

Appendix 5 - Feedback Questionnaire for Introduction of RIIO Accounts – further consultation on licence modification

Thank you for taking the time to respond to our questions. We hope all the questions are understandable. If you have any difficulties please email mick.watson@ofgem.gov.uk. Once the questionnaire has been completed, please send it back to us using the email address above. Please return the completed questionnaire by 5 December 2017.

Section 1 - About you	
Your name	Keith Mawson
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Organisation name	Northern Powergrid
Please state whether your response is confidential or not	Not confidential

Response

Question 1: Do you have any comments on the draft licence condition set out in Appendix 1?

We provided a mark-up of the proposed licence condition in response to Ofgem's informal consultation. We note that only some of our proposed amendments have been incorporated into the proposed licence condition included in the consultation but others have not. We believe the current drafting remains defective and commend those of our proposals from the informal consultation, which have not been actioned. For example, the first paragraph fails for structural reasons. Those proposals are re-attached.

We believe that the formal notice period for introduction of the RIIO Accounts and Ofgem Regulatory Financial Reporting Standard (ORFRS) modification should be in the Regulatory Year prior to the Regulatory Year in respect of which the RIIO Accounts must be prepared. We believe this view is supported by other NWOs.

The very latest date that the ORFRS should be updated for amendments that do not need system and process changes to be implemented is 31 December of the Regulatory Year in respect of which the RIIO Accounts must be prepared to allow for appropriate planning.

The proposed licence condition should also set out the process and timeline for issuing the ORFRS and/or Proposed Regulatory Corporate Governance Statement (RCGS) Principles.

Question 2: Do you have any comments on consequential modifications required to other licence conditions set out in Appendix 2?

Standard Condition 29 – Restriction of activity and financial ring-fencing of the Distribution Business

The de minimis limitations refer to both 'turnover' (in 29.9) and 'consolidated reserves' (in 29.10). Turnover, as such, is not presented in RIIO Accounts and consolidated reserves may be significantly different from those reported in statutory accounts. In order to avoid unintended changes in the values of the de minimis thresholds, either the references should be changed to be the values shown in the latest statutory accounts or fixed thresholds (subject to RPI update) should be included as an appendix to the licence condition. The latter option would avoid the need to recalculate values annually during the price control period and, therefore, may be a better longer-term solution.

Question 3: Do you have any comments on the proposed RCGS Principles set out in Appendix 3?

We have a number of comments on the proposed RCGS Principles, which are marked-up in red in the attached copy of Appendix 3 to the consultation document.

In its covering letter, Ofgem states that it will not provide further guidance on what should be included in the RCGS but that NWOs should engage with the anticipated primary users of RIIO Accounts to understand what they would expect from the published RIIO Accounts. We comment in our overall response that we doubt there will be any meaningful engagement from stakeholders with the RIIO Accounts in the current format. If Ofgem wishes to pursue the RCGS, it will need to fill this void.

Question 4: Considering the one-year delay in introducing RIIO Accounts and potential impact on consumer benefit it may have for RIIO2, do you agree that licenced NWOs should report RIIO Accounts for the Regulatory Year 2017-18?

Please see our overall response for our full comments on this issue. In short, we do not believe the NWOs should be required to prepare and publish RIIO Accounts for the 2017/18 Regulatory Year. Feedback from the audit firms is that a “fairly presents” opinion is not possible for the 2017/18 Regulatory Year, which is proposed by the licence modification.

The development of RIIO Accounts and the associated ORFRS is a complex project and we feel that it is better for the interests of consumers to take longer to get it right and to ensure the costs that will be incurred are justified.

General response to our further consultation for the Introduction of RIIO Accounts

Please see our overall response.