

FAO Adanma Joseph-Anyaegbu
Reg.Finance@ofgem.gov.uk

21 December 2015

Dear Adanma,

RIIO Accounts

We welcome the opportunity to continue to discuss the assurance delivery process for the proposed RIIO accounts with Ofgem and the Network Operators.

We remain supportive of the objective to provide a better view of price control performance and so be of particular benefit to the investor community. As discussed at our previous meetings, we consider that further discussion and consideration will be required on the underlying details of the new reporting framework, in order to provide conclusive views or comments.

We would therefore welcome further opportunity to formally comment before final decisions are made in relation to the RIIO accounts, associated assurance requirements, and Regulatory Financial Reporting Standards (RFRSs).

In particular, we note that the RFRSs will need to be sufficiently detailed and prescriptive for a 'fairly presents' opinion to be achievable. In order to assess whether this can be achieved, the wording of the RFRSs will need to be reviewed and understood. The potential for other forms of assurance should be considered within the consultation process.

In relation to Corporate Governance, we are supportive of the principles set out in the consultation. Further clarity and prescription over exactly what elements of the UK Corporate Governance Code will be mandatory would be helpful, in forming a view on the associated assurance requirements, and driving consistency of reporting.

In order to progress with these areas, we believe that the following is required:

- Further detailed discussion on the precise content and application of the RFRSs, with the ability to input into the content before it is finalised;
- Details on how line items and adjustments in the RIIO accounts are proposed to be calculated;
- An understanding of the level of manual vs automated reporting;
- Details of which aspects of the UK Corporate Governance Code are required/mandatory, and which will only be encouraged or recommended as best practice;
- Confirmation of the plans and proposals for the existing areas where agreed upon procedures are performed on an annual basis.

We look forward to continuing to discuss the proposals for new RIIO regulatory financial reporting with Ofgem, and have attached responses to the specific consultation questions in Appendix 1.

Yours sincerely



Deloitte LLP

Appendix 1

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	James Smith
Job title	Director
Contact details	0117 984 1063 jamesmith@deloitte.co.uk
Organisation name	Deloitte LLP
Please state whether your response is confidential or not	No

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?	Comments on the concept and content of RIIO accounts provided in covering letter.
Chapter 2 – Timetable and licence modifications	
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.	No comments provided on timetable and licence modifications.
3. Out of the four proposed implementation planning options we set out, which do you consider to be achievable and desirable?	As above.

<p>4. Do you have any comments on the draft licence condition set out in appendix 3?</p>	<p>As above.</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>We consider that further detail is required in order to assess whether the RFRS would allow assurance on the RIIO accounts to be provided on a ‘fairly presents’ basis.</p> <p>We would welcome further opportunity to formally comment before final decisions are made in relation to the RFRS.</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>We are supportive of the principles set out in the consultation, and note that these are broadly consistent with the principles contained within the UK Corporate Governance Code.</p> <p>Further clarity and prescription over which elements of the UK Corporate Governance Code will be mandatory would be helpful in forming a view on the associated assurance requirements. This would also remove uncertainty over the application of the principles, and drive consistency of application and reporting across the companies.</p>
<p>Chapter 6 – Impact assessment</p>	
<p>7. Do you agree with our assessment of the possible impacts?</p>	<p>We cannot comment at this stage on the impact assessment, without understanding the underlying detail of the proposals.</p>
<p>ANY OTHER COMMENTS</p>	
<p>8. Please use this section to let us know of any other thoughts you might have on the further development of RIIO accounts.</p>	<p>Other comments presented in the cover letter.</p>