

Appendix 5- FEEDBACK QUESTIONNAIRE (word format)

Thank you for taking the time to respond to our questions

We hope all the questions are understandable, If you have any difficulties please email Reg.finance@ofgem.gov.uk

Once the questionnaire has been completed, please send it back to us using the email address above. Please return the completed questionnaire by 17 December 2015.

Section 1 - About you	
Your name	Andy Manning
Job title	Head of Network Regulation, Forecasting and Settlements
Contact details	Andy.Manning@britishgas.co.uk
Organisation name	British Gas
Please state whether your response is confidential or not	Non-confidential

Questions	Response
Chapter 1 – Concept and content of RIIO accounts	
1. Do you have any comments on the form and content of RIIO accounts illustrated in appendix 2?	<p>Company and licensee RIIO accounts: We note the proposal that those companies which hold multiple licences may be permitted to provide only a single set of RIIO accounts for the whole entity. This proposal will not provide the information needed by stakeholders that wish to assess performance in the context of expenditure allowances, revenue allowances and the package of outputs set for each licensee. Further, the proposal will bring a lack of transparency and comparability for those companies that hold multiple licences with different financial parameters such as capitalisation rates and sharing factors. As such, we recommend RIIO accounts are prepared for each licensee in addition to RIIO accounts for the whole entity for those entities that hold multiple licences.</p> <p>Incentives: We welcome the transparency of network operators' (NWOs') performance against each incentive scheme, as shown in Note 9. This can be improved by including the contribution of the performance against each incentive scheme on the overall Return on Regulatory Equity (RoRE) earned in Note 6.</p>

	<p>Financial parameters:</p> <p>We suggest consideration is given to how accounts are presented to reflect values of financial parameters that apply only to specific categories of expenditure, such as:</p> <ul style="list-style-type: none"> • Capitalisation rates – an example is that which applies to expenditure associated with uncertainty mechanisms differs from that which applies to base expenditure in the RIIO-T1 price control. • Costs of capital - an example is that which applies only to expenditure associated with the Transmission Investment for Renewable Generation (TIRG) mechanism differs from the baseline cost of capital applicable to each transmission operator (TO).
<p>Chapter 2 – Timetable and licence modifications</p>	
<p>2. Do you agree that the four implementation planning options set out in this chapter would allow for necessary flexibility in the timetable for implementing RIIO accounts? If not, please suggest an alternative option.</p>	<p>n/a</p>
<p>3. Out of the four proposed implementation planning options we set out, which do you consider to be achievable and desirable?</p>	<p>It is preferable that all NWOs in each sector implement RIIO accounts at the same time so that stakeholders are enabled to conduct meaningful performance assessments based on information that has prepared on a like-for-like basis across the each sector. The descriptions of options ii and iii appear to suggest an individual NWO may be permitted to delay the implementation of RIIO accounts. As such, we do not support either of those options in their current forms.</p>
<p>4. Do you have any comments on the</p>	<p>We support the intent (described in the earlier</p>

<p>draft licence condition set out in appendix 3?</p>	<p>consultation) to develop reporting mechanisms that provide better information to all stakeholders which, in turn, should improve the transparency and comparability of NWOs' performance:</p> <p><i>"...we believe RIIO accounts should help improve the quality of information available to all stakeholders, not just shareholders. Giving stakeholders better information to judge how NWOs are performing should amplify the effectiveness of our incentive-based regime in encouraging good performance..."¹</i></p> <p>Information prepared on a common basis must be provided so as to enable stakeholders to compare NWO performance over the periods for which revenues have been allowed and outputs set. In our response to the earlier consultation, we stated our expectation that, once the RIIO accounts are implemented, NWOs will be required to produce such accounts for the preceding regulatory years of their respective RIIO price controls i.e. comparable RIIO accounts will be available for all years of RIIO price controls. The draft licence condition needs to clearly reflect this obligation.</p>
<p>Chapter 3 – The Regulatory Financial Reporting Standard</p>	
<p>5. Do you agree that the high level principles and prescribed regulatory framework set out in chapter 3 mean that RIIO accounts can be prepared on a 'fairly presents' basis?</p>	<p>n/a</p>
<p>Chapter 5 – Reporting on regulatory corporate governance</p>	
<p>6. Do you have further comments on the revised draft regulatory corporate governance principles?</p>	<p>n/a</p>

¹ "Open letter consultation on our proposals to develop and introduce RIIO accounts" page 2.

Chapter 6 – Impact assessment

7. Do you agree with our assessment of the possible impacts?

We note the suggestion in paragraph 6.4 of the consultation document that the replacement the existing requirement for regulatory accounts with the implementation of RIIO accounts might lead to the removal of other existing regulatory requirements. We consider the impact assessment to be incomplete without the identification of the other existing regulatory requirements which might be removed and the consequential impacts.

ANY OTHER COMMENTS

8. Please use this section to let us know of any other thoughts you might have on the further development of RIIO accounts.