the comparability of the the one-page summary. We have made [recommendations](#) about how this could be presented. We remain concerned that if networks retain control over the context and formatting of the one-page summary it may fail to keep stakeholders and consumers informed about how networks are spending their money. The RIGs already entail a number of template tables that DNOs



are obliged to fill in, and we think that network companies should be required to produce this information in a comparable manner.

We believe that many of the metrics outlined in paragraph 4.3 are necessary criteria to include in a genuinely informative performance summary. We particularly welcome that it is rooted in financially incentivised metrics. However, there are a number of crucial elements that are missing:

- **Level of financial reward per incentive.** We recognise that, because of the lag in payment for incentives, Ofgem are concerned that it is difficult or confusing to stakeholders and consumers to include the quantity of reward that network companies are receiving for incentives. Our view is that this is a basic transparency requirement: consumers have no choice over the money they give to companies, so a system must be devised that allows this performance reporting to be communicated. If it is necessary to contextualise this information or only provide an estimate, this would nonetheless be more helpful than providing no data at all.
- **Return on Regulated Equity.** Again, we understand that this information could be uncertain and subject to change when this summary is published. However, the best estimate should be provided and there is no excuse for either networks or Ofgem not ensuring that the profit networks are making is made clear.
- **Comparison between network companies.** As currently designed, this one page summary will give no information, in isolation, about how your network company is doing compared to its notional competitors. We continue to recommend that networks are ranked against other networks and that this spreadsheet shows a network's performance trend over time. Comparability is essential to comprehensibility because for many metrics we understand performance relatively - we judge a customer satisfaction score of 8 as good by, in part, comparing it to how other networks are performing.

We are also slightly concerned about the fact that these will be published under the Business Plan Commitment Reporting obligation (even though formally it sits within the RIGs). Given the BPCR gives networks over 50 commitments to report on, we are worried that the information could get lost in the weeds and not be easily findable for consumers and stakeholders alike.



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We therefore suggest an additional sentence amending paragraph 3.1 of the Guidance to read:

*“The licensee is required to provide high-level summary information on its overall performance under RIIO-ED1 as part of the Report. **The high-level summary information shall also be made available as a separate document, and the licensee must take reasonable efforts to provide it to relevant stakeholders and publish it prominently on their website.**”*

When compared to our principles, we believe that these proposals meet our timely requirement and go some way towards providing simple information to consumers and stakeholders. However, we believe that unless progress is made on the summary’s findability and comparability, an important opportunity to improve networks’ transparency and accountability will have been missed.

We look forward to participating in further discussions regarding network innovation and its impacts for consumers. If you or your independent evaluators have any questions about this response or the content of our reports, please do not hesitate to contact me.

Kind regards,

Morgan Wild

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