

**Date**  
29 January 2021

**Cadent Gas Limited**  
Brick Kiln Street, Hinckley  
Leicestershire, LE10 0NA  
[cadentgas.com](http://cadentgas.com)

Rebecca Pickett  
Systems and Networks, RIIO Price Controls  
OFGEM  
The Office of Gas and Electricity Markets  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU



Dear Rebecca

**Response to consultations on the proposed drafts for associated/governance documents that supplement a number of the licence conditions required to implement the RIIO-2 price control settlement for the transmission companies, gas distribution networks and the electricity system operator.**

This letter represents our response to the consultations on the draft proposals for the Associated Documents covering; RIIO2 Environmental Report, Vulnerability and Carbon Monoxide Allowance, Price Control Deliverable Reporting Requirements and Methodology, Fuel Poor Network Extension Scheme and Re-opener guidance and application requirements. Our response is not confidential and may be published by Ofgem.

In addition to this, a joint response from all Gas Distribution Networks is being submitted under separate cover for the exit capacity enhanced obligations

We have used the response template to comment on the draft documents, however we felt that there were some important points that we wanted to highlight and these are outlined below.

Our overarching concern is one of proportionality. While we understand the overall aims and objectives of the associated documents, we believe, in many places, the extent of the obligations and/or the delivery criteria are not proportionate to those aims. We have set out below three areas where we think the proposals are particularly disproportionate.

**Environmental Report Guidance Document**

The stated purpose of the Annual Environmental Report (**AER**) is to increase the public transparency and accountability of the licensee in relation to the impacts of its business and network activities on the environment, and the licensee's progress against its EAP commitments. We support this aim but believe that the very detailed requirements of the guidance document go beyond this.



We are unclear of the need or rationale for the additional reporting requirements included in the guidance document beyond the Environmental Action Plan commitments (EAP) we have made in our business plan. Our EAP was derived from the insights from our stakeholders and subject to extensive challenge and scrutiny from the independent customer challenge groups. During the business planning process Ofgem encouraged network companies to engage with stakeholders to develop bespoke environmental action plans as well as to set out the required funding to support the plans. In the Final Determinations, Ofgem has chosen to recognise a small number of common outputs (i.e Shrinkage and Business Carbon Footprint) to be reported uniformly, but then asked the companies to report on their individual and bespoke EAPs through the AER. These plans are extensive and committed to a wide range of reporting, monitoring and targets across all the areas of the companies' environmental impact. We believe, therefore, that it is not proportionate or reasonable for Ofgem to add additional common outputs and requirements which are not part of the assessed EAP or the specified RIIO-2 outputs as no consideration has been made on the costs, funding requirements or reputational impact of such measures. The proposed requirements for the AER specify a considerable level of detail and measures that are different from our EAP and the proposed common outputs. If network benchmarking is viewed as important for the design of future outputs and incentives then we suggest that networks should work together to understand each other's reporting, identify best practice and see how reporting can be developed across the RIIO-2 period with a view to assessing what could then be implemented for RIIO-3.

To ensure that the AER reflects the needs and wants of customers that we gathered through the extensive engagement process with stakeholders, we propose that the guidance document focuses on reporting progress against the commitments of a licensee's EAP, and also includes a requirement to demonstrate engagement with stakeholders in relation to the form and content of the annual report.

Cadent already publishes an annual Safety and Sustainability report that records our performance against various environmental measures. This report has been developed with stakeholder input and is delivering information that our stakeholders are interested in. We will continue to produce this report and, to ease unnecessary regulatory burden, had intended for our reporting on our AER to be in this form. We would welcome a guidance document that allows the flexibility for this to happen in an efficient and proportionate way.

## **Re-Opener Guidance**

The Re-opener Guidance includes a requirement for Board oversight which we do not believe is proportionate or necessary. We fully support the requirement for companies to provide assurance from a suitable senior person within the business, and believe that this is already ensured through the existing Standard Special Licence Condition A55 (Data Assurance requirements) and the associated assurance process set out in the Data Assurance Guidance (DAG) and Regulatory Instruction and Guidance (RIGS).

## **Exit capacity enhanced obligations**

Having removed the RIIO-1 Exit Capacity Incentive, we agree with Ofgem that it is important for the NTS and GDNs to work collaboratively to ensure our 1 in 20 peak day capacity



requirements are met as efficiently and economically as possible for the benefit of current and future customers. In that regard enhanced engagement between networks and stakeholders as well as reporting is essential. Nevertheless, we question the value and indeed the need for the level of detail and reporting that Ofgem is proposing, which will add cost, which has not been factored into our plans, without enhancing whole system efficiency. We have proposed where we think the requirements go beyond what is proportionate to the intent of the enhanced obligation.

We suggest resources would be far better employed in Ofgem and networks in co-operating to unlock the recognised inefficiencies in the current industry framework arising through the User Commitment and PARCA process.

### **Next steps**

We would welcome the opportunity to work with you to develop these documents further and in the meantime if there is anything that you would like to discuss further, please do not hesitate to contact us.

Yours sincerely,

David Moon  
**Director of RIIO-2**  
By email