

Mick Watson  
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9 Millbank  
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SW1P 3GE

6th December 2017

Dear Mick,

### **Introduction of RIIO Accounts – further consultation on licence modification**

ENA welcomes the opportunity to respond to this RIIO Accounts consultation. Within our response, as set out below, we have provided a collective view from our members. Our response therefore sets out a number of common points and suggestions on which there is broad agreement between ENA members.

#### **About ENA and our members**

ENA represents the “wires and pipes” transmission and distribution network operators for gas and electricity in the UK and Ireland. Our members control and maintain the critical national infrastructure that delivers these vital services into customers’ homes and businesses.

#### **General Concerns**

ENA members agree with Ofgem’s objective, that the reporting and publication of information on network companies’ financial performance can serve to better inform investors and consumers on individual network company’s performance against the RIIO regulatory framework and incentive regime, including the value they create for investors and consumers. The over-arching requirement was to produce clear, useful and comparable information within the RIIO Accounts.

However, our members have serious concerns about the approach that is being pursued in order to achieve this objective via RIIO Accounts. Whilst there is clearly consensus on the overarching objectives, it is becoming increasingly clear that, as currently proposed, the regime is overly burdensome. At the same time, the lack of clear guidance and instructions risks very different interpretations being taken across the network companies resulting in very different accounts.

These flaws in the proposed approach mean that rather than providing consumers and investors with clear, relevant and comparable regulatory financial information, it will result in an additional regulatory burden and increased cost to consumers whilst adding little or no value to the current reporting requirements. The detail behind these concerns is set out in our members’ individual responses to this consultation.

However, we believe that the significant industry effort input to date, will have not been wasted and that the objectives of RIIO Accounts can be substantially delivered if the project takes a different turn at this point.

Addressing weaknesses and delivering a value added outcome  
Achieving what we set out to deliver will require the work on the RIIO accounts to be paused and reviewed. This will allow a review of the position in respect of benefit to stakeholders given that the costs and perceived benefits appear significantly unbalanced, due to the most recent developments with auditors, investor requirements and wider Ofgem reporting developments, namely the SPO.

A revised and simplified approach would therefore provide a more meaningful and consistent comparison across companies.

Our members are very open to discuss alternative approaches that would address these concerns, whilst retaining the core objective of the project. ENA would be happy to facilitate this discussion, for example through a workshop, thereby providing the opportunity to progress the project collaboratively to our shared outcome.

### **Conclusions**

We would urge Ofgem to review the requirements for the RIIO accounts and work together with our members to consider a simpler more meaningful approach.

Our members welcome and support work by Ofgem to clarify the regulatory framework and would ask that Ofgem consider carefully the points that have been made above.

If you have any questions on the points raised in this response, please contact John Spurgeon, Head of Regulatory Policy email:[john.spurgeon@energynetworks.org](mailto:john.spurgeon@energynetworks.org)

Yours sincerely,

David Smith  
Chief Executive