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Ofgem
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14 March 2019

Dear Akshay

SGN RIIO-2 Sector Specific Consultation response

We welcome the opportunity to respond to this Sector Specific Consultation and address the questions raised. Please find enclosed our response which covers the questions raised in the RIIO-2 Sector Specific Consultation Document, the Gas Annex and the Finance Annex only.

It is our view that RIIO-1 has worked, and has delivered strong consumer benefits - improved safety, improved customer service, improved efficiency and clarity of outputs. We are keen to ensure in RIIO-2 that any issues with RIIO-1 are appropriately addressed through an evolutionary approach consistent with the regulatory principles of proportionality, accountability, consistency, and transparency and that we continue to deliver our shared ambitions for all our customers and stakeholders.

In RIIO-2, we encourage Ofgem to recognise the mutual benefit delivered and to support strong incentives that drive efficiency, innovation and continue to improve customer outcomes. There is a risk that the regulatory structure proposed in the Sector Specific Methodology will not deliver this; rather the proposed structure risks stifling ambition by focusing on penalties. We have set out our suggestions to overcome this risk and ensure that we continue to drive additional value for consumers.

Accompanying our submission, we have included the ENA commissioned independent consultant reports which have informed our response to the Finance Annex Consultation.

We hope our response is useful. If there are any questions or points that you would like to discuss further, then please contact me directly.

Yours sincerely

David Handley
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