

RIIO-2 Challenge Group

Priorities and work plan_v1

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This document sets out the priorities and forward work plan of the RIIO-2 Challenge Group. It also sets out the expectations of the RIIO-2 Challenge Group for the drafts of the RIIO-2 business plans that must be submitted to the Group on 1 July and 1 October 2019 by the network companies.

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1. Context

- 1.1 The next round of RIIO price controls will run from 1 April 2021 – 31 March 2026 for the Electricity Transmission (“RIIO-ET2”), Gas Distribution (“RIIO-GD2”) and Gas Transmission (“RIIO-GT2”) sectors. For Electricity Distribution (“RIIO-ED2”), the next price control will run from 1 April 2023 – 31 March 2028. The price control setting process by Ofgem has commenced for RIIO- ET2, RIIO-GD2 and RIIO-GT2. Ofgem are also developing a new price control for the Electricity System Operator (ESO), which will apply from April 2021.
- 1.2 To strengthen the voice of consumers in the process of setting price controls for energy network companies, Ofgem have established the RIIO-2 Challenge Group (“the Group”) for all RIIO-2 price controls¹.
- 1.3 This document sets out the priorities and work plan of the Group for RIIO-ET2, RIIO-GT-2, RIIO-GD-2 and ESO.

2. Summary of the activities of the Group to date

- 2.1 The Group was established in 2018 with an introductory meeting with Ofgem taking place in August. The table below summarises the activities of the Group since its inception.

Table 1: Activities of the Group (August 2018 – February 2019)

Month (2 day meetings)	Agenda
August 2018	Introductory meeting of the Group members and Ofgem.
September 2018	Induction.
October 2018	Feedback to Ofgem on options for sector methodology consultation and meeting with Chairs of Customer Engagement Groups and User Groups.
November 2018	Introductory meetings with the companies.
December 2018	Introductory meetings with companies and a meeting with the ENA scenarios working group.
January 2019	Planning session, request for historical performance information from the network companies and identification of Group priorities.
February 2019	Planning session, discussion of Ofgem sector specific methodology and business plan guidance and a meeting with the ENA scenarios working group.

3. Priorities

- 3.1 Following the introductory meetings of the Group with Ofgem, Chairs of the Customer Engagement Groups, User Groups and network companies and Ofgem’s publication of sector the specific methodology consultation in December 2018, the Group met in January 2019 to discuss its priorities and forward work plan.
- 3.2 In line with the objective and primary purpose of the Group, as stated in its terms of reference, the Group has agreed that it will focus its scrutiny of business plans of the companies for RIIO-2 on the following areas (in no particular order of importance and including but not limited to):

¹ [Terms of Reference of RIIO-2 Challenge Group](#)

- a. Enhanced engagement
 - b. Outputs and incentives²
 - c. Costs³
 - d. Finance, including financeability and risk
 - e. Enabling competition
 - f. Energy transition, including whole system and decarbonisation
 - g. Innovation
 - h. Deliverability of plans including competency, commitment and culture.
- 3.3 The Group and the Chairs of the Customer Engagement Groups and User Groups have arranged regular contact in order to ensure appropriate coordination and coherence between their respective activities.

4. Expectations for the draft RIIO-2 business plans

- 4.1 Ofgem require network companies to submit a first draft of their RIIO-2 business plan to the Group on 1 July 2019 and a second draft of their business plan to the Group on 1 October 2019 before the final plans are submitted to Ofgem in December 2019.
- 4.2 Ofgem have said that they will take into account the report produced by the Group on the assessment of the plans⁴. Ofgem have also said that they will take account of the quality and timeliness of engagement and submission of information. At each business plan submission stage (including preliminary information), the Group will assess the value for money, quality and deliverability of the plans provided by the companies before submitting its final report to Ofgem in December 2019.
- 4.3 The draft plans submitted to the Group on 1 July and 1 October 2019:
- a. must follow the most up to date Business Plan Guidance issued by Ofgem.
 - b. must be complete. Where any information is not provided, there must be a clear explanation as to why it is missing and when it will become available.
 - c. must include complete business plan data templates and supporting documentation, in a scope and format agreed with Ofgem. Where any information is not provided, there must be a clear explanation as to why it is missing and when it will become available. The data should also indicate the degree of certainty associated with it, i.e. whether the prices are firm or estimates and degree of assurance. A clear explanations of change from previously submitted information should be provided.
- 4.4 In addition, for the 1 October 2019 submission, network companies:

² This includes customer and sustainability performance.

³ This includes historical costs and key drivers for deviation from companies' original business plan figures and allowances, justification of needs case and demonstration of efficiency, underlying baseline scenario and assumptions, and ways to respond to future uncertainty.

⁴ Ofgem will assess the business plans once they are submitted to Ofgem in December 2019.

- a. must clearly set out in respect of each section of the plan where a Customer Engagement Group or User Group agrees or disagrees with proposals (and why).
- b. must set out in a summary table material changes from the previous plan with reference to page numbers. A clear explanations of change from previously submitted information should be provided.
- c. should provide a summary of what has been amended (or not amended) in response to the feedback received from the Group on 1 July 2019 business plan (or any changes otherwise made).

4.5 The drafts plans will not be published by the Challenge Group at any stage.

5. Work plan

5.1 The forward work plan of the Group (until December 2019) is summarised in table 2 below.

Table 2: Forward work plan of the Group

Month (2019)	Key AGENDA items
March (no meeting)	Response to Ofgem on sector specific methodology and business plan guidance document and reviewing final information received from ENA scenarios working group.
29 and 30 April	Meeting with network companies on historic cost information.
23 and 24 May	Ofgem sector specific methodology update from Ofgem.
June	Reserve.
29, 30, 31 July	Meet network companies on 1 July draft business plans for Q&A.
Mid - August	Written feedback to each network company on first draft of the plans.
September	Reserve.
29, 30, 31 October	Meet network companies on 1 October draft business plans for Q&A.
Early - November	Written feedback to each network company on second draft of the plans
December	Report to Ofgem.