

RIIO-2 Costs & Outputs Working Group

Electricity Transmission



Introductions & recap on purpose of working group

Cost Assessment Methodology

RIIO-T2 Unit Costs - SSE

Business Plan Template Development

Scenarios

Network Options Assessment – NG ESO

Next steps

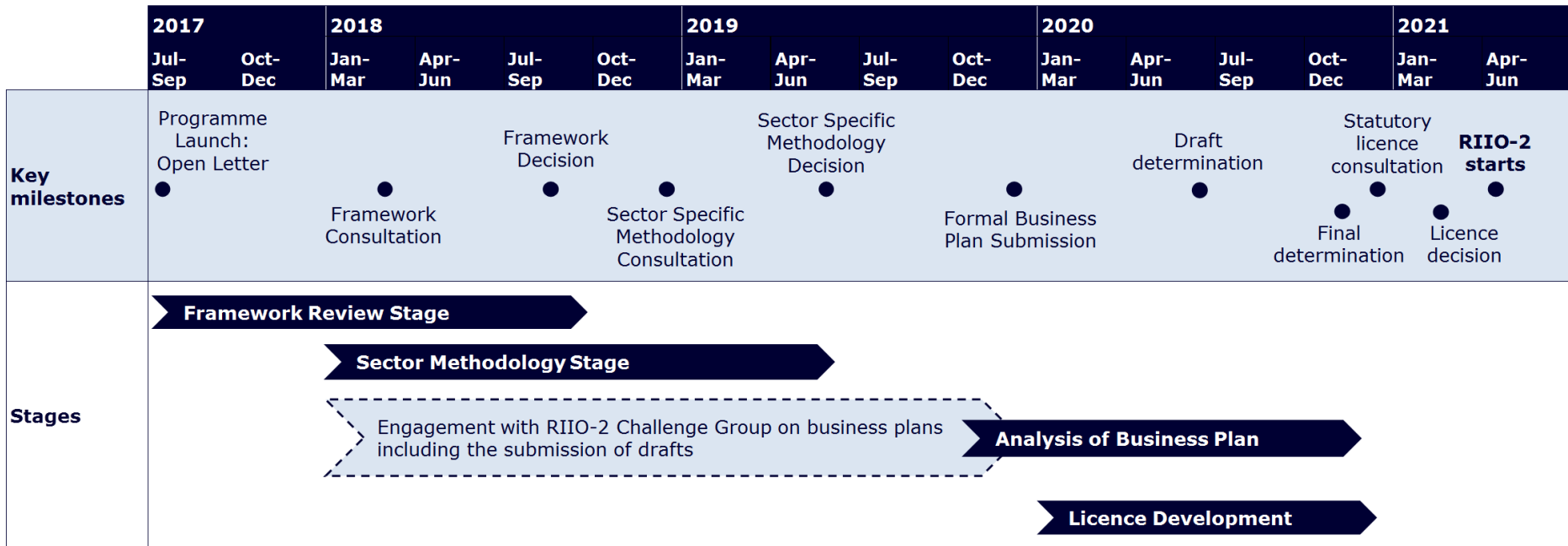
Purpose of Working Group

- **Inform ETO business plan submissions**
 - ✓ **Content**
 - ✓ **Form**
 - ✓ **Evidential base required**
- **Inform development of analytical techniques for assessment of business plan**
- **Forum for working out the practical implementation of performance monitoring through course of RIIO-ET2**

- **Not a decision making group**
- **Membership comprises Ofgem, ETO & ESO representatives and other interested parties**
 - ✓ **Expectation that members will be active participants**
 - ✓ **Chatham House Rules apply**
 - ✓ **Discussions not binding on GEMA**
- **Meet at ~ 5 week intervals**
- **Run through to business plan submission (late 2019)**
- **Publish brief, non-attributable minutes**

Timeline for activities and deliverables

Indicative High-Level RIIO-2 Plan for ET, GT, GD and ESO Sectors



- **Review RIIO-ET1 cost analysis work program**
 - ✓ **Determine what is still suitable, what needs to be changed**
- **Develop and refine assessment methods for**
 - ✓ **Totex**
 - ✓ **Capex**
 - ✓ **Opex**
- **Establish the approach to and treatment of:**
 - ✓ **Business support costs**
 - ✓ **Contractor modelling**
 - ✓ **Whole life costs**
 - ✓ **Innovative solutions**
 - ✓ **Investment avoidance**
 - ✓ **Associated investment costs**
- **Cross Sector WG to discuss specific common areas**

Unit costs

Benchmarking approach

Bottom up

Top down

View on future work requirements

Volumes

Scope/nature of work

Compatibility with whole system view

Our core purpose is to ensure that all consumers can get good value and service from the energy market. In support of this we favour market solutions where practical, incentive regulation for monopolies and an approach that seeks to enable innovation and beneficial change whilst protecting consumers.

We will ensure that Ofgem will operate as an efficient organisation, driven by skilled and empowered staff, that will act quickly, predictably and effectively in the consumer interest, based on independent and transparent insight into consumers' experiences and the operation of energy systems and markets.