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Varun Venaik
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Our ref

Your ref

Date

-

22nd May 2020

Dear Varun,

Proposal to make modifications to the RFPR and Pension Regulatory Instructions and Guidance

I am writing on behalf of Western Power Distribution (South Wales) plc, Western Power Distribution (South West) plc, Western Power Distribution (East Midlands) plc and Western Power Distribution (West Midlands) plc in relation to Ofgem's notice setting out its proposal to make modifications to the RFPR and Pension Regulatory Instructions and Guidance (RIGs), dated 29 April 2020.

We welcome the opportunity to comment on the above proposals and are pleased to see that issues with the Pension RIGs we raised previously have been resolved.

In relation to the updated pension reporting template, we have one further issue in relation to the 'Para 6.20 adjustments' worksheet. In the template issued for completion in 2017, rows 7-14 had a column to complete for each of the three years ending on the valuation date. Similarly, the formulae in rows 19-21 were also calculated for each of these three years. However, in the template issued on 29 April 2020, rows 7-14 and 19-21 only have a single column for entry/calculation. Information in rows 7 and 8 may differ between years, resulting in differing results by year in rows 19-21. We therefore propose that the three columns, one for each of the years ending 31 March 2017, 31 March 2018 and 31 March 2019, are reinstated for rows 7-14 and 19-21.

We also have some minor issues in relation to the wording of the RFPR RIGs Guidance document, as a result of recent changes to this document from last year's publication.

IFRS 16 clarification statement

Regarding the new statement on p. 17 of the RFPR RIGs Guidance document, "In relation to IFRS 16, there is no change in RRP reporting, and hence any element of interest cost in lease payments should be excluded from tables R7 and R7a.", it may be better to state:

"In relation to IFRS 16, there is no change in RRP reporting, and hence any element of interest cost in lease payments should be excluded within the Conversion to Regulatory (RIIO-1) Definition of Net Interest within tables R7 and R7a.", given that we are required

to report "Net Interest Per Statutory Accounts" (Row 450) which may include such charges.

Exclusion of Ex-gratia payments

Regarding the new statement on p.25 of the RFPR RIGs Guidance document, in relation to the completion of table R13, "Ex-gratia payments to be excluded", this statement has been added as part of the first paragraph "In rows 11-13 enter any Ofgem (those published on Ofgem's website) related fines and penalties, with description. Add additional rows as necessary. Ex-gratia payments to be excluded." Rows 11-13 are where Ofgem related fines and penalties are to be reported; Guaranteed Standards payments have been split out in rows 19:20. The position of this new statement therefore suggests it relates to Ofgem related fines and penalties. However, it seems the intention of the original suggestion may have been referring to the exclusion of ex gratia payments from Guaranteed Standards payments (which could include ex gratia payments) and therefore, if this is the case, this comment should sit alongside the third paragraph, "In rows 19 enter total guaranteed standard payments".

Naming convention

We note that you have introduced a paragraph concerning naming convention, as WPD proposed. However, the wording adopted in the RFPR RIGs Guidance document is slightly different from WPD's proposal and now requires the RFPR Commentary document to have a DNO name in addition to a DNO Group name, despite paragraph 3.8 of the RFPR RIGs Guidance document stating that where a Licensee is part of a company that has more than one licence within a sector, they should submit only one commentary. We therefore suggest that the text is updated to:

""[Sector] [NWO GROUP NAME] commentary YYYY" (e.g. ED1-WPD commentary 2019.docx) for the commentary document."

Cost of debt forecast

Finally, in relation to the Cost of debt forecast in the RFPR template – we note that the cost of debt forecast for years 2021/22 and 2022/23 (cells K63:L64 of the Data worksheet) has not been updated. Could Ofgem please clarify whether you intend to update these values for the 2019/20 RFPR submission?

WPD continues to support making improvements to the RIGS and we hope Ofgem finds these comments helpful. Should you wish to discuss any aspects of this response please contact kbartlam@westernpower.co.uk.

Yours sincerely,

Paul Branston
Regulatory & Government Affairs Manager