

Direct Dial: 020 7901 3195
Email: RIIO.ED1@ofgem.gov.uk

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Dear Stakeholders

Potential RIIO-ED1 mid-period review – timetable and next steps: A call for evidence

Overview

This letter marks the start of our engagement with stakeholders on a potential Mid-Period Review (MPR) for the current electricity distribution price control (RIIO-ED1).

RIIO-ED1 began on 1 April 2015 and will run until 31 March 2023. In setting RIIO-ED1, we recognised the scope for significant changes in outputs during an eight-year price control period. We therefore made provision for a Mid-Period Review of output requirements in our RIIO-ED1 Strategy Decision.¹

RIIO-ED1 MPR – Scope

The Strategy Decision² defines the scope of an MPR as follows:

“The scope of this review will be restricted to material changes to outputs that can be justified by clear changes in government policy, and the introduction of new outputs that are needed to meet the needs of consumers and other network users.”

We are seeking views from stakeholders on any issues that should be considered as part of a potential MPR.

Proposed MPR timetable

In the Strategy Decision, we set out a proposed timetable for determining whether a MPR is required and for implementing any associated changes. We are proposing to bring forward the start of the process to autumn 2017. This is earlier than the previously envisaged start date of January 2018, as we want to ensure we have sufficient time to gather stakeholder views. Any changes as a result of an MPR will take effect from 1 April 2019.

We are proposing the following process:

¹ Strategy decision for the RIIO-ED1 electricity distribution price control – Overview:

<https://www.ofgem.gov.uk/sites/default/files/docs/2013/03/riioed1decoverview.pdf>

Strategy Decision for RIIO-ED1 electricity distribution price control – Uncertainty Mechanisms:

https://www.ofgem.gov.uk/sites/default/files/docs/2013/02/riioed1decuncertaintymechanisms_0.pdf - Chapter 5

² <https://www.ofgem.gov.uk/sites/default/files/docs/2013/03/riioed1decoverview.pdf> - paragraph 8.16

- **Phase 1 – initial analysis and decision to proceed:** we intend to publish a consultation in autumn 2017 setting out our view of potential issues that may be within the scope of an MPR and inviting stakeholder feedback. We plan to issue our decision on whether or not to proceed with an MPR in spring 2018.
- **Phase 2 – assessment of new output requirements:** if we decide to initiate an MPR, the review will progress to the assessment phase. We will work closely with stakeholders throughout to develop policy options. We will consult in summer 2018 on the proposed changes to output requirements and issue our decision on any changes after that.
- **Phase 3 – implementation:** following our decision on changes to output requirements, we will consult on any consequential amendments to cost allowances and any licence modifications necessary to implement the changes in winter 2018. Any changes in outputs, and associated changes in allowances, will take effect from 1 April 2019.

We welcome feedback from stakeholders on our proposed timetable and process.

Stakeholder engagement

In line with the approach taken during the RIIO-T1 and RIIO-GD1 MPR processes, we propose to hold a number of workshops with stakeholders.³ We propose to hold these within the context of our autumn 2017 consultation and, if we decide to proceed with an MPR, in summer 2018.

Please get in touch if you would like to be involved in these workshops and/ or have any further comments on our proposed approach to stakeholder engagement.

How to engage with us

If you would like to discuss any of the points raised in this letter, please contact Clothilde Cantegreil via email at RIIO.ED1@ofgem.gov.uk, or on 0207 901 3195 by 30 August 2017. Unless marked confidential, all responses will be published on Ofgem's website (www.ofgem.gov.uk).

Yours faithfully,

Steve McMahon
Associate Partner – RIIO Networks, Electricity

³ <https://www.ofgem.gov.uk/publications-and-updates/meeting-note-9-december-2015-riio-t1-and-gd1-mid-period-review-stakeholder-forum>