



Making a positive difference  
for energy consumers

To: Electricity Transmission  
Network Operators; interested  
stakeholders

Email: anthony.mungall@ofgem.gov.uk  
Date: 14 March 2017

Dear Company Secretaries and stakeholders,

**Proposal to make modifications to the Regulatory Instructions and Guidance and decision on the status of additional information requirements**

We propose to make changes to the Electricity Transmission Regulatory Instructions and Guidance (RIGs). Please find enclosed a Notice, issued pursuant to Part C of Standard Licence Condition B15 (Regulatory Instructions and Guidance) of the Electricity Transmission Licence, regarding our proposed changes.

If we implement these changes, they will take effect in April 2017<sup>1</sup>. For the avoidance of doubt, this means that the data submitted in July 2017 (in respect of the 2016/17 reporting year) would use the RIGs as modified.

In addition to the proposed modifications detailed in the Notice attached to this letter, we set out below our decision in relation to two areas of additional information that were identified in parallel to the proposed changes to the RIGs last year (2015-16), and our intention with respect to the consideration of potential future changes to the annual reporting process.

**Trial tables**

We have decided not to fully activate two tables that were included on a trial basis last year.

The first trial table intended to gather more granular unit cost information for a representative sample of financially closed projects. The second trial table sought additional asset information to facilitate the development of the Network Output Measures (NOMs) methodology.

Based on the unit cost information received on unit costs, we have agreed to take additional time to undertake further work to investigate with the three onshore electricity transmission licensees (the Licensees) the level of granularity that can be achieved. The results of this work will inform whether to proceed with the replacement and/or refinement of table 5.8 'Lead asset – unit cost actuals'. The trial table has therefore been removed from the 2016-17 reporting template.

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<sup>1</sup> We propose to modify the RIGS in a direction on or after 17 April 2017.

In terms of NOMs, we received a revised methodology from the Licensees in February 2016 and in April 2016 we issued a Direction<sup>1</sup> requiring further development of their methodology. Since then we have been working closely with the Licensees to develop a revised methodology. A final methodology is expected to be submitted in April 2017. Development of reporting requirements related to the NOMs is therefore still ongoing.

### **Reconciliation table**

In 2015-16 we developed a generic excel workbook template requiring the submission of information from the Licensees entitled 'RIIO-T1 Scheme-Output-Referencing Workbook' (SORW). The purpose of the SORW template was to facilitate a better understanding of the changes in the Licensees' actual and forecast investment from the original RIIO-T1 Business Plan on which we set the allowances.

SORW was an offline workbook and was not part of the 2015-16 RIGs reporting pack. Our engagement with the Licensees has established that the process of populating the template was more time consuming than originally envisaged, restricting the analytical process. Against this background, it was agreed that the companies will resubmit the populated SORW template, updated where applicable, for consideration as part of the 2016-17 annual reporting process. The Licensees have indicated their commitment to populate their individual SORW templates as robustly and as accurately as possible no later than 31 May 2017.

For the avoidance of doubt, the SORW is not part of the 2016-17 Costs and Outputs Regulatory Reporting pack.

### **Way forward**

We will continue to review all opportunities to improve both the efficiency and effectiveness of the annual reporting process across all four energy sectors. Short term this may include scope for further improvements that can be made within the boundaries of existing data systems architecture and in a manner consistent with the proposals set out today. Longer term this may extend to more fundamental changes to the way we collect, process and present data on regulated network companies' performance, moving towards the goal of a more automated and user-friendly system and process.

We are aware that companies are actively considering improvements to their own systems which could support this. Accordingly, for both short and longer term changes, we will work closely with network companies to consider any changes before they are introduced. This may include pilot reporting schemes and/or other initiatives that could be taken forward on a partnership basis. We will provide further details on such opportunities as our plans develop.

We welcome comments on our proposed modifications, and the details for responding are contained in the enclosed Notice.

Yours faithfully,

**Steven McMahon**  
**Associate Partner RIIO Networks**  
**14 March 2017**

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<sup>1</sup> <https://www.ofgem.gov.uk/publications-and-updates/decision-direct-modifications-electricity-transmission-network-output-measures-methodology>

**To: National Grid Electricity Transmission plc**

(Company Number: 02366977)

**SP Transmission Limited**

(Company Number: SC189126)

**Scottish Hydro Electric Transmission plc**

(Company number: SC213461)

**(the "Licensees")**

**Notice under paragraph 10 of Standard Licence Condition B15 (Regulatory Instructions and Guidance) ("SLC B15") of the Electricity Transmission Licence of proposed modifications to the Regulatory Instructions and Guidance**

The Gas and Electricity Markets Authority (the "Authority"<sup>1</sup>) hereby gives notice under paragraph 10 of SLC B15 as follows:

1. Each of the Licensees is the holder of an electricity transmission licence (the "licence") granted or treated as granted under section 6(1)(b) of the Electricity Act 1989.
2. The Authority proposes to modify the Regulatory Instructions and Guidance (the "RIGs") under SLC B15 of the licence. The RIGs are the primary means by which the Authority directs the Licensees to collect and provide information to the Authority, to enable it to administer the Charge Restriction Conditions (CRCs) of the licence and, where not referenced in the licence, the RIIO-ET1 Final Proposals<sup>2</sup>.
3. SLC B15 sets out the process for issuing and modifying the RIGs. In accordance with paragraph 10 of SLC B15, the Authority hereby gives notice to the Licensees that it proposes to modify the RIGs in the manner indicated in the documents that can be accessed via the hyperlinks in Appendix 1 and Appendix 2 to this Notice.
4. The proposed modifications to the RIGs consist of new tables and revisions to existing tables. The purpose of the proposed modifications is to require the Licensees to provide more accurate, consistent and complete information to the Authority, such as to enhance the quality and the accuracy of the information available to the Authority.
5. The proposed modifications refer specifically to information required to be submitted to the Authority on or before 31 July 2017 in the following areas:
  - the Costs and Outputs ("C&O") Regulatory Reporting excel template
  - the guidance document supporting the C&O Regulatory Reporting template
  - the supporting narrative template for each Licensee to follow when submitting commentary to support the C&O RIGs return, and
  - the Revenue Regulatory Reporting excel template for each Licensee.
6. The main modifications are briefly summarised below. More detail is set out in Appendix 2. They are:

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<sup>1</sup> The "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports the Authority in its day to day work.

<sup>2</sup> <http://www.ofgem.gov.uk/Networks/Trans/PriceControls/RIIO-T1/Pages/RIIO-T1.aspx>

- a. Revisions to existing tables in sections three and four of the C&O Regulatory Reporting excel template to gather additional information on expenditure (and, where applicable, allowances) for all prior years of the RIIO-ET1 price control and capture Licensees' views on current forecast levels.
  - b. The deletion of nine finance tables in section one of the C&O Regulatory Reporting excel template. This section has been streamlined to remove tables that are no longer required for the Annual Iteration Process. The remaining finance tables have had their layout reorganised.
  - c. The addition of three new tables in the C&O Regulatory Reporting excel template to gather information on non-load related volumes and expenditure. These modifications formalise the reporting requirements that have been identified through previous reporting periods. Each new table is briefly summarised below:
    - i. Table 4.3.1: factors contributing to changes in replacement and refurbishment volumes the RIIO-ET1 Business Plan.
    - ii. Table 4.3.2: cancellations or timing changes on lead asset schemes with expenditure in RIIO-T1 but forecast to deliver outputs in RIIO-ET2 or later.
    - iii. Table 4.3.3: volumes and expenditure associated with replacement and refurbishment of tower steelwork contained in RIIO-ET1 Business Plan.
  - d. New text has been included in the guidance document to provide instructions for completion of the above tables.
  - e. Revisions to existing tables in the Revenue Regulatory Reporting excel template to clarify existing reporting requirements and to reflect broader changes to the licence.
7. The Licensees will populate these as part of the 2016-17 RIGs process.

**Further information**

8. Appendix 1 to this Notice provides a link to the following documents, which show the proposed modifications as incorporated:
  - (a) RIIO-ET1 Electricity Transmission Price Control – Regulatory Instructions and Guidance: Version 4.0
  - (b) RIIO-ET1 Electricity Transmission Reporting Pack Templates: Version 4.0
  - (c) RIIO-ET1 Electricity Transmission Commentary Template: Version 4.0
  - (d) RIIO-ET1 Electricity Transmission Revenue Reporting Pack Template: Version 4.0 (for each Licensee)
10. Appendix 2 to this Notice provides a link to a Change Log, which details the various proposed modifications.
11. Copies of this Notice and other documents referred to in it are available on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).

12. Any representations on the proposed modifications must be made on or before 11 April 2017 to Anthony Mungall at Ofgem, 3rd Floor, Cornerstone, 107 West Regent Street, Glasgow, G2 2BA, or by email to [Anthony.Mungall@ofgem.gov.uk](mailto:Anthony.Mungall@ofgem.gov.uk).
13. All responses will normally be published on our website. However, if you do not wish your response to be made public then you should clearly mark your response as not for publication. We prefer to receive responses in an electronic form so that they can be published easily on our website.

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**Steven McMahon, Associate Partner RIIO Networks**  
**Duly authorised on behalf of the Authority**

**14 March 2017**

## **Appendix 1: Regulatory Instructions and Guidance incorporating proposed modifications**

A copy of the proposed RIIO-ET1 Electricity Transmission Price Control – Regulatory Instructions and Guidance: Version 4.0, proposed RIIO-ET1 Electricity Transmission Reporting Pack Templates: Version 4.0, proposed RIIO-ET1 Electricity Transmission Commentary Template: Version 4.0 and proposed Revenue Reporting Pack Template (Version 4.0) for each Licensee can be found on our website at:

<https://www.ofgem.gov.uk/publications-and-updates/notice-proposing-modifications-regulatory-instructions-and-guidance-rigs-riio-et1-version-4-0>

## **Appendix 2: Proposed modifications to the Regulatory Instructions and Guidance**

A log of all proposed modifications can be found on our website at:

<https://www.ofgem.gov.uk/publications-and-updates/notice-proposing-modifications-regulatory-instructions-and-guidance-rigs-riio-et1-version-4-0>