

17 December 2015

A Joseph-Anyaegbu
Ofgem
9 Millbank
London
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Dear Adanma

RIIO Accounts: Consultation on our proposed framework

Thank you for the opportunity to comment on the proposals.

We have completed the questionnaire provided. However, in order that we can provide comprehensive comments, we will need to carry out further work in relation to the RIIO accounts support module ("RASM") which has recently been provided and we will need to see the Regulatory Financial Reporting Standard ("RFRS").

Generally we think there is still a lot of work to do before a workable solution is in place and we would urge caution with the timetable for implementing these changes.

Yours sincerely



Stephen Parker
Regulation Director

Appendix 5 - Feedback Questionnaire

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	Stephen Parker
Job title	Regulation Director
Contact details	sparker@northerngas.co.uk
Organisation name	Northern Gas Networks Limited
Please state whether your response is confidential or not	Not 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>We note that the RIIO accounts support module (“RASM”) has now been provided and we are in the process of testing this. We intend to provide comprehensive comments following the January 2016 workshop.</p> <p>We note that the RIIO accounts use the same financial terminology as the current regulatory accounts. As a result, the Regulatory Financial Reporting Standard (“RFRS”) will need to very clear on the definitions which will be used.</p>
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.	We agree that the four implementation planning options provide sufficient flexibility.
3. Out of the four proposed implementation planning options we set out, which do you consider to be achievable and desirable?	We believe option 4 is preferable as the 2016/17 year can then be used resolve any outstanding issues.
4. Do you have any comments on the draft licence condition set out in appendix 3?	<p>This licence draft is very different to the existing GDN regulatory accounts condition and it is very difficult to comment accordingly. For example, the cross subsidy provisions are set out in standard special condition A35 in the gas transporter licence, is it intended to remove the condition and replace with similar drafting to Part G?</p> <p>More generally the process for amending the RASM and RFRS should not be capable of imposing new requirements part way through a reporting year. They should establish a process for finalising these prior to the start of the relevant reporting year or changes should not be effective until the following year.</p>

Chapter 3 – The Regulatory Financial Reporting Standard	
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?	Once the RASM and RFRS are made available, we will ask our auditors to provide comments in relation to this.
Chapter 5 – Reporting on regulatory corporate governance	
6. Do you have further comments on the revised draft regulatory corporate governance principles?	<p>The principles of regulatory corporate governance generally appear reasonable.</p> <p>However, the specific information which should be included to satisfy these principles will need further clarification (especially for RC4 and RC5) and it would be helpful if Ofgem could provide an example of what they expect.</p>
Chapter 6 – Impact assessment	
7. Do you agree with our assessment of the possible impacts?	We believe Chapter 6 captures the majority of the possible main impacts of adopting a new regulatory financial reporting framework.
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.	<p>It is still not clear that the work being done on the RIIO Accounts is being co-ordinated with other teams in Ofgem. For example is information on RORE, RAV etc to be presented in the RIIO accounts or the cost and output report we provide or both or on the same basis.</p> <p>We remain unclear why the RIIO accounts are to be published before the annual iteration process has completed and the output from the PFCM finalised.</p>