

RIGs Development Working Group – Meeting 1

From: Ofgem

Date: 22nd September
2020

Time: 10:00 – 12:30

Location: Teleconference

1. Present

Ofgem
Cadent
NGN
SGN
WWU

2. Introduction

2.1. The WG (Working Group) discussed whether the new RRP (Regulatory Reporting Pack) and RIGs (Regulatory Instructions and Guidance) will be Cost and Volume data specific or will include other segments e.g. NARMs (Network Asset Risk Metric). Ofgem confirmed that the new RRP would be Cost and volume specific, and noted that the current finance worksheets were expected to be removed from the GD (Gas Distribution) RRP pack and moved to the PCFM (Price Control Finance Model).

2.2. Concerns were raised about Ofgem's intention to develop the NARM reporting tables separately to the GD reporting pack, suggesting that there need to be alignment between the two during development. **[Action 1] Ofgem will liaise with NARMs team on their reporting plans if required to include in the RRP and RIGs**

2.3. **[Action 2] Ofgem will liaise with Reg Finance colleagues on their plans on revenue reporting if they intend to remove it from the new RIGs.**

2.4. **[Action 3] Ofgem to discuss with Finance regarding the creation of an output sheet in the new RRP to transfer data to Finance Model.**

3. General Approach

- 3.1. Ofgem went through the key stages of the RIGs development process and identified areas where networks can to support Ofgem. This include networks providing input to RRP tables and data fields development, drafting revised RIGs and testing the new RRP model.
- 3.2. WWU cautioned Ofgem to be mindful of the timing of the RRP testing period as Quarter 2 is always a busy period for networks in preparing annual reports.
- 3.3. There was broad agreement on the general approach proposed by Ofgem. The networks confirmed the collaborative approach adopted is similar to the Licence Drafting Group. Ofgem explained that, unlike the Licence Drafting Group, there was no intention to issue an informal consultation publication, partly due to timing and because this development process should be sufficiently open and transparent to avoid significant uncertainty when Ofgem formally consults in 2021.

4. RIGs Development timeline

- 4.1. Ofgem shared the tentative timelines for RIGs development.
- 4.2. This involves monthly WG meetings but dates can be flexed to match completion of key action points and the best time for informed decision-making.
- 4.3. Ofgem proposed that the publication dates for the draft and final RRP and RIGs be end of March 2021 and June 2021 respectively.

5. Work Programme

- 5.1. Ofgem noted its intention to develop a starter RRP model and share it prior to the next WG meeting. The starter model will illustrate the proposed structure of the new RRP. There was general agreement for a starter RRP model and networks were keen to see a draft version for comment.

- 5.2. The group proposed that Ofgem use the WGs to prioritise those activities that are likely to require new data requirements or major changes to current reporting.
- 5.3. WWU explained that their data reporting systems would need to be updated to capture any new data requirements before April 2021, and therefore urged the WG to cover off all changes before the commencement of the new financial year.
- 5.4. Concerns were raised about the RIGs being developed whilst there could be potential revisions to the current RIGs and RRP for year 8 of RIIO-GD1. Ofgem explained that it does not anticipate any major changes for year 8 and will promptly share any changes with networks.
- 5.5. WWU noted that it would be good to provide clear deadlines for action points from WG meetings to encourage strict adherence to the agreed programme timelines.

6. Objectives

- 6.1. Incorporating best practice – Ofgem confirmed it has reviewed other sectors RRP and found Gas and Electricity Transmissions were similar to Gas Distribution (GD) but Electricity Distribution (ED) was different. ED RRP key differences include the model being multi-year and separate reporting sheets for each cost driver.
- 6.2. It was noted that the ED approach provides improved clarity on costs and is likely easier to collate/transcribe the data. However, it is a bigger model compared to the current GD RRP.
- 6.3. Cadent noted the importance of developing the RRP/RIGs with a view to RIIO-GD3, noting that the GD2 reporting pack should contain sufficient data to largely inform RIIO-GD3 BPDT development.

7. High Level Principles

- 7.1. Tracking against RIIO-2 settlement - Ofgem confirmed the intention to use the RIIO-GD2 BPDT as the starting point for developing the GD2 RRP and to adopt relevant sections of the GD1 RRP where necessary.
- 7.2. Cadent and WWU highlighted that the BPDT is currently a complex template and careful consideration should be given in adding to the template.
- 7.3. WWU requested the high-level principles should include removal of redundant data.
- 7.4. Streamlined RRP - Ofgem acknowledged that the GD1 RRP contains many formatting inconsistencies, which makes it difficult to automate data extraction. Ofgem plans to adopt a more automated process of extracting data from RRP models, and to support this it is important that the new RRP has a consistent layout throughout.
- 7.5. NGN agreed with the above view and noted that the structure of the GD1 RRP often makes it difficult to populate simple worksheets, due to many sheets requiring multiple teams to input into them, e.g. finance, operational, etc.
- 7.6. Ofgem confirmed it is considering the new RRP being a multi-year model but aware this will make the model size bigger and contain numerous empty cells.
- 7.7. NGN agreed that the multi-year approach would be good for the annual reporting checking process, as all the data will be contained in one model.
- 7.8. Best practices - Ofgem is looking at other Ofgem sectors to incorporate best practice into the GD2 RRP. Such practices may include the reporting of overheads (e.g. business support costs) and reporting costs on either a gross or net basis.
- 7.9. WWU cautioned that before Ofgem adopts other sector reporting methods, there is currently some reporting differences between GD networks. This is mainly due to different accounting policies, e.g. capitalisation rates and differences in the delivery of services (e.g. outsourcing strategies). These differences should first be understood and potentially resolved.

7.10. There was a debate about the appropriate forum to discuss network reporting differences, e.g. through bi-lateral meetings or WGs. The group agreed that the WG would be a more appropriate forum for discussion as it is open to all companies.

7.11. New RRP and RIGs consistency and transparency – There was a presentation of ED RRP which highlighted consistencies across costs sheets, e.g. each containing summary cost data at the top of each sheet. There was general agreement that the drawback of ED approach is the size of the model and the potential for large parts of the reporting pack to be unpopulated.

Additional questions & AOB

7.12. There was general agreement to keep the WG discussions high level and invite expertise to the meetings to provide detailed analysis if required.

7.13. It was agreed to introduce an Assumption Log hosted on Huddle.

7.14. **[Action 4] Ofgem to create Assumption Log and share on Huddle.**

7.15. In response to an earlier stakeholder view, Ofgem noted its intention to develop and share an activity development timeline, prioritising those activities that are new or likely to change materially from GD1.

7.16. **[Action 5] Ofgem to resend email in the next WG meeting dates for network to confirm].**