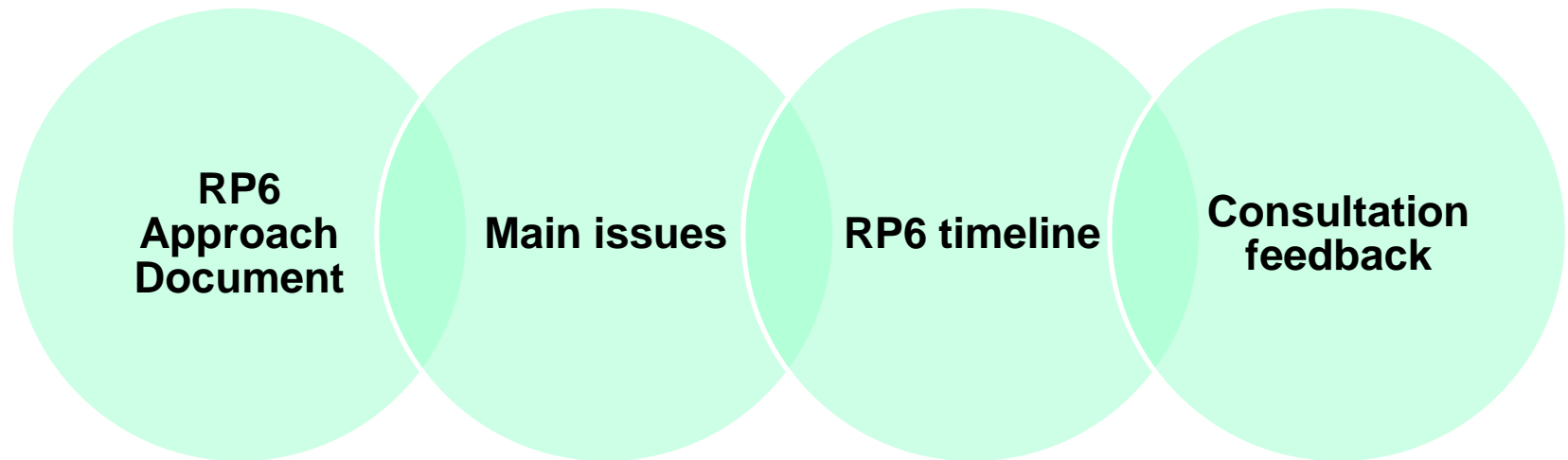


RP6 Approach Document Stakeholder Workshop

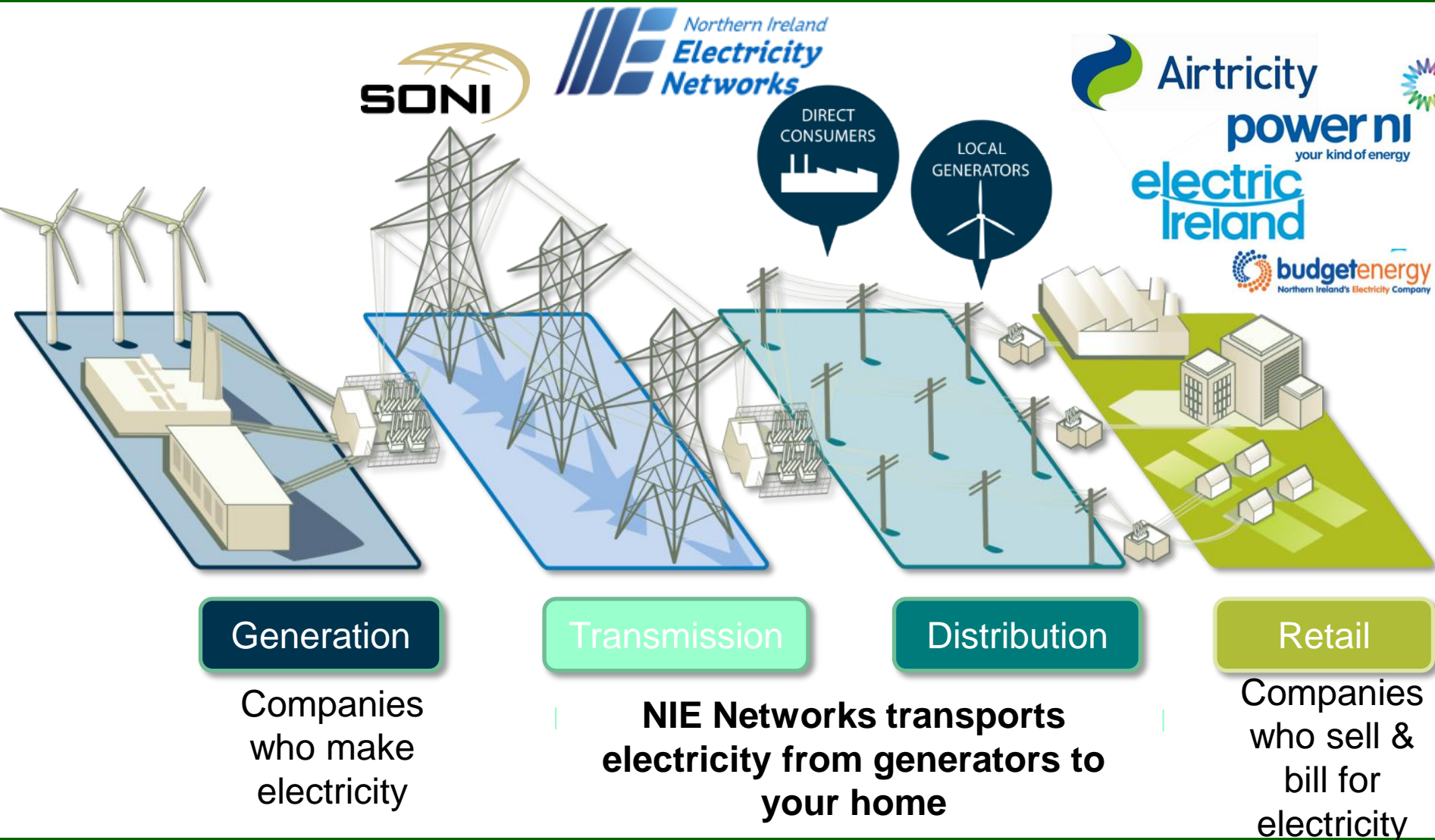
**Networks Team
8th October 2015**



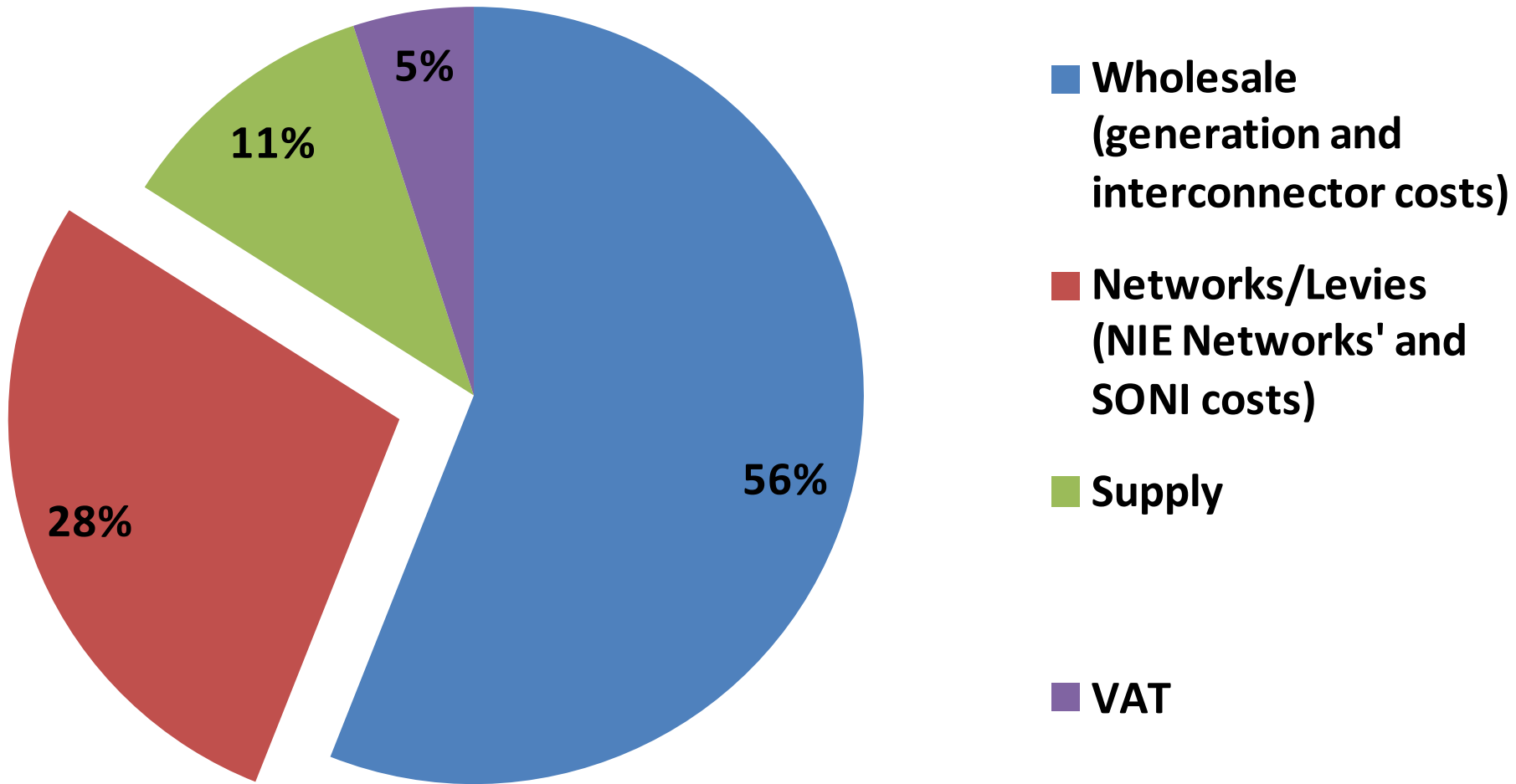
Stakeholder workshop



Power system overview



Material impact on tariffs from Transmission and Distribution



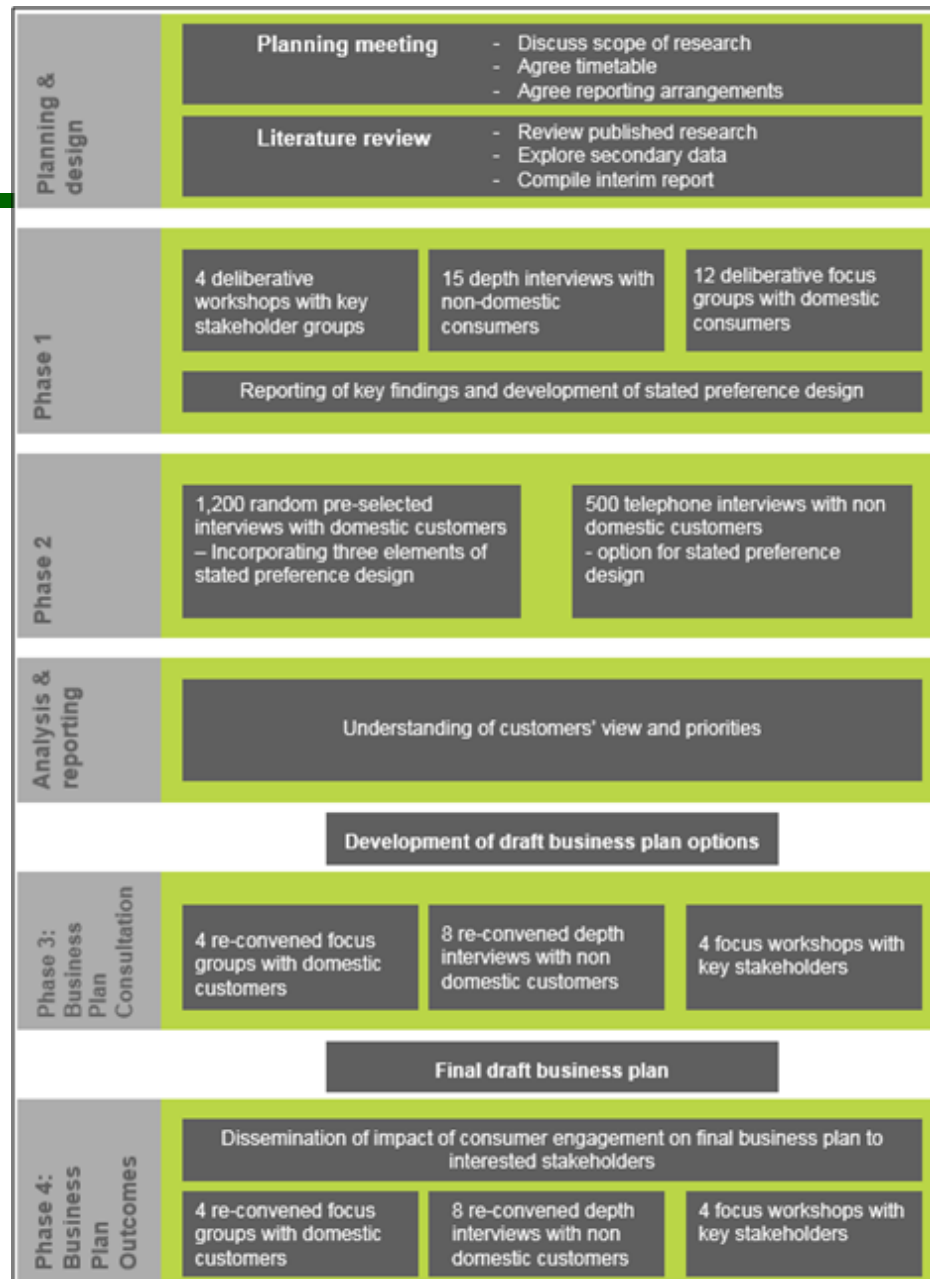
- Approach Document sets out our ‘minded to’ approach for RP6
- Some big issues:
 1. Financial
 2. Stakeholder and Consumer engagement
 3. Innovation
 4. Driving delivery
 5. Future network

Financial issues

- Duration
 - Precedent
 - Operational need
 - Delivering the RP6 aim:
“to provide an efficient revenue cap to enable NIE Networks to deliver quality outputs that customers need”
- Cost of Capital
 - Standard CAPM methodology referencing similar regulatory settlements
- Depreciation
 - Consider reducing complexity
- Pensions
 - Build on RP5 principles and consider alignment across regulated businesses

Stakeholder and Consumer Engagement

- Consumer Engagement Advisory Plan (CEAP) progressing draft research reporting stage with PIMR/QUB researchers Sep-15 onward:
 - Phase 3 Business Plan consultation (4 focus group workshops with stakeholders)
 - Phase 4 Business Plan outcomes (dissemination of final business plan through focus groups, as above)
- PLUS Draft Determination includes consultation stage prior to Final Determination and Licence Modifications to bring into effect our decisions on:
 - Revenue cap
 - Outputs
 - Incentives
 - Efficiencies



Innovation - I

- Our Corporate Strategy 2014-19 included the KPI that:
“Our regulatory tools have helped make sure that regulated utilities drive further effective innovation, such as smart grids and meters”.
- “we,...expect NIE Networks to set out clearly in its business plan submission why the price control regime does not provide an appropriate incentive for innovation investments and articulate its rationale for innovation funded through higher prices.”
- “we would regard the bar as being set high in terms of the evidence”

Innovation - II

- Support for new innovation requiring increased prices dependent upon business case submissions; and assessed against x9 criteria:
 - quantified and robust costs and benefits
 - need for, or rationale in support of additional funding
 - how NIE Networks have arrived at their chosen bid for innovation(s)
 - how bid was identified/prioritised and justified with consumers and stakeholders;
 - why there exists a barrier towards innovation
 - what deliverables from Research or Development or Trials for local consumers
 - proposed treatment of risk and reward
 - description of how rolled out across RP6
 - how RP6 innovation(s) are different to anything that has occurred previously

Driving delivery

- renewed expectation of asset management excellence
- we expect improving efficiencies
- renewed focus on delivery of outputs, especially through reputational / financial incentives, annual reporting, monitoring and enforcement activity
- we hope to examine Ofgem's experience of setting out ED1 outputs under RII0 for lessons for RP6 (their own review may be too late)

Driving Delivery - potential RP6 outcomes/outputs and KPIs

- We expect NIE Networks to set out clearly:
 - all the outcomes/outputs it proposes to deliver over RP6
 - together with justification for both their inclusion and timings
- Above current performance we will expect to see:
 - appropriate cost/benefit justifications
 - together with any areas of trade-off / overlap
- Some potential examples:
 - quality of supply incentive ie customer interruptions (CI) or customer minutes lost (CML) or worst served;
 - asset health or load indices;
 - customer service;
 - reducing carbon;
 - timely delivery of major projects

Future network

- The future shape of the distribution network subject to some uncertainties:
 - small to large scale renewables
 - new technologies
 - energy efficiency (plus Energy Efficiency Directive)
 - smart metering/grid
 - SONI/I-SEM and DS3 mechanism
- We expect NIE Networks to detail its scenario planning
- We shall consider which RP5 Licence Mods to carry fwd

Q&A

- **“what are the issues you would wish addressed by NIE Networks at RP6?”**
- **“why do these matter to you or the individuals/organisations you represent?”**
- **“should your issue(s) be prioritised over others?”**
- **“should bills increase to deliver these issues?”**

RP6 timeline

RP6 Key Stages

Approach Document

Initiate working level meetings - scoping phase	13 th Feb-15
Close off scoping	18 th Aug-15
Publish RP6 Approach Document for consultation	23 rd Sep-15
Stakeholder Workshop	8 th Oct-15
Publish Approach Document	18 th Nov-15

RP6 Business Plan

Initiate working level meetings – clarify the Approach	18 th Nov-15
Close off clarifications	16 th Dec-15
Issue Business Plan Information Requirements to NIE Networks	20 th Jan-16
Business Plan Information Requirements formal query process	Jan/Feb-16
Close queries and end query process	17 th Feb-16
Business Plan submission from NIE Networks	29 th Jun-16

Draft Determination

Business Plan formal query process ends	28 th Aug-16
Publish Draft Determination for consultation	21 st Nov-16

Final Determination

Draft Determination consultation closes	20 th Feb-17
Publish Final Determination	5 th May-17

Consultation feedback

- “If you wish to submit a written response, this should be received **no later than the 4th November 2015 at 5pm**”