



Making a positive difference
for energy consumers

To: National Grid Gas
Distribution Limited, Northern
Gas Networks Limited, Scotland
Gas Networks plc, Southern Gas
Networks plc, Wales & West
Utilities Limited (with respect to
their gas distribution networks),
Network operators, interested
stakeholders

Email: Ian.Bagworth@ofgem.gov.uk

Date: 23 March 2017

Dear Company Secretaries and stakeholders,

Proposal to make modifications to the Regulatory Instructions and Guidance

We propose to make changes to the Gas Distribution Regulatory Instructions and Guidance (RIGs). Please find enclosed a Notice, issued pursuant to Standard Special Condition A40 (Regulatory Instructions and Guidance) ("SSC A40") of the Gas Transporter Licence, regarding our proposed changes.

If we implement these changes, they will take effect in April 2017¹. For the avoidance of doubt, this means that the data submitted in July 2017 (in respect of the 2016/17 reporting year) would use the RIGs as modified.

In addition to the proposed modifications detailed in the Notice attached to this letter we are also setting out below our intention with respect to the consideration of potential future changes to the annual reporting process.

Way forward

We will continue to review all opportunities to improve both the efficiency and effectiveness of the annual reporting process across all four energy sectors. Short term this may include scope for further improvements that can be made within the boundaries of existing data systems architecture and in a manner consistent with the proposals set out today. Longer term this may extend to more fundamental changes to the way we collect, process and present data on regulated network companies' performance, moving towards the goal of a more automated and user-friendly system and process.

We are aware that companies are actively considering improvements to their own systems which could support this. Accordingly, for both short and longer term changes, we will work closely with network companies to consider any changes before they are introduced. This

¹ We propose to modify the RIGs in a direction on or after 27 April 2017.

may include pilot reporting schemes and/or other initiatives that could be taken forward on a partnership basis. We will provide further details on such opportunities as our plans develop.

We welcome comments on our proposed modifications, and the details for responding are contained in the enclosed Notice.

Yours faithfully,

Steven McMahon
Associate Partner RIIIO Networks
23 March 2017

To: **National Grid Gas Distribution Limited**

(Company Number: 10080864)

Northern Gas Networks Limited

(Company Number: 05167070)

Scotland Gas Networks plc

(Company Number: SC264065)

Southern Gas Networks plc

(Company Number: 05167021)

Wales & West Utilities Limited

(Company Number: 05046791)

Notice under paragraph 10 of Standard Special Condition A40 (Regulatory Instructions and Guidance) ("SSC A40") of the Gas Transporter Licence (the "Licence") granted to the Licensees under section 7 of the Gas Act 1986 (the "Act")

The Gas and Electricity Markets Authority (the "Authority"¹) hereby gives notice under paragraph 10 of SSC A40 as follows:

Proposal to modify the Regulatory Instructions and Guidance

1. The Authority proposes to modify the Regulatory Instructions and Guidance (the "RIGs") under SSC A40 of the licence. The RIGs are the primary means by which the Authority directs the Licensee to collect and provide information to the Authority, to enable it to administer the Special conditions of the licence and, where not referenced in the licence, the RIIO-GD1 Final Proposals².
2. SSC A40 sets out the process for issuing and modifying the RIGs. In accordance with paragraph 10 of SSC A40, the Authority hereby gives notice to the Licensee that it proposes to modify the RIGs in the manner indicated in the documents that can be accessed via the hyperlink in Appendix 1 to this Notice.
3. The proposed modifications to the RIGs consist of new tables and revisions to existing tables. These modifications are made for the purpose of clarifying the existing reporting requirements or formalising requirements that have been identified through previous reporting periods. The purpose of the proposed modifications is to require the Licensee to provide more accurate, consistent and complete information to the Authority, such as to enhance the quality and the accuracy of the information available to the Authority.
4. The proposed modifications refer specifically to information required to be submitted to the Authority on or before 31 July 2017 in the following areas:
 - the Regulatory Reporting excel template for gas distribution operators
 - the guidance document supporting the Regulatory Reporting template, and
 - the Revenue Regulatory Reporting excel template
5. The main modifications are briefly summarised below. More detail is set out in Gas Distribution Regulatory Reporting Template: Version 4.0 ('Changes' tab). The main modifications are:

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.

² <https://www.ofgem.gov.uk/network-regulation-riio-model/riio-gd1-price-control>

- i. The following worksheets are no longer included in the pack and are not required to be submitted to Ofgem: 1.1 Income statement, 1.2 Financial Position, 1.3 Cash flow, 1.7 Tax Computation, 1.8 Tax Pools, 1.9 Tax allocations of spend, 1.10 Tax allocations CT 600, 1.12 Financing requirements, 1.13 Pensions defined benefit.
 - ii. Revisions to the Totex PCFM (Table 2.1) to capture data across 8 years.
 - iii. Worksheet on Tax Clawback (1.11) has been incorporated in to Net Debt and interest (Table 1.5)
 - iv. Introduction of Network Output Measures (Table 7.3) to measure the health and criticality of their network assets (to be included after 31 March 2017).
 - v. Revisions to the LTS, Storage and Entry (Table 4.3) reporting requirements, clarifying on how the workload should be reported.
 - vi. Revisions to Environmental table (2.6) to include baseline figures for both Shrinkage and Leakage.
6. The Licensee will populate these as part of the 2016-17 RIGs process.

Further information

7. Appendix 1 to this Notice provides a link to the following documents, which show the proposed modifications as incorporated:
- (a) RIIO-GD1 Gas Distribution Price Control – Regulatory Instructions and Guidance: Version 4.0
 - (b) RIIO-GD1 Gas Distribution Regulatory Reporting Template: Version 4.0
 - (c) RIIO-GD1 Gas Distribution Revenue Reporting Pack Template: Version 4.0
10. The 'changes' tab in RIIO-GD1 Gas Distribution Regulatory Reporting Template: Version 4.0 provides details of the various proposed modifications.
11. Copies of this Notice and other documents referred to in it are available on the Ofgem website (www.ofgem.gov.uk).
12. Any representations on the proposed modifications must be made on or before 21 April 2017 to Ian Bagworth at Ofgem, 3rd Floor, 9 Millbank, London, SW1P 3GE, or by email to Ian.Bagworth@ofgem.gov.uk.
13. 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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Steven McMahon, Associate Partner RIIO Networks
Duly authorised on behalf of the Authority

23 March 2017

Appendix 1: Regulatory Instructions and Guidance incorporating proposed modifications

A copy of the proposed RIIO-GD1 Gas Distribution Price Control – Regulatory Instructions and Guidance: Version 4.0, proposed RIIO-GD1 Gas Distribution Regulatory Reporting Template: Version 4.0 and proposed RIIO-GD1 Gas Distribution Revenue Reporting Pack Template: Version 4.0 can be found on our website at:

<https://www.ofgem.gov.uk/network-regulation-riio-model/riio-gd1-price-control>