



# Regulatory Instructions and Guidance modifications

*Northern Powergrid's response to Ofgem's proposal to make modifications to the Regulatory Instructions and Guidance (the "RIGs")*

## KEY POINTS

- **Northern Powergrid has no material representations to make at this stage that Ofgem should address in its final modifications to the RIGs.**
- Over the last few months Ofgem has extended the reporting requirements for Streetworks. We agree with the suggested disaggregation although this information should only be gathered where it will be necessary for the logging up process - and Ofgem should consider discontinuing much of this reporting at the end of the ED1 period.
- Ofgem continues to take positive steps to improve the consistency of the Customer Service Guidance for General Enquiries reporting. However, it must continue to work with the DNOs to resolve the current inconsistencies in DNO reporting.
- The RIGs require the DNOs to publish the Regulatory Financial Performance Report (the "RFPR") by 31<sup>st</sup> July each year, however given the close association of the RFPR with the existing SLC50 business plan commitments report, it would be more beneficial to stakeholders for Ofgem to allow the DNOs to publish the RFPR as part of the SLC50. We believe in publishing any information our stakeholders could reasonably require in a simple and accessible format at sensible intervals throughout the year. The current requirements do not satisfy that criteria.
- Once this year's review is complete and ahead of next year's review, we recommend that Ofgem:
  - Reviews the Environment and Innovation pack and associated RIGs and establishes a dedicated Working Group to address the current inconsistencies in reporting between DNOs, evident throughout the reporting pack;
  - Reviews the Streetworks logging up requirements to help Ofgem to benchmark and assess DNO performance during the logging up process; and
  - Clarifies its intention on reporting in relation to the Smart Meter rollout, following the extension to the rollout period.

## 1. Material Representations

1. Northern Powergrid has no material representations to make at this stage that Ofgem should address in its final modifications.

## 2. General comments

### *Streetworks – Cost and Volumes*

2. We continue to support Ofgem working with the DNOs for the collection of appropriate costs and volumes information in relation to Streetworks. We believe there is a need to disaggregate costs with the aim of providing additional information required for logging up, although this should be tempered by ensuring the data collected is necessary for doing so especially where there is a significant additional reporting burden to be placed on the DNOs. We also expect that Ofgem will continue to develop the streetworks reporting in the remaining years of the ED1 period to ensure it is fit-for-purpose for the logging up mechanism, for example in respect of land rental. However Ofgem should then consider discontinuing much of this reporting at the end of the ED1 period.
3. **M9b, M9c and M9d.** The additional information requested from DNOs on the disaggregation of 'Permit Condition Costs' will be time consuming to populate and should only be gathered if Ofgem has a sound reason for doing so, as it places a large reporting burden on the DNOs.
4. We agree with the other changes made within the RIGs relating to Streetworks activities and will continue to provide support to Ofgem as it develops the reporting requirements for logging up.

### *Customer Service RIGs - General Enquiries reporting*

5. Ofgem has made positive steps to improve consistency but it must continue to work with the DNOs over the next few months to close out this piece of work and resolve the current inconsistencies in DNO reporting.
6. We support the modifications to section 3 of Annex H and we strongly encourage Ofgem to continue the work with the Customer and Social Issues Working Group to arrive at a robust draft of the reporting guidance that ensures consistency across the industry. The first task of the group must be to reach a conclusion on and agree what constitutes a 'Service' and set a clear definition of that term in the RIGs; or alternatively Ofgem should introduce a requirement to report on the services being offered and used as the basis for surveying (which is a proposal we have made in previous years and continue to support).

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7. **Paragraph 3.8.** The additional clarification on the customer service survey population for general enquiries is welcomed by Northern Powergrid and we support further clarifications to ensure consistency in DNO reporting.
  8. **Glossary:** We continue to believe that the glossary definition of a Customer, for the purposes of customer service reporting, should be aligned with the definition in SLC1 of the electricity distribution licence. Instead, in the RIGs the following sentence is added “In the case of unmetered connection this person is the Relevant Authority with responsibility for street lighting or street furniture.” This is self-evident in respect of connections to the street furniture of any particular Authority. It should be deleted as using an alternative definition of a Customer for the purposes of the RIGs would be a source of confusion

### ***Publication of the RFPR***

9. Ofgem should allow the DNOs to publish the RFPR as part of their SLC50 reports in line with good stakeholder engagement practice. We believe in publishing any information that our stakeholders could reasonably require in a simple and accessible format – but the current proposals do not meet that criteria.
10. DNOs are currently required to publish the RFPR on their websites by no later than 31<sup>st</sup> July each year. The RFPR is currently formatted as an Ofgem-facing document and not in a format that is easily accessible for our stakeholders. We agree that some of the RFPR information would be of use to some of our stakeholders but it needs to be presented in a way that enables them to easily engage with it.
11. There is already has a public-facing annual performance reporting requirement on the DNOs in SLC50 (Business Plan Commitments Report) and all DNOs produce a report that is specifically tailored to their stakeholders.
12. It is also important that we provide appropriate context for performance information published without further duplicating information. To publish information about the returns that companies earn without setting it in the context of performance and services delivered over the same period is unhelpful. Each SLC50 report not only includes an Executive summary but also steps through what we set out to do in the year and in the ED1 period, the progress that we have made against those plans, our performance against key industry performance measures and the range of services delivered for our customers.
13. Publishing information about the returns that DNOs earn in this context provides our stakeholders with an appropriate and well-rounded view of the performance that has contributed to those returns. It also avoids publishing the same information at multiple times during the year and is another opportunity to remove unhelpful duplication for stakeholders.

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14. We think it is more appropriate to extend the publication deadline for the RFPR information to 31<sup>st</sup> October to allow the DNOs to use their SLC50 reports (and supporting annexes) as the vehicle for publishing this information.
  15. Publication in October also allows time to complete the supplementary questions process and DNO cost visits, which follow all July submissions, and for the DNOs to address any issues identified in the information returns prior to publication.

#### **Executive Remuneration within the RFPR**

16. We do not support including narrative around executive remuneration within the RFPR commentary. A requirement to disclose personal data/information for publication is not one that Ofgem should impose and also conflicts with requirements in respect of good corporate governance and disclosure of directors' remuneration set by parliament, the FCA or any exchange on which the company's securities are listed.
17. The Information on executive remuneration is already provided in the Statutory Financial Statements, for those companies which are required to disclose such information, where it is subject to external audit and presented in a common way across the UK. The RFPR information would not be subject to the same reporting or auditing standards. Note that some licences are not currently required to report the same level of information as others (based on their status as listed or non-listed entity) in their Statutory Financial Statements

#### ***DSO Incremental Costs***

18. We support the intention to capture the costs associated with DSO activities. However, the current drafting does not establish a definition for DSO and neither does it set a basis for 'incremental costs'. If 'incremental costs' are seen to be costs in addition to those set out in the ED1 Business Plan Data Templates, we would caution that each DNO would have included inconsistent levels of cost within their templates and will, therefore, be starting from different positions. The information under the proposed approach will simply not be comparable across companies, and this could be a critical issue depending on the use that Ofgem intends to put the information to.

### **3. On-going development of the RIGs**

19. The following comments reflect areas where we think that further work should to be undertaken, following the current update to the RIGs, to achieve future improvements.
20. Clarification is sought on Ofgem's approach to the reporting of activities relating to the Smart Meter rollout in response to the extension of the Smart Meter rollout period. Consideration is required for Pass-Through

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costs, Smart Meter Interventions, including the necessary amendments to the calculation of the tapering factor, and all other associated licence conditions.

21. Ofgem has continued to work with the DNOs to develop the necessary reporting for Streetworks logging up. We fully support the progress made within this area and seek to ensure that additional reporting requirements provide the necessary information to Ofgem while not significantly increasing the reporting burden placed upon the DNOs.
22. Ofgem has confirmed that it will be improving the Environment and Innovation pack. We fully support the need to further develop this pack due to the increasing stakeholder interest in the area – although we recognise that some of the information may never be comparable due to the nature of the reporting.

## 4. Minor comments

### *Subsea Cables*

23. **CV7.** Subsea cables should still be reportable within CV7 Asset Replacement with only SSE to report these activities elsewhere within the cost and volumes pack, to facilitate SSE's related reopener.

### *Streetworks*

24. Minor changes are needed to the new rows added (68-70), as they are not required for "Outside Price Control".
25. The description in cell A65 should reflect "Connections" only.

### *Revenue and Financial Issues*

26. The RIGs have not been updated for the separate consultation on the Revenue and Financial Issues.
27. We have reflected our comments in the issues log attached. Annex A and C have been updated, with the cells having been shaded orange.