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Dear Louise

### **Proposal to make modifications to the Regulatory Instructions and Guidance**

Thank you for the opportunity to respond to your consultation for the updated Regulatory Instructions and Guidance (RIGs) for RIIO-ED1. We have been involved with the discussions surrounding the Version 3 updates and have made a number of informal comments to you and your team on the proposals.

We are generally supportive of the changes proposed for the latest iteration of the guidance. As noted in our separate discussions, we recognise that Ofgem will be conducting separate reviews of the Annex G - Connections RIGs and the Annex J -Environment and Innovation RIGs to make them more effective for all parties. We are fully supportive of this approach and suggest that these should be completed in time for the next iteration of the RIGs. For the current consultation, we have a number of detailed comments for consideration in the final version. These are contained in Appendix one to this letter.

Our biggest concern with the consultation is the failure to provide any guidance documents or templates associated with the Annex K – Pensions RIGs submissions which are due in July and September 2017. We have raised this issue on several separate occasions with your team and are concerned with the lack of progress as we are due to submit pack in less than three months time. The publication of timely guidance is critical to a successful reporting process and we urge Ofgem to deliver the documents as soon as possible.

Please feel free to contact me or my team if you have any queries.

Yours sincerely

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**Sarah Walls**  
Head of Economic Regulation

## Appendix 1 – Detailed Comments on the RIGs V3 Proposals

### RIGs Overview Document

- Figure 1.1 still refers to the Revenue and Financial issues pack
- Table 2.1 (RIGs annexes, reporting packs, commentaries and timeframes) notes the removal of the Financial Issues pack from Appendix C. The table suggests that a commentary will be required for the pack. This would be better placed within the Cost and Volumes pack as the commentary reflects tables which have transferred into that pack.
- The footer on page 8 “Pension RIGs” links to the June 2013 version of the document. These are out of date and the hyperlink should either be removed or updated to link to the new pack.

### Annex A - Glossary

- The new definition added for 'Faults' is not placed in the correct place alphabetically.
- Typographical error in line 2 of the Renewable Generation (date) line.

### Annex B – Cost and Volumes Tables

- Number 18- CV Tables - [2] Cell B25 reads: Asset Costs and Volumes – this should be updated to 'Activity/Asset Costs and Volumes'.
- Number 39 - C23 - Other NABC - Please clarify where this adjustment has been processed?
- Number 46 - I2 PCFM Inputs Nominal – the formula needs to be updated – The current update includes all indirects allocated to 'non-distribution activities (exc Connections)' whereas they should only be adding in indirects allocated to 'Atypicals included within Totex'.
- Number 49 - M13 Uncertainty Mechanism Information – We note that the title has been updated, but the key issue is that the calculation does not correctly adjust the allowance for comparison against allowances – the allowance for LRRC was set as Total Net Costs after Allocations.
- Number 59 - Annex B: Cost and Volumes guidance - Guidance should be merged and reworded to be all about F2 table as F6 table no longer exists.
- Number 61 - I2 - PCFM Inputs Nominal - Previous F8 reconciled Total C1 costs to the Regulatory Accounts totals. The new F8 compares Totex figure (new row on I2) to Regulatory Accounts totals. Is this an intentional change?
- Number 64 - I4 - Revenue Pack Inputs – The change has only made for cell AJ21. All cells in range AJ20:AQ24 should be updated as they are picking up revenue figures from C+V pack.
- Number 65 - I4 - Revenue Pack Inputs – the formula hasn't been updated for this, however the figure for income in C20 is Customer Contributions and not Revenue and so shouldn't be linked to for reconciliation of Revenue in Regulatory Accounts.
- Worksheet I6 - the 2016 RPI actual figure should also be in cell AJ9.
- Typographical error in the ninth fault scenario in the new appendix ..... pre-existence is incorrectly spelt.
- Pole termination fault on page 108 contains a duplicate word “It is decided to to replace the pole”

### Annex G – Connections

- Number 3 - CR3 - We would not expect to have any direct costs or have visibility of any unmetered IDNO connections. The creation of these new columns is therefore superfluous

- CR2- Metered in year, update to annex H (noted in our earlier responses) - On reflection there may be benefit to identify any such reinforcement as a separate column. This would help the table reconcile to the C tables and so long as it is excluded from the calculation of indicative margin would still address our original issue.
- Number 6 - CR5- Metered Connections completed – we note the minor formatting change on the table to remove a number of merged cells in the header rows to allow Ofgem to analyse the data. Unfortunately, this has not been done in a way which will to allow this to work. A number of the columns have merged cells for rows 7 & 8. Columns B-R, AG-AP, AW-BG all have this issue too.
- Number 7 - CR7- Annual Quotations issued – This is a repeat of the issue described in CR5

#### Common issues

- We note that there are a number of historical values in the packs (such as the RPIF term in multiple packs and the Average Specified Rate in the Revenue Reporting Pack). These values should be hardcoded in the V3 packs.