

To: Electricity Transmission
Network Operators; NGENO;
interested stakeholders

Email: anthony.mungall@ofgem.gov.uk

Date: 9 March 2020

Dear Company Secretaries and stakeholders,

Proposal to modify the Regulatory Instructions and Guidance (RIGs) for RIIO-ET1

We propose to modify the Regulatory Instructions and Guidance (RIGs) for RIIO-ET1. Please find enclosed a Notice, issued pursuant to paragraph 10 of Part C of Standard Licence Condition B15 (Regulatory Instructions and Guidance) of the Electricity Transmission Licence, in respect of our proposed modifications.

We propose that if we implement these changes, they will take effect in April 2020¹. For the avoidance of doubt, this means that the data submitted in July 2020 (in respect of the 2019/20 reporting year) should comply with the RIGs as modified.

In addition to the proposed modifications detailed in the Notice attached to this letter, we set out below developments in relation to three areas of information, and we provide an update on changes to the supporting commentary to supplement the annual Regulatory Reporting Packs (RRPs).

Environmental Reporting

In our May 2019 Sector Specific Methodology Decision document², we set out our decision to start collecting data on non-SF6 Interruption and Insulation Gasses (IIG) during the remainder of RIIO-ET1 (2020-21). This information will be used to provide a complete picture of the IIG assets in place for the start of RIIO-ET2, where the SF6 incentive will become the IIG Incentive. In order to collect this additional data, additional input tables have been added to tab 6.5 (SF6 Incentive) for 2020 and 2021.

RIIO-ET2

¹ We propose to modify the RIGs in a direction on or after 13 April 2020.

² Paragraph 3.183 https://www.ofgem.gov.uk/system/files/docs/2019/05/riio-2_sector_specific_methodology_decision_-_et_30.5.19.pdf

The next price control (RIIO-ET2) will start in April 2021 and run for five years until March 2026.

During 2019, a working group comprising the transmission owners (TOs) and other stakeholders continued work to conclude the development of a final RIIO-ET2 Business Plan Data Template (BPDT)³. The template was subsequently used as the basis of the final submissions received in December 2019. The group raised resource and administrative concerns regarding the ability to address points of inquiry arising from Ofgem’s review of the BPDT submission and the development, assurance and submission of the annual RIIO-ET1 Regulatory Reporting Pack (RRP) in parallel.

To mitigate these concerns, last year the TOs reviewed the RRP data templates to identify areas where it might be possible to temporarily reduce or suspend the data requirements. We have reviewed the RRP data template again this year to identify areas where it may be possible to extend the suspension agreed as part of last year’s RRP within the forthcoming RRP submission. We believe that the temporary data reporting amendments set out below represent a pragmatic solution that aims to ensure the efficiency and effectiveness of the forthcoming RRP and enable licensees to release resource to prepare, review and assure responses to formal questions received on the RIIO-ET2 data submission.

Our initial proposals are summarised in the table below. Views are invited on our proposed approach in each area by 6 April 2020.

Table 1: Proposed data reporting amendments within the ET RRP pack

RRP reference	Comment
3.4 “Business support group”	We are minded to suspend the population of the granular cost breakdown within each worksheet for the 2019-20 reporting year. The cost categorisation currently captured in worksheet 3.1 “Opex summary” and 3.2 “Indirect summary” (where applicable) would remain unchanged and the requirement to populate data at the aggregated level would be unchanged. For the avoidance of doubt, the requirement to identify and explain areas within the supporting commentary where there has been significant year-on-year change would remain unchanged (at an aggregated level).
3.6 “Business support supplement”	
3.7 “Operational training”	
3.8 “Salary & FTE numbers”	
3.9 “Exec & Demin”	
5.10 “average circuit unreliability”	We are minded to suspend population of this worksheet for the 2019/20 reporting year only. As this looks at average position, we do not expect to use it directly in our short-term analysis. We may request TOs submit the data at a later date and expect them to notify us if 2019/20 Average Circuit Unreliability (ACU) drops significantly below historical levels.

New tables

To manage the transition between the RIIO price control periods, we propose the introduction of two new tables (both on Asset Identification). The tables would require the provision of information on assets that have been, or are forecast to be, the subject of intervention. This would provide additional transparency on the assets taken out, added to or moved within a licensee’s system.

New text has been included in the guidance document to provide clarity to the licensees regarding the reporting requirements in this area.

³ <https://www.ofgem.gov.uk/publications-and-updates/riio-2-final-data-templates-and-associated-instructions-and-guidance>

Commentary requirements

Alongside the submission of its RIGs data template, each licensee must complete the commentary template provided. The commentary should give more details on specific areas to aid our understanding of the results from a number of perspectives.

One key aim is to ensure that we are able to robustly monitor historical performance data and TOs' forward cost and output projections with confidence for the duration of the RIIO-ET1 price control.

To meet this aim, we propose to continue the performance narrative requirements agreed for the 2019 commentary document, specifically to retain the focus for each licensee to produce an 8-year view plus identification and explanation of any significant in-year changes. The requirement to provide commentary for the current reporting year and the cumulative period to date remains suspended for the purposes of the 2020 commentary.

For the avoidance of doubt, the requirement to provide commentary of the drivers to inform the strategic performance explanation (as described in chapter 10 of the guidance document) remains unchanged.

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

Yours faithfully,

Steven McMahon
Deputy Director, Network Price Controls
9 March 2020

To: National Grid Electricity Transmission plc ("NGET")
(Company Number: 02366977)

SP Transmission Limited ("SPTL")
(Company Number: SC189126)

Scottish Hydro Electric Transmission plc ("SHET")
(Company number: SC213461)

National Grid Electricity System Operator Limited ("NGESO")
(Company Number: 11014226)

(the "Licensees")

Notice under paragraph 10 of Standard Licence Condition B15 (Regulatory Instructions and Guidance) ("SLC B15") of the Electricity Transmission Licence of proposed modifications to the Regulatory Instructions and Guidance for RIIO-ET1

The Gas and Electricity Markets Authority (the "Authority"⁴) hereby gives notice under paragraph 10 of SLC B15.

Proposal to modify the Regulatory Instructions and Guidance

1. Each of the Licensees is the holder of an electricity transmission licence (the "Licence") granted or treated as granted under section 6(1)(b) of the Electricity Act 1989.
2. The Authority proposes to modify the Regulatory Instructions and Guidance (the "RIGs") under SLC B15 of the licence.
3. The proposed modifications make changes to the following documents:
 - (a) RIIO-ET1 Electricity Transmission Price Control – Regulatory Instructions and Guidance: Version 7.1;
 - (b) RIIO-ET1 Electricity Transmission Reporting Pack Template (excel): version 7.1 & 7.1a
 - (c) RIIO-ET1 Electricity Transmission Commentary Templates: version 7.1; and
 - (d) RIIO-ET1 Electricity Transmission Revenue Reporting Pack Templates (excel).

Appendix 1 to this Notice provides a link to these documents, which show the proposed modifications as incorporated.

4. The proposed modifications refer specifically to information required to be submitted to the Authority on or before 31 July 2020 in the following areas:
 - (a) the guidance document supporting the Costs & Output ("C&O") Regulatory Reporting template applicable to all Licensees,
 - (b) the C&O Regulatory Reporting excel template for all transmission owner businesses,
 - (c) the C&O Regulatory Reporting excel template for the Electricity System Operator (ESO),
 - (d) the supporting narrative template for each Licensee to follow when submitting commentary to support the C&O RIGs return, and
 - (e) the Revenue Regulatory Reporting excel template for each Licensee.

⁴ 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.

5. The purpose of the proposed modifications is to require the Licensees to provide new information to the Authority, as well as 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. The proposed modifications also aim to streamline the reporting process, and to manage the transition between the RIIO-ET1 and RIIO-ET2 price control periods.
6. The main proposed modifications are briefly summarised below. They are:
 - (a) The proposed revision to the formula used to derive the annual value of the licence term "ALC" in table 2.2. This proposed change would be applicable to SPTL only.
 - (b) The proposed removal of cells referencing data relevant to the ESO in table 3.1 of the excel template. We propose streamlining this section to remove tables that are not required to support the performance narrative of the transmission owner businesses.
 - (c) We are proposing to suspend the requirement to populate and provide supporting commentary in relation to tables 3.4, 3.6, 3.7, 3.8, 3.9 and 5.10 of the data reporting template.
 - (d) The proposed introduction of a new table (4.9) to enable SPTL to provide detail of the projects included within Green Economy Fund (GEF) and associated costs.
 - (e) The proposed introduction of two new tables (6.01 and 6.02) to provide detail on the forecast interventions for asset categories included in the current eight year T1 period (actual and forecast) and expected T2 delivery program. New text has been included in the guidance document to provide clarity to the Licensees regarding the reporting requirements in this area.
 - (f) The proposed addition of tables to enable the capture of alternative Interruption and Insulation Gasses (IIG) data for reporting years 2020 and 2021 (table 6.5). New text has been included in the guidance document to provide clarity to the Licensees regarding the reporting requirements in this area.
 - (g) Revisions to existing tables in the Revenue Regulatory Reporting excel template to clarify existing reporting requirements and the changes introduced with the separation of NGESO and NGET in April 2019.
 - (h) General housekeeping changes to update references and calculations to reflect the current reporting year.

Appendix 2 to this Notice provides a link to a change log, which details the proposed modifications.

Further information

7. Copies of this Notice and other documents referred to in it are available on the Ofgem website (www.ofgem.gov.uk).
8. Representations in response to the proposed modifications must be made to the Authority on or before 6 April 2020. Representations should be sent to Anthony Mungall at Ofgem, 3rd Floor, Commonwealth House, 32 Albion Street, Glasgow, G1 1LH, or by email to Anthony.Mungall@ofgem.gov.uk.
9. We would prefer to receive responses in electronic form so that they can be easily

published on our website. If you do not wish your response to be published, please clearly mark it as not for publication.

10. If the proposed modifications are implemented, they will take effect in April 2020⁵.

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Steven McMahon, Deputy Director, Network Price Controls, Systems & Networks
Duly authorised on behalf of the Authority

9 March 2020

⁵ We propose to modify the RIGs in a direction on or after 13 April 2020.

Appendix 1: Regulatory Instructions and Guidance incorporating proposed modifications

A copy of the proposed RIIO-ET1 Electricity Transmission Price Control – Regulatory Instructions and Guidance: Version 7.1, proposed RIIO-ET1 Electricity Transmission Reporting Pack Templates: Version 7.1, proposed RIIO-ET1 Electricity Transmission Reporting Pack Templates: Version 7.1a, proposed RIIO-ET1 Electricity Transmission Commentary Template and proposed Revenue Reporting Pack Template for each Licensee can be found on our website at:

<https://www.ofgem.gov.uk/publications-and-updates/notice-proposing-modifications-regulatory-instructions-and-guidance-rigs-riio-et1-version-71>

Appendix 2: Proposed modifications to the Regulatory Instructions and Guidance

A log of all proposed modifications can be found on our website at:

<https://www.ofgem.gov.uk/publications-and-updates/notice-proposing-modifications-regulatory-instructions-and-guidance-rigs-riio-et1-version-71>