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Date  
5<sup>th</sup> April 2019  
Contact / Extension  
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Dear Victoria

**Notice proposing modifications to the Regulatory Instructions and Guidance (RIGs) for RIIO-ED1 (version 5.0)**

*This response is not confidential.*

We welcome the opportunity to provide comment on the proposed RIGS modifications which will take effect in April 2019. We note that the data submitted for the 2018/19 reporting year will use the RIGs as modified.

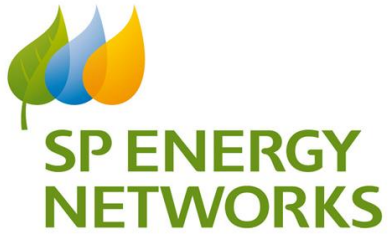
We very much support the RIIO Distribution team's desire to ensure that regulatory reporting is maintained effectively, however, we suggest the implementation of 'modification windows' for regulatory guidance, so that Ofgem can only change regulatory reporting guidance documents once a year within a specified timeframe. This will ensure that licensees are afforded the appropriate time to roll out any new regulatory rules to their businesses and make any necessary system changes. We would also request that any timeframes are set so that the regulatory guidance is finalised in advance of the next relevant reporting year. This will reduce a significant amount of administration for both Ofgem and the DNOs as well as prevent any errors as a result of retrospective changes.

We support the majority of Ofgem's proposals and have provided comments within Appendix 1.

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Please don't hesitate to get in touch with me, should you have any questions in relation to this response.

Yours sincerely



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## **APPENDIX 1 DETAILED RIGS COMMENTS**

### **Annex A: Glossary**

We agree with the proposals in full.

### **Annex B: Cost and Volumes**

We agree with the proposals in full.

### **Annex C: Revenue**

**2.31:** *'Regulated Distribution Network Revenue (RD) is the actual revenue recovered by the DNO from use of system charges in the regulatory year.'*

- We believe this sentence needs to be amended to reflect the fact that we will be required to deduct increased UoS revenue resulting from the increase in tariffs relating to SoLR, otherwise this will flow through the model as over-recovery. We made this point to Ofgem when we were reviewing the Agreed Upon Procedures.

### **Annex D: Secondary Deliverables**

We agree with the proposals in full.

### **Annex E: Reinforcement**

We agree with the proposals in full.

### **Annex F: Interruptions**

#### **2.47 (i to vi)**

- We agree that an auditable evidence based record should be retained for every event involving the application of Clock Stopping. This is indeed the situation now with all reportable incidents (with or without clock stopping) having evidence logged within our corporate fault management tool, PowerOn. This tool does not support the attachment of photographs to the incident and any photographic evidence as required within 2.47, (i) and (ii) will need to be stored within a different environment remote from PowerOn. We will make arrangements to comply with this proposal; however, we are concerned this may result in inconsistent and non-auditable practices across all DNO's.

**2.49 (ii):** *'in respect of paragraph 2.48(ii), a copy of any offers made to Customers (if such offers have been made in writing, including by e-mail) or recordings of conversations with Customers (if such offers are made over the telephone) and any response from Customers to any such offers'*

- In the case when a customer has their own generator and refuses a SPEN generator, we always offer to pay for their fuel. The agreement is typically made on site via face to face discussion and in a minority of cases, over the phone. 2.49(ii) proposes evidence to include a copy of offers when made in writing, including e-mail or recordings of conversations.
- As PowerOn is unable to attach written agreements for audit purposes, users will be able to use PowerOn to log verbal discussions on site via text update, and a copy of voice calls will also be available where office-to-customer agreements are made.
- The requirements under 2.49(ii) will not be able to be met for historical agreements with customers.

**Comment on timing of update:**

- We anticipate volumes of clock stopping to reduce after the introduction of the proposed changes. This may require additional resource or a change to our fault management process to avoid an expected increase of GS2 (>12hour) failures.
- If the proposed changes are retrospectively applied as of 1<sup>st</sup> April 2019, we will have lost the opportunity to manage this population of incidents and our annual Guaranteed Standards submission will show backdated GS2 failures. Although anticipated volumes are relatively low, we would request the introduction of the proposed changes are not backdated to allow for associated staff training.

**Annex G: Connections**

**1.14:** *'These cells must be completed with the total value of repayments made to Customers as identified in regulation 7(2) of the ECGS SI against those successful challenges against the Quotation Accuracy Scheme.'*

- We wish for the wording *'repayments made'* to be changed to *'penalties incurred'*. This is in line with what has been discussed with Ofgem. We acknowledge that all other wording applying to this change has been implemented.

**Annex H: Customer Service**

**General enquiries inconsistencies:** From the work that has been done in the working group previously, we are comfortable that the RIGS are clear. However, there are two further points we wish to clarify:

1. Are third parties included?
2. General Enquiries should only include delivered services and not 'requests for information'. Thus, we should only be counting services that are complete, i.e. work that has been completed on site.

**3.7: 'Procedures to mitigate the risk of bias'**

We agree to this change in principle but do not agree to the wording:

- The first three bullet points in this section are of concern as there are valid examples where the service is not the same across all service types. For instance, our Faults and Emergencies lines are open 24/7, but our General Enquires and Connections lines are not. If the wording remains as is, we would be in breach by continuing with this. This is not something we could agree with.
- At the beginning of ED1, it was agreed that proactive contacts to customers would be included in sample, but each DNO would have discretion on how they used this based on what they believed would deliver the best service. For example, we proactively contact customers on our Priority Services Register during faults (due to the certainty in their data) but we may not contact other customers proactively depending on whether we are certain with the accuracy of their data. This is a choice for each DNO and we would not want this wording to change that. We offer a tailored service to our customers dependent on their need and vulnerability, and our social incentive pushes us to do this. This is right for customers; each customer has different needs and therefore, by definition, receives a different service. The wording is such that we would be in breach if we continued to do this. We believe this is not in the best interest for our customers and therefore not something we could agree to.

**Annex J: Environment and Innovation**

We agree with the proposals in full.

**Annex L: RIIO Regulatory Financial Performance Reporting**

**3.4 'dividends and detail of future dividend policy'**

- We ask for this to be removed as this is commercially sensitive information.

**3.7 'As well as a description of the current and future dividend policy in the Commentary, the Licensee should also provide a forecast showing the expected payout as well as its split between the regulated and non-regulated business.'**

- We ask for this to be removed as this is commercially sensitive information.

**1.11 'financial values reconciling with the audited statutory accounts'**

- We will be reconciling to our audited Regulatory Accounts and not our audited Statutory Accounts as we have a different year end to the other DNOs (except one), we ask that the RIGS are amended to recognise this.

**1.27 'where a licensee considers there is commercially sensitive information this can be redacted'**

- We believe there should be parameters around this. For example, Enduring Value Adjustments shouldn't be redacted.

**R1 RoRE (Pg. 12):** *'It will also be presented annually (actuals and forecast), cumulative actuals to date and for the full price control period (actuals and forecast).'*

- We did not present it annually for 2017/18, only cumulative and for full price control period. We do not believe it adds value reporting it annually.

**R2 Revenue (Pg. 12):** *'The purpose of this worksheet is for the Licensee to report allowed and actual revenue and reconcile this to its Statutory Accounts.'*

As per our comment under 1.11, this only mentions Statutory Accounts; however, we need reference to Regulatory Accounts.

**R10 Tax (Pg. 22):**

- We ask for Ofgem to provide additional guidance explaining how the reconciliation for tax should be completed, specifically for rows 72-74 in R10. We feel this is needed in order to ensure comparability and consistency

**3.4: 'Data assurance statement'**

- We would ask this be removed from the narrative as it is covered in the NETDAR as per the Data Assurance guidance and this follows normal practice for all submissions.

**3.4: 'Appendices: Reconciliation where licensees have a different statutory reporting year from the Regulatory Year'**

- We would ask that the reference to reconciliation between statutory reporting and regulatory reporting be removed. This is an onerous task which we feel doesn't add value as our Regulatory Accounts will be published.

**3.5: 'Enduring Value Adjustments'**

- We would prefer stronger wording around Enduring Value Adjustments so it is mandatory for companies to complete. The paragraph starts with 'where enduring value are made' leading to choice rather than practice.

**Glossary (Pg. 30/31): 'Net Debt Excludes'**

- This list fails to explicitly mention 'ring fenced cash'. We would prefer this to be itemised here to offer clear and precise instruction.