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Dear Dave,

**Covering letter for RIIO Accounts licence modification feedback**

SGN remain supportive of the underlying principle of the RIIO Accounts to provide stakeholders with more transparent and clear information regarding Network performance. However, recent developments have intensified ongoing concerns regarding the production of these accounts.

The principal consideration in light of these concerns is if the RIIO Accounts provide value to the consumers in their current form, in particular following recent developments with the audit firms and the considerable amount of remaining development work required to produce the accounts. It seems that the accounts have moved vastly from the original objective and they no longer provide information to consumers or investors in a simple and efficient way.

Deloitte, KPMG & EY have all stated that production of RIIO Accounts of sufficient quality for a “fairly presents” opinion would not be possible in the short term. They also stated that they require opening balance statements from Ofgem for key areas to enable them to review the RIIO Accounts.

SGN outlined the key concerns over the remaining development work for these accounts in a letter dated 15 November 2017, this covered concerns (amongst others) such as a lack of guidance on:

- Front half of the accounts
- Calculation of tax and deferred tax (particularly with reference to the RAV)
- Treatment of disposals on the RAV

SGN are supportive of Ofgem’s GD2 objective of simplifying processes and information and do not consider the production of RIIO Accounts in their current form to conform with this objective. Furthermore, with the increasing complexity for both Networks and Audit the current deadline of 30 September would mean this information is less meaningful to readers.

SGN consider a simpler more meaningful analysis could be produced from extending the current form of the SPO to include the key principles of more transparent information for stakeholders. This would outline RAV, Outperformance, Operational RoRE, outputs, and incentive performance providing a simpler, clearer, and more meaningful report which can be produced in a more timely manner.

SGN remain supportive of providing stakeholders with meaningful transparent analysis and look forward to working with Ofgem to progress this objective.

Yours sincerely,

Laurence Goodman  
Head of Financial Reporting  
SGN