Annex 6 - Response Template

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Question	Response
Q1: Do you have any comments on the scope and purpose of this consultation?	We support the way you have approached the accountability and transparency issue in this consultation. Past performance reporting has been unscientific, showing little regard for audience or purpose so we are particularly pleased to see the reporting problem broken down into content, publication split and timings, as well as the idea that reporting should be 'layered'. Finding the optimal reporting arrangements will take some time and experimentation but the framework you set out in this consultation is a good starting point. If we have a concern, it is that the scope of this consultation, being confined to electricity distribution, may be too narrow. While we understand that there may be practical reasons for this, it is important that the reporting framework is consistent across the three RIIO determinations to give stakeholders a better vantage point from which they can compare performance. This is why one of the key recommendations of *Beginning to see the light* is that the current anomaly that exists whereby electricity distribution networks are required under licence to report on their performance against their business plan commitments, but not gas and electricity transmission or gas distribution, should be resolved. Extending the consultation to include RIIO-T1 and RIIO-GD1 would also ensure that the experience of the networks operating under these price controls - that are two years ahead of RIIO-ED1 - is considered here.

Q2: What do you think about the information we suggest including in an infographic-style report included in Table 1?	The idea that the networks should publish a single page 'summary' report showing their performance at a glance was one of the key recommendations of *Beginning to see the light* and we are pleased that you are considering how this might be achieved. The challenge of course, is what to include when space is limited and outputs are numerous. Our view, given consumers' number one priority when surveyed about their interest in the networks is cost, is that the priority should be to report on those performance areas where the networks are financially incentivised. This is why our suggested one page reporting template, (Annex 1 of this consultation) reports performance against the five incentivised areas of the settlement: finance; customer satisfaction; reliability, connections; and losses. Critically, our format shows both absolute and relative performance in each of these areas, and how performance has trended over time. Table 1, while providing useful information, does not convey this level of meaning. Table 1 adopts the six output categories against which the networks were required to construct their business plans. While these six categories are a useful guide to how Ofgem initially steered the networks for the purposes of constructing the business plans, the categories are in fact fairly arbitrary, overlapping and non-comparable. A single measure of how the network is doing in each category would give too little information, and a measure of how it is doing in each output would give too much. The traffic light approach you adopt in Table 1 is one way of trying to overcome this problem but having reflected on it ourselves, we think it is unsatisfactory. Taking the example of UKPN, it is not apparent to us how you would calibrate the three states of the traffic light with performance on 14 customer satisfaction outputs? Would satisfactory performance on, for instance 11, and unsatisfactory performance on 3, constitute a red or amber light? And even if you could devise a 'rule' for equating performance on output categories with the traffic lights, how would you

	apply this across networks with different numbers of outputs per category?
Q3: Are there any other metrics you would wish to see included in an infographic-style report and why? You will find more information on data collected in the RIGs on our [website](#).	The most obvious omission from Table 1 is the return on regulatory equity (RORE) - possibly the most discussed metric during the development of the price control to the extent that it relates to the settings for the weighted average cost of capital (WACC) - one of the key building blocks of the settlement and one that must be front and centre in any 'at a glance' reporting. Beyond that, please see also our response to Question 2 above.
Q4: Do you have any comments on the sample infographic-style report included in Annex 1 and the suggested content for an infographic-style report included in Annex 2?	We do not have any further comments on Annex 1.

The three tier reporting concept Electricity North West Limited (ENWL) proposes at Annex 2 is a good one but our concern with this model is that the first level does not situate the metrics in a context (trend over time and relative to other networks) that stakeholders need to be able to properly assess performance. For example, the Customer Minutes Lost (CML) metric in isolation is essentially meaningless to a consumer or non-industry expert - meaning can only be derived by comparing the reported performance to a benchmark; in this case the target set by Ofgem and in terms of performance relative to other networks.

The other critical piece of context for understanding CML performance (and indeed that against other KPIs) are related financial incentives. A key question for stakeholders is whether the payments are delivering improvements. It is not clear from Annex 2 whether this sort of financial information would be included as part of Level 3 of the 'expenditure' line, or if it is to be, how readily it could be related back to CML and the other KPIs.

As with your Table 1, we also note that Annex 2 does not report RORE which, for the reasons we outline above, is critical. |
| *Q5: Should an infographic provide information at DNO or DNO group level?* | It is critical that this information is published at both DNO and DNO group level. A DNO group like Scottish and Southern Energy Power Distribution |

	for instance operates in two very different environments - environments that will influence performance and inform the judgements stakeholders will make about value for money, standards of service etc.
Q6: Are there any metrics included in Table 2 which you do not think are relevant or important? Why?	No, Table 2 appears to capture the various output categories under RIIO-ED1.
Q7: Are there any other metrics not included in Table 2 which you would also like to see reported in a mid-level report? Why? You can find more information on data collected in the RIGs on our website.	If there is a gap in Table 2, it is not a missing KPI, but rather that it doesn't do enough to situate the metrics in a context that gives them meaning for non-industry stakeholders (although some meaning can be drawn from the 'rewards/penalties' column).
Q8: Would you like information and/or data published to reflect in-year performance or are you also interested in performance up to date and/or forecast or cumulative data? If so, why?	As we have emphasised in our responses to the previous questions, when it comes to performance reporting, context is everything. In this regard, the ability to observe performance trends over time is vital. While in year snapshots are useful, the nature of the the network business, with its long investment and operational planning horizons, means that to evaluate performance today, one must look to incentives paid and decisions made in previous years if not previous price controls.

A related challenge stakeholders have faced is that the reliance on backward-looking metrics has meant that by the time a problem becomes apparent, it is often too late to correct it. For example, in previous price controls, important information about the networks' earnings was not published until after the subsequent price control was finalised making it difficult for stakeholders to assess the settings going forward.The performance forecasts you have included in the first set of RIIO-GD1 and RIIO-T1 annual reports help address this problem by providing stakeholders with an 'early warning system' of sorts and we request that it is made a standard reporting requirement across the three RIIO settlements. |
| Q9: Do you have any comments on the templates provided by stakeholders in annexes 2 and 3? | The model that British Gas has suggested at Annex 3 provides a well organised, granular format for reporting performance that could |

	potentially sit behind the higher level one-page report like the one we have suggested at Annex 1. A particular strength of Annex 3 is that it presents information in a way that allows stakeholders to assess the relationship between performance on KPIs and incentive payments over the course of multiple price controls, providing a basis for meaningful trend analysis.
Q10: Would you be interested in the bill impact of each individual incentive or is overall bill impact a more useful measure?	We would request that both the individual and overall bill impact of the various incentives is made available - the former because consumers must be presented with information in a way that is relevant to them. Our view is that the more granular information about the bill impacts of incentives would be best published in one of the layers underneath the one-page report (that would set out the overall costs in £m) in the interests of simplicity and accessibility.
Q11: What additional data or information submitted in the RIGs would you like to see made publically available and why? You will find more information on data collected in the RIGs on our website.	No comment.
Q12: Do you have any preferences on the way data and information is presented?	In addition to the points we have already made about the importance of context, we request that information and data is presented in a way that is consistent with two key principles: 1. Findable: ● Reports should be easy to find from the website homepage, or to stumble across if if not looking for them. Careful thought should be given to the user experience of finding the report on the website and ideally there should be a direct link from the homepage. ● Each network should have a single clear, up-to-date, overview report on its activities, given more prominence than other documentation. This should contain clear links to further information, rather than a long list of documents to choose between. 2. Simple

	• Reports should be as concise and punchy as possible while communicating the key information needed (see below, 'reporting under RIIO', for our view of what the key information is). As a guideline, it should be possible for a non-expert reader to take in the bulk of a report in five minutes.
	• Technical jargon and unnecessary acronyms should be avoided.
Q13: What data should the DNOs publish?	Please see our suggested reporting model at Annex 1 and the responses to the previous questions.
Q14: What are your views on what data Ofgem should publish?	Ofgem has a key role to play in publishing all the networks' performance in one place. This is a role it is already starting to play with the section of its website 'Network performance under RIIO'. This usefully brings together information on the 39 spending against allowance of each network, and though it does not currently include other performance information or the opportunity to compare networks directly, there is scope to build on this as a focal point and platform. Ofgem has also provided an effective tool for comparability in its annual reports on networks. These provide a very useful starting point, especially in their summary traffic light tables, for example 3.1 in the gas distribution report for 2013-14. This could be even more useful if it included more nuance (perhaps using ranking) and more detail on how these outputs linked to performance incentives. It could also be given more prominence, for example if this table was extracted from the report and placed on Ofgem's website, and/or the networks were required to put it on their homepage.
Q15: Based on the examples in annexes 1 and 4, and in tables 1 and 2 above, what do you think about using ranking and/or traffic lights? What are the advantages and disadvantages? Are there any alternative systems?	Please see response to Question 2.
Q16: Are there any particular aspects of DNO performance that you are interested in and think are well-suited to ranking and/or traffic lights?	Our view is that the networks should be ranked on their performance on each of the five incentivised areas (as set out in Annex 1), both to

	contextualise their performance for stakeholders, but also to help foster a level of inter-network competition that the market does not naturally impose on monopolies.
Q17: What information or data would you like us to publish on our website?	See response to Question 14.
Q18: Keeping in mind the reporting requirements and timings set out in Annex 5, is there any specific data or information which you would like to see reported on more than an annual basis? If so, why?	No comment.