

RIIO-T2: Cost assessment and Business Plan Data Templates

How we will approach some of the
decisions we need to make



Cost Categories

Forecast and historical data

Workbook Architecture

Supporting Workbook Structure

Scenarios

Our WG 2 Proposals

- Totex approach – remove opex/capex distinction
- Simplify categorisations – three high level cost categories

Feedback Received

- Support in principle for the totex approach – some clarification required
- Concern re. movement of some non-load categories, in particular removal of Weather related resilience
- Proposed there should be a separate category for resilience (i.e. protecting the network against external threats) and that you classify this as operational expenditure (Operational Technology).
- Would like to see standardised across sectors
- Specific proposals:
 - **Load** – change to Customer/Consumer Initiative (CCI) or Customer/Consumer Driven (CCD) expenditure. This doesn't quite capture some of the expenditure required for SQSS compliance, but you could argue that the changes on the network are due to changes in customer connections/consumption which is impacting SQSS compliance.
 - **Non-Load** – change to Asset Management (AM) or Asset Modernisation (AMo) or Asset Renewal (AR) or replace Asset with Network?
 - **Opex** and Non-Op Capex – retained
 - **(Network) Resilience** (External Threats) (NRET) - covers weather, security (physical/ cyber) etc

Our Current View

- Proceed with totex approach
- Move WRR back to non-load, include also cyber and physical security
- For further discussion

Our WG 2 Proposals

- Historical data: BPDTs to contain data from start of RIIO-ET1 (2013/14)
- Forecast data: BPDTs to contain annual data for eight years from the end of RIIO-ET2

Feedback Received

- “at the meeting it was stated that the RIIO-T2 BPDT would contain 8-years’ worth of annual data ie. 5yrs T2 plus 3yrs T3”
- Low confidence in costs and volumes for later years

Our Current View

- Historical data: no change
- Forecast data: for further discussion

Our WG 2 Proposals

- Totex (summary) workbook with subsidiary annex workbooks

Feedback Received

- Approach is welcome (aligns with distribution)
- Concern that requirement of specific Indirect and Non-Operational Expenditure pack would be overly burdensome and not help with benchmarking

Our Current View

- Continue with same principle. Detail in individual workbooks to be worked out.

Our WG 2 Proposals

- Disaggregate to separate sheets for individual asset categories/activities.

Feedback Received

- Difficult to give comments without understanding the detail behind the proposed changes.
- Splitting categories across worksheets will increase complexity and make it difficult and time consuming to split the costs in a consistent manner for all different types of scheme.
- Need to facilitate alternative network technology such as Stat-coms, MSCDNs etc.
- Propose that the working group carries out a detailed review of the tables.
- Concerned that any changes will not be quick to implement and agree, so this will need some dedicated parallel sessions

Our Current View

- Previous proposed level of disaggregation not optimal. Population of templates at more aggregation with consideration of auto-populated summary sheets at category level.

Our WG 2 Proposals

- Separate submission of suite of workbooks for various scenarios.

Feedback Received

- Providing a load related plan for each scenario will result in potentially 6 workbooks for load
- An alternative to providing all four FES would be to set out the upper and lower limits in different areas e.g. the high and low scenario for generation rather than every permutation
- For changes to either the RRP or the RIIO-T2 Business Plan template to take effect in time for them to be used for July 2019 data provisions, we need changes to be agreed by the end of February 2019.

Our Current View

- Further discussion required.

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We will ensure that Ofgem will operate as an efficient organisation, driven by skilled and empowered staff, that will act quickly, predictably and effectively in the consumer interest, based on independent and transparent insight into consumers' experiences and the operation of energy systems and markets.