

To interested parties.

Direct Dial: 0207 901 1888
Email: RIIO2@ofgem.gov.uk

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Dear Stakeholders,

Stakeholder engagement for the RIIO-2 framework

We want to hear from anyone interested in our RIIO-2 framework consultation. From October, we will hold a number of workshops to encourage a wide range of stakeholders to share their views on aspects of the price control. We aim to publish the consultation in the first quarter of 2018.

If you are interested in participating, let us know via RIIO2@ofgem.gov.uk.

What's happened so far

We published our open letter¹ in July and have since met many stakeholders through bilateral meetings. We received a number of responses to the questions posed in that letter and will shortly publish the ones that are not confidential. The responses will help with the policy development work that will form the basis of the framework consultation document.

We want to build on this early engagement, so are now starting a more targeted engagement process with stakeholders to discuss key areas of focus during the framework review stage.

These are the topics we will discuss:

- Consumer engagement during the price control period
- Finance framework
- Responding to the wider changes in how networks are used
- Efficient delivery solutions and innovation
- Simplifying the price controls

To launch our engagement, we will hold a webinar on **Tuesday, October 17 2017 10:00:00 AM BST** to discuss our overall approach to this stage of the programme, and to outline the next stages in setting the price control. You can register for the event by following the link below.²

We will then hold workshops through October and November for each of the themes, with working groups to be established where topics require further discussion.

¹ https://www.ofgem.gov.uk/system/files/docs/2017/07/open_letter_on_the_riio2_framework_12_july_final_version.pdf

² <http://event.onlineseminarsolutions.com/wcc/r/1509578-1/F4069029F398BE5CB28CAF5A51CC3050?partnerref=rss-events>

The aim of the workshops is to bring a wide variety of stakeholders together to discuss some of the issues we face and the opportunities over the next price control.

We want to ensure that there are different avenues for stakeholders to give their input in ways that suit them. We welcome suggestions, such as hosting further webinars.

We have not listed an event for Glasgow or Cardiff, but if there is a clear expression of interest we will accommodate this. Please accept our apologies for any inconvenience that this may cause. If any of these changes creates difficulties for you do please let us know.

What the workshops will cover

RIIO-2 themes	Workshop title	Questions
Consumer engagement during the price control period	<i>Consumer voice and business plans</i>	<ul style="list-style-type: none"> • How can we strengthen the consumer voice in the development of business plans and price control decisions? • How do we ensure that the outputs and associated financial incentives reflect what consumers value and are willing to pay for?
Finance framework	<i>A fair return for investors</i>	<ul style="list-style-type: none"> • What constitutes a fair return for network companies? • How can the price control deliver returns that are demonstrably good value to consumers? • How can the price control reflect the risks faced by the network companies?
Responding to the wider changes in how networks are used	<i>Delivering what consumers need</i>	<ul style="list-style-type: none"> • What are the barriers to delivering whole system outcomes and how can RIIO-2 best overcome these? • How can we ensure that the price control supports the use of flexible services to manage the energy system? • How can we design a price control that can adapt to uncertain ongoing demand (both increasing and decreasing) and the wider market environment?
Efficient delivery solutions and innovation	<i>Long-term value for money</i>	<ul style="list-style-type: none"> • How do we further encourage longer-term thinking among network companies and what changes in behaviour did a longer price control have in this respect? • How could we set expectations about what an 'efficient' network company is? • How could we further introduce competition to drive greater value? • Is there a continued role for the Innovation Stimulus Package?
Simplifying the price controls	<i>Simpler and clearer</i>	<ul style="list-style-type: none"> • Which elements of the price control add the most complexity and how could these be simplified while maintaining value for consumers?

The thematic workshops may also highlight particular areas of interest that require more detailed and focused discussion.

We will set up working groups and additional bilateral meetings to focus on topics such as:

- Business plan structure

- Methodologies for calculating the cost of capital
- Innovation stimulus package

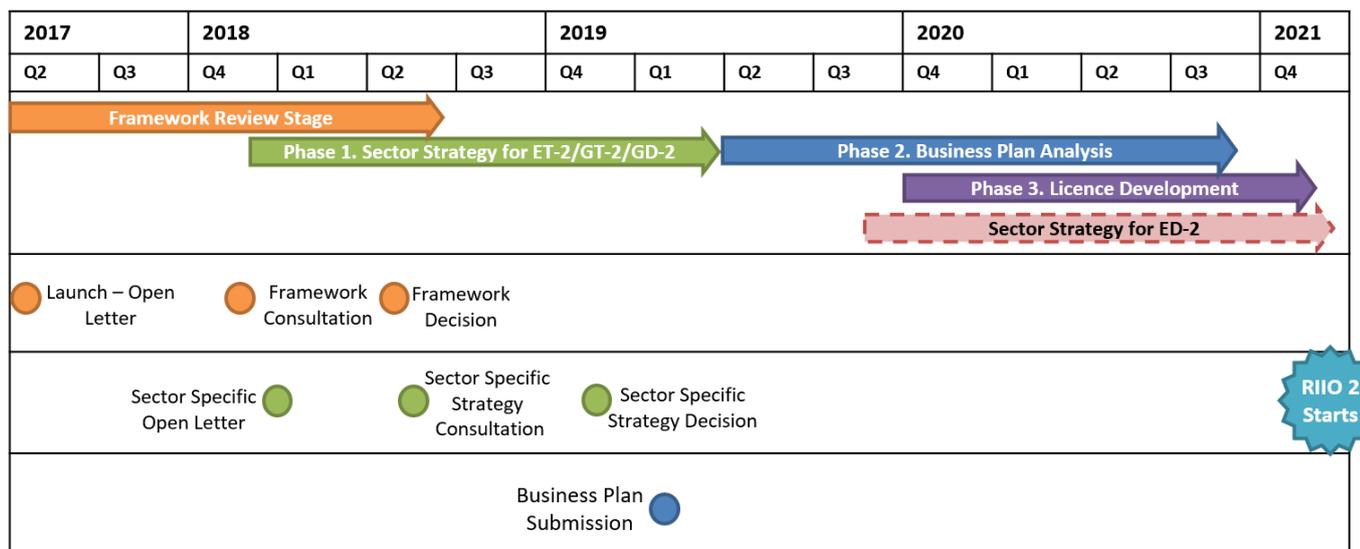
Please contact us through RIIO2@ofgem.gov.uk to indicate your interest in the areas noted above and whether there are any specific areas you may wish to discuss.

Following receipt of interest we will be in touch nearer the date of the scheduled event to confirm location and timings.

Time table

Date	Workshop	Time
17 th October 2017	RIIO2 Launch Webinar	1000-1100hrs
18 th October 2017	Consumer Voice and Business Plans	London (PM)
23 rd October 2017	Delivering what consumers need	London (PM)
24 th October 2017	A fair return	London (PM)
31 st October 2017	Simpler and clearer	London (PM)
1 st November 2017	Long term value for money	London (PM)

High level timetable for RIIO 2



This timetable is indicative. We will continue to develop our plans and milestones may change.