

## 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](mailto: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.

<b>Section 1 - About you</b>	
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<b>Organisation name</b>	Western Power Distribution
<b>Please state whether your response is confidential or not</b>	Not.

Questions	Response
<b>Chapter 1 – Concept and content of RIIO accounts</b>	
1. Do you have any comments on the form and content of RIIO accounts illustrated in appendix 2?	<p>The approach in the Statement of Regulatory Financial Performance is possible but it presents a mix of actual (e.g. allowed revenue), forecast (e.g. Totex incentive value) and notional (e.g. RAV depreciation) information, which reduces the meaning of the Equity Return.</p> <p>Further explanation is required regarding how these different items interact, e.g. Allowance for return on RAV and the Totex incentive value added to the RAV – is the allowance recalculated to reflect the Totex incentive value or not?</p> <p>It would be clearer to firstly present the known, cash elements of the statement, and then have a distinct set of adjustments for forecast/provisional information with clear explanation surrounding the calculations/assumptions behind these. RAV values at the year end and Totex for the year</p>

will be provisional until the Annual Iteration Process has been run and expenditure for the year has been agreed by Ofgem, which is after the RIIO accounts will have been published. It may be easier to show actual opening RAV for the year (known and agreed) and then RAV additions for the year (provisional) to reach closing RAV, in a similar way to that shown in note 9 for the other Regulatory Balances.

The consultation discusses reconciliations between the RIIO accounts and the Statutory Accounts. In reality, a total cost reconciliation is likely to still be required by the auditors even if not published. The notes to the RIIO accounts suggest that the reconciliation would be at an Opex and Capex level but, given the differences in reporting, the reconciliation should be at Totex level only, consistent with the ED1 RRP-Reg Accounts reconciliation in table F8.

Note also that there is currently a reconciliation between Revenue per the Reg Accounts and the Revenue Return in table R15 of the Revenue Return.

The format of the reconciliations in table F8 and R15 referred to above, and the associated guidance for completion, have already been agreed between Ofgem and the DNOs. It would therefore seem sensible to use this format in the RIIO accounts.

The draft licence condition states that the RIIO accounts must include a Regulatory Financial Performance Statement, a Regulatory Financial Position Statement and a Regulatory Cash Flow Statement. However, there is no draft Regulatory Cash Flow Statement included in Appendix 2.

Some specific comments:

- Further guidance is required regarding the calculation of the

adjustments for Enduring Value and when these should be applied – e.g. where requirements for future regulatory assessments have not been met at the time but based on forecast outturn information they would be by the assessment date.

- Note 3 – Expenditure has an Adjustment to RAV for Enduring Value. However, if this adjustment is made it would also require a corresponding Adjustment to Revenue for Enduring Value. A row should be included in Note 3 and in the Statement of Regulatory Financial Performance for Adjustments to Revenue for Enduring Value.
- Note 6 – RORE should show how the discounted average RAV balance is calculated based on RAV presented elsewhere.
- Note 9 – Other Regulatory Balances – this has a line for Accrued MOD balances and also a line for Other legacy items from previous price controls, and Pension True up from previous price controls. Would all these items actually form part of the accrued MOD? Given the interaction of tax, financing etc. it is difficult to split out the component parts of MOD.
- Note 11 – The distinction between assets within the RAV and outside the RAV is new. Given that the RAV does not represent a list of assets but is rather a notional concept, assets within the RAV are difficult to define. Further, historically items such as non-op capex were not added to the RAV but may have created assets on a statutory basis. It is therefore not possible to split statutory net assets on a RAV/Non-RAV basis.
- Comparatives – the originally

	<p>reported numbers would have included some estimation. As comparatives, we would expect the final trued-up numbers to be used with explanations of any material changes.</p> <ul style="list-style-type: none"> <li>• There should be more cross referencing between the notes to the RIIO accounts to show which values are being used where.</li> </ul>
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## Chapter 2 – Timetable and licence modifications

<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>We do not support the modification of the licence before the requirements for RIIO accounts are finalised.</p> <p>Further, in terms of timescale, we propose a reporting deadline of 31 July. The deadline of 30 September is too far after the regulatory year-end, and the values will be no more certain at this point as the Annual Iteration Process is not until 30 November.</p> <p>Ofgem refers to other regulatory information published by 30 September but the majority of relevant information prepared under the RIGs has a 31 July deadline.</p> <p>For consistency, the cross subsidy and discrimination return (Licence condition 44) should be to the same date as that chosen for the RIIO accounts. The date for the Availability of Resources return should also be aligned with this.</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>We believe it would be possible to produce RIIO accounts for the regulatory year 2016/17; however it is unclear what will happen regarding prior year data included for comparative purposes. Does reporting for 16/17 for the first time require information in RIIO accounts format for 15/16 to be included for comparison?</p>
<p>4. Do you have any comments on the draft licence condition set out in appendix 3?</p>	<p>Paragraph 44.12 allows for unlimited modifications to the RFRS and the RASM. This should be amended so licensees have time to accommodate any adjustments to the RFRS and RASM before preparation of the RIIO</p>

	accounts commences.
<b>Chapter 3 – The Regulatory Financial Reporting Standard</b>	
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>This is a question for the auditors, although we expect further detail and sight of the RASM is required before this question can be answered. We do however recognise that some of the concepts in regulatory reporting are not consistent with GAAP and thus a standalone RFRS is a necessity.</p> <p>Audit opinion (Chapter 4) – we look forward to seeing a detailed proposal from the Big 4 audit firms on the scope proposed. There may be issues with a 'fairly presents' opinion in that the scope may be disproportionate and that the RIIO accounts will include estimated values. An 'Agreed upon Procedures' approach may be appropriate.</p>
<b>Chapter 5 – Reporting on regulatory corporate governance</b>	
6. Do you have further comments on the revised draft regulatory corporate governance principles?	We support the principles outlined. However in relation to pensions (Appendix 4, RC4), the company has no direct governance over the schemes; it should report on how their interaction with their pension schemes promotes the interests of consumers as well as shareholders whilst having regard to all relevant regulatory (industry & pension) and legal requirements.
<b>Chapter 6 – Impact assessment</b>	
7. Do you agree with our assessment of the possible impacts?	Overall, yes. The marginal increase expected in internal costs will be outweighed by the benefit of the revised format. The audit burden/cost must not become onerous.
<b>ANY OTHER COMMENTS</b>	
8. Please use this section to let us know of any other thoughts you might have on the further development of RIIO accounts.	None.