

To:

Electricity Distribution,  
Gas Distribution,  
Gas Transmission,  
Electricity Transmission;  
Network Operators; and  
Stakeholders

Date: 29 April 2020

Dear Company Secretaries and Stakeholders,

### **Proposal to make modifications to the Regulatory Instructions and Guidance**

We propose to make modifications to the following:

- Network Operators' Price Control Pension Costs - Regulatory Instructions and Guidance<sup>1</sup> ("the Pension RIGs"), and
- RIIIO Regulatory Financial Performance Reporting – Regulatory Instructions and Guidance ("RFPR RIGs").

Please find **enclosed** the Notices setting out our proposed changes issued pursuant to the relevant Standard Licence Condition for the relevant sector. These are included as an additional annex to the RIGs.

### **Coronavirus (COVID-19)**

In publishing this Notice, we are conscious of the ever-changing wider response to the Coronavirus crisis. This is why Ofgem is focused on ensuring that the energy industry can effectively respond to the coronavirus (COVID-19) crisis. Our priority is to protect consumers, especially vulnerable people, and to maintain Britain's supply of electricity and gas. We are working closely and collaboratively with government, the energy industry, consumer organisations and other stakeholders to ensure that we can meet this overarching objective.

As part of this we will to continue monitor the reporting obligations for the network

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<sup>1</sup> See Annex K to the RIIIO-ED1 RIGs for Electricity Distribution.

companies so they can put the needs of consumers first, this will include pension costs and regulatory financial reporting. However, given the extensive consultation to date on these topics, and the importance of confirming reporting arrangements for licensees, we have decided to progress with our consultation on these notices.

Going forward, we will continue to engage with licensees ensure they have sufficient flexibility to manage their resources in a way that best protects and prioritises consumers' interests at this time. We will confirm appropriate timings for reporting once we have considered all responses to this consultation.

### **Pension RIGs**

The Pension RIGs provide the reporting requirements for the licensee allowing the Authority<sup>2</sup> to carry out the 2020 triennial Pensions Reasonableness Review ("Pensions Reasonableness Review").

We also **enclose** draft versions of the following documents:

- Pension RIGs guidance (Draft) – a marked up version with proposed changes and a 'clean' version; and
- Pension RIGs template (Draft); and
- 2020 Pensions Reasonableness Review – Licensee questionnaire.

We will provide a separate Pension Reasonableness Review – Licensee Questionnaire that requires Licensees to complete as part of their reporting conditions.

In 2017, the Pension Reasonableness Review letter<sup>3</sup> said we would consider changing the Pensions RIGs to allow for adjustments where pension schemes were in a surplus. Having reviewed this we consider understanding why a scheme is in surplus is complex, and should be reviewed on a case-by-case basis before we arrived at a stage where we could make any adjustment. The Licensee Questionnaire requires licensees to provide details of how they manage current or potential surplus. We will review these responses as part of the reasonableness review.

### **RFPR RIGs**

The RFPR RIGs outlines the reporting requirements for each licensee regarding their RIIO financial performance.

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<sup>2</sup> The Authority is the Gas and Electricity Markets Authority. Ofgem is the Office of the Authority. The terms 'Authority', 'Ofgem', 'we', 'us' and 'our' are used interchangeable in this document.

<sup>3</sup> <https://www.ofgem.gov.uk/publications-and-updates/revise-pension-allowance-values-and-completion-2017-reasonableness-review>.

As part of the **enclosed** Notices we provide draft versions of the following documents:

- RFPR RIGs guidance (Draft) – a marked up version with proposed changes and a 'clean' version; and
- RFPR RIGs template (Draft).

When we introduced the RFPR,<sup>4</sup> we said in our response to stakeholder representations that we would consider introducing a requirement for licensees to report executive remuneration and dividend forecasts. We also said in our RIIO-2 Sector Specific Methodology Decision<sup>5</sup> that we proposed to require companies to publish sustainable dividend policies and to disclose executive remuneration to a similar level to that required for UK-listed public limited companies. We have decided not to include this as part of this proposed modification; however, we intend to develop these requirements, and may separately request this information, which could include information for the 2019-20 reporting year.

### **Timeline**

If we implement the proposed modifications to the RFPR RIGs and Pension RIGs, they will take effect from 1 April 2020. For the avoidance of doubt, this means that the data submitted in July 2020 (in respect of the 2019/20 reporting year) would use the RIGs as modified.

We welcome representations on our proposed modifications by 27 May 2020, and the details for responding are contained in the enclosed Notice.

Yours faithfully,

**Steven McMahon**  
**Deputy Director, Electricity Distribution**  
**and Cross Sector Policy**  
**29 April 2020**

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<sup>4</sup> <https://www.ofgem.gov.uk/publications-and-updates/direction-introduce-regulatory-financial-performance-reporting-rfpr>.

<sup>5</sup> Paragraphs 12.143-12.144 <https://www.ofgem.gov.uk/publications-and-updates/riio-2-sector-specific-methodology-decision>.

**Electricity North West Ltd (ENWL)**  
**Northern Powergrid (Northeast) Ltd (NPgN)**  
**Northern Powergrid (Yorkshire) plc (NPgY) London**  
**Power Networks plc (LPN)**  
**South Eastern Power Networks plc (SPN) Eastern**  
**Power Networks plc (EPN)**  
**SP Distribution plc (SPD)**  
**SP Manweb plc (SPMW)**  
**Scottish Hydro Electric Power Distribution plc (SSEH)**  
**Southern Electric Power Distribution plc (SSES)**  
**Western Power Distribution (West Midlands) plc (WMID)**  
**Western Power Distribution (East Midlands) plc (EMID)**  
**Western Power Distribution (South Wales) plc (SWALES)**  
**Western Power Distribution (South West) plc (SWEST)**

**Notice under Part C of Standard Licence Condition 46 (Regulatory Instructions and Guidance) ("SLC 46") of the Electricity Distribution Licence (the "Licence") of proposed modifications to the Regulatory Instructions and Guidance.**

The Gas and Electricity Markets Authority<sup>6</sup> (the "Authority") hereby gives notice under paragraph C of the SLC 46 (Regulatory Instructions and Guidance) ("SLC 46") as follows:

**Proposal to modify the Regulatory Instructions and Guidance**

1. The Authority proposes to modify the Regulatory Instructions and Guidance (the "RIGs") under PART C OF SLC 46 of the Licence. The RIGs are the primary means by which the Authority directs the Licensees to collect and provide information to the Authority, to enable it to administer the Special Conditions of the Licence and, where not referenced in the Licence, the RIIO-ED1 Final Proposals<sup>7</sup>.
2. Part C of SLC 46 sets out the process for issuing and modifying the RIGs. In accordance with SLC 46.10, the Authority hereby gives notice to the licensees that it proposes to modify the RIGs in the manner indicated in the documents that can be accessed via the hyperlinks in Appendix 1 to this Notice.
3. The Authority proposes that these modifications should take effect from 1 April 2020.
4. The proposed modifications refer specifically to information required to be

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<sup>6</sup> The "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports the Authority in its day to day work.

<sup>7</sup> <https://www.ofgem.gov.uk/publications-and-updates/riio-qd1-final-proposals-%E2%80%93-overview>.

submitted to the Authority on or before 31 July 2020 in the following areas:

- the Pension Regulatory Instruction and Guidance excel template and guidance document; and
- the Regulatory Financial Performance Reporting excel template and guidance document.

The proposed modifications are summarised below:

- General amendments to the template and guidance to correct minor grammatical and referencing errors.
- Updating tables/data for the 2019/20 reporting year, including pulling information from the latest PCFM.
- Updating the template to reflect that ESO is now a separate legal entity (for National Grid).

6. The Licensees will populate and/or return the reporting packs as part of the 2019-20 RIGs process.

#### **Further information**

7. Appendix 1 to this Notice provides a link to the following documents, which show the proposed modifications if they were to be incorporated as currently proposed:

- RIIO Regulatory Financial Performance Reporting – Regulatory Instructions and Guidance, and Template: Version 1.1; and
- RIIO Pension Regulatory Instruction and Guidance, and Template: Version 2.1

8. Copies of this Notice and other documents referred to in it are available on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).

9. Any representations on the proposed modifications must be made on or before 27 May 2020 to Varun Venaik at Ofgem, 4<sup>th</sup> Floor, 10 South Colonnade, Canary Wharf London E14 4PU, or by email to [Varun.Venaik@ofgem.gov.uk](mailto:Varun.Venaik@ofgem.gov.uk).

10. Our normal practice is to publish responses on our website. We prefer to receive responses in an electronic form for publication on our website. However, if you do not wish for your response to be made public then you should clearly mark your response as *Not For Publication*.

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**Steven McMahon**  
**Deputy Director, Electricity Distribution and Cross Sector Policy**  
**Duly authorised on behalf of the Authority**  
**29 April 2020**

**National Grid Gas plc (with respect to its gas transmission network)**  
**Cadent Gas Limited**  
**Northern Gas Networks Limited**  
**Scotland Gas Networks plc**  
**Southern Gas Networks plc**  
**Wales & West Utilities Limited**

**Notice under paragraph 10 of the Standard Special Condition A40 (Regulatory Instructions and Guidance) (“SSC A40”) of the Gas Transporter Licence (the “Licence”) granted to the Licensees under section 7 of the Gas Act 1986 (the “Act”).**

The Gas and Electricity Markets Authority<sup>8</sup> (the “Authority”) hereby gives notice under paragraph 10 of SSC A40 as follows:

**Proposal to modify the Regulatory Instructions and Guidance**

1. The Authority proposes to modify the Regulatory Instructions and Guidance (the “RIGs”) under SSC A40 of the Licence. The RIGs are the primary means by which the Authority directs the Licensees to collect and provide information to the Authority, to enable it to administer the Special Conditions of the Licence and, where not referenced in the Licence, the RIIO-GD1 Final Proposals<sup>9</sup>.
2. SSC A40 sets out the process for issuing and modifying the RIGs. In accordance with paragraph 10 of SSC A40, the Authority hereby gives notice to the Licensees that it proposes to modify the RIGs in the manner indicated in the documents that can be accessed via the hyperlinks in Appendix 1 to this Notice.
3. The proposed modifications to the RIGs consist of revisions to existing tables and guidance. These proposed modifications are to clarify the existing reporting requirements and formalise the requirements that have been identified through previous reporting periods.
4. The proposed modifications refer specifically to information required to be submitted to the Authority on or before 31 July 2020 in the following areas:

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<sup>8</sup>The “Authority”, “Ofgem”, “we” and “our” are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports the Authority in its day to day work.

<sup>9</sup><https://www.ofgem.gov.uk/publications-and-updates/riio-gd1-final-proposals-%E2%80%93-overview>.

- the Pension Regulatory Instruction and Guidance excel template and guidance document; and
  - the Regulatory Financial Performance Reporting excel template and guidance document.
5. The proposed modifications are summarised below:
- General amendments to the template and guidance to correct minor grammatical and referencing errors.
  - Updating tables/data for the 2019/20 reporting year, including pulling information from the latest PCFM.
  - Updating the template to reflect that ESO is now a separate legal entity (for National Grid).
7. The Licensees will populate and/or return the reporting packs as part of the 2019-20 RIGs process.

### **Further information**

11. Appendix 1 to this Notice provides a link to the following documents, which show the proposed modifications as incorporated:
- RIIO Regulatory Financial Performance Reporting – Regulatory Instructions and Guidance, and Template: Version 1.1; and
  - RIIO Pension Regulatory Instruction and Guidance, and Template Version 2.1
12. Copies of this Notice and other documents referred to in it are available on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).
13. Any representations on the proposed modifications must be made on or before 27 May 2020 to Varun Venaik at Ofgem, 4<sup>th</sup> Floor, 10 South Colonnade, Canary Wharf London E14 4PU, or by email to [Varun.Venaik@ofgem.gov.uk](mailto:Varun.Venaik@ofgem.gov.uk).
14. Our normal practice is to publish responses on our website. We prefer to receive responses in an electronic form for publication on our website. However, if you do not wish for your response to be made public then you should clearly mark your response as not for publication.

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**Steven McMahon**

**Deputy Director RIIO Electricity Distribution and Cross Sector Policy**

**Duly authorised on behalf of the Authority**

**29 April 2020**

**National Grid Electricity Transmission plc**  
**SP Transmission plc**  
**Scottish Hydro Electric Transmission plc**

**Notice under paragraph 8 of Standard Condition B15 (Regulatory Instructions and Guidance) ("SC B15") of the Electricity Transmission Licence (the "Licence") granted to the Licensees under section 6(1)(b) of the Electricity Act 1989 (the "Act").**

The Gas and Electricity Markets Authority<sup>10</sup> (the "Authority") hereby gives notice under paragraph 10 of SC B15 as follows:

**Proposal to modify the Regulatory Instructions and Guidance**

1. The Authority proposes to modify the Regulatory Instructions and Guidance (the "RIGs") in accordance with SC B15 of the Licence. The RIGs are the primary means by which the Authority directs the Licensees to collect and provide information to the Authority, to enable it to administer the Special Conditions of the Licence and, where not referenced in the Licence, the RIIO-T1 Final Proposals<sup>11</sup>.
2. Paragraph 10 of SC B15 sets out the process for issuing and modifying the RIGs. In accordance with SC B15, the Authority hereby gives notice to the licensees that it proposes to modify the RIGs in the manner indicated in the documents that can be accessed via the hyperlinks in Appendix 1 to this Notice.
3. The Authority proposes that these modifications should take effect on 1 April 2020.
4. The proposed modifications refer specifically to information required to be submitted to the Authority on or before 31 July 2020 in the following areas:
  - the Pension Regulatory Instruction and Guidance excel template and guidance document
  - the Regulatory Financial Performance Reporting excel template and guidance document
5. The proposed modifications are summarised below:

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<sup>10</sup> The "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Office of Gas and Electricity Markets (Ofgem) supports the Authority in its day to day work.

<sup>11</sup> <https://www.ofgem.gov.uk/publications-and-updates/riio-gd1-final-proposals-%E2%80%93-overview>

- General amendments to the template and guidance to correct minor grammatical and referencing errors.
  - Updating tables/data for the 2019/20 reporting year, including pulling information from the latest PCFM.
  - Updating the template to reflect that ESO is now a separate legal entity (for National Grid).
6. The Licensees will populate and/or return the reporting packs as part of the 2019-20 RIGs process.

### **Further information**

7. Appendix 1 to this Notice provides a link to the following documents, which show the proposed modifications if they were to be incorporated:
- RIIO Regulatory Financial Performance Reporting – Regulatory Instructions and Guidance, and Template: Version 1.1; and
  - RIIO Pension Regulatory Instruction and Guidance, and Template Version 2.1
8. Copies of this Notice and other documents referred to in it are available on the Ofgem website ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).
9. Any representations on the proposed modifications must be made on or before 27 May 2020 to Varun Venaik at Ofgem, 4<sup>th</sup> Floor, 10 South Colonnade, Canary Wharf London E14 4PU, or by email to [Varun.Venaik@ofgem.gov.uk](mailto:Varun.Venaik@ofgem.gov.uk).
10. Our normal practice is to publish responses on our website. We prefer to receive responses in an electronic form for publication on our website. However, if you do not wish for your response to be made public then you should clearly mark your response as *Not For Publication*.

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**Steven McMahon**  
**Deputy Director RIIO Electricity Distribution and Cross Sector Policy**  
**Duly authorised on behalf of the Authority**  
**29 April 2020**

## **Appendix 1: Regulatory Instructions and Guidance setting out proposed modifications if they were to be incorporated**

A copy of the following documents can be found on our website at the link provided below:

- RIIO Regulatory Financial Performance Reporting – Regulatory Instructions and Guidance, and Template: Version 1.1; and
- RIIO Pension Regulatory Instruction and Guidance, and Template Version 2.1; and
- 2020 Pensions Reasonableness Review – Licensee questionnaire.

<https://www.ofgem.gov.uk/publications-and-updates/notice-proposing-modifications-regulatory-financial-performance-reporting-rfpr-and-pension-regulatory-instructions-and-guidance-rigs-riio1>