

Appendix B – Process followed to reach our final determination

Introduction

In this note, we describe the processes we followed for the RP5 program. We discuss the various stages and the approach we took for each. We also compare each of the stages with what occurred in RP4 and the approach used by other regulators in GB. We also examine how our approach reflects our values and mission statement.

The four stages that we consider are:

- Preliminary work
- Data collection and analysis
- Preparation of the draft determination
- Final determination

RP5 strategy and stakeholder engagement

When initiating the RP5 program we were aware of the increased number of stakeholders interested in network price controls compared to the previous 5 years. We noted that there was a relatively small response rate to the RP4 price control papers and decided that additional stakeholder engagement and transparency were key for RP5.

Our public consultation on our approach to RP5 began with a strategy paper in July 2010 where we set out the key principles under consideration for RP5. We held 3 open workshops for stakeholder representatives during this consultation period¹. We published a paper by NIE T&D summarising their investment requirements for RP5, and hosted a workshop where the company was able to present its plans to stakeholders²

We published an update to this strategy paper, along with the responses to this consultation in May 2011³.

¹http://www.uregni.gov.uk/publications/rp5_stakeholder_event_presentations_load_bearing_and_large_scale_renewable
http://www.uregni.gov.uk/publications/rp5_stakeholder_event_presentation_small_scale_renewable_generation_connect
http://www.uregni.gov.uk/publications/rp5_stakeholder_event_presentations_network_development_and_asset_replaceme

²http://www.uregni.gov.uk/publications/rp5_stakeholder_event_presentations_network_development_and_asset_replaceme

³http://www.uregni.gov.uk/publications/rp5_strategy_paper_update_may_2011

We also aligned our approach to RP5 to the proposals for a cross utility approach to network price controls⁴. As part of this work, we considered the approach of the various regulators in GB.

We regard the visibility we provided all stakeholders as a major success.

Data collection and analyses for RP5

When considering the many changes in the energy industry including the development of renewable generation and the creation of the Single Electricity Market it is clear that the number of stakeholders with an active interest in the price control has substantially increased and therefore the RP4 process is not appropriate for RP5. For RP4 NIE T&D engaged with us in the development of the composite proposal and limited engagement took place with external stakeholders.

For RP5 we therefore undertook the development of a detailed business plan, investment and efficiency questionnaire (BPQ). We looked at the questionnaires used by other regulators to ensure we had a robust dataset for RP5. During this period, we also discussed the format of the BPQ with NIE T&D. We aligned the tables in our questionnaire to map to the NIE T&D internal reporting to reduce the workload in producing the inputs to the plan.

We collected a full set of data about NIE T&D's internal processes and costs for RP5. We required the company to provide a breakdown of its costs into the transmission business, the distribution business and NIE Powerteam. We created a Microsoft access database to collect information about the company's capex proposals in a structured manner that would facilitate analyses and monitoring.

We analysed NIE T&D's request in great detail, and held significantly more face to face meetings with the company than we did for RP4. Unlike RP4, we did not share all our findings with NIE T&D. In relation to the capital investment plans we had significant concerns that the company had not provided enough supporting data to justify even a basic allowance. We fully accepted that it needed more capital investment in the network than had been justified, so we shared these findings and initiated a further data collection/analysis exercise before we published our draft determination. This provided NIE T&D with an opportunity to justify the significant increase in investment they had stated was necessary and had not fully justified. After this further engagement we followed standard regulatory practice and published our findings within our draft determination allowing all interested stakeholders visibility and the opportunity to comment.

RP5 draft determination

⁴http://www.uregni.gov.uk/news/view/utility_regulator_consults_on_proposals_for_a_cross_utility_approach_to_net/

We published our draft determination on 19 April 2012, the consultation was open for 13 weeks. During this time we held three workshops for groups of interested parties:

- Renewable generators
- Customer representatives
- Industry

NIE T&D chose not to participate in these sessions.

NIE T&D were provided with a copy of our draft determination 24 hours before publication. In accordance with our duty not to discriminate, all interested parties had the same amount of time to assess our proposals and respond. This provided full and equal transparency to all stakeholders of the draft determination process.

RP5 – Final Determination

We received 32 responses to the draft determination from a wide range of stakeholders and met with a number of parties who requested meetings.

We have engaged significantly with NIE T&D since the consultation closed to ensure we fully understood their response and the concerns they raised.

We have considered all responses when making the decisions documented in the RP5 final determination.

Comparison of RP5 process with GB

We have looked at the process we have followed for RP5 with those in GB. In terms of stages, we are closely aligned. One difference is that for DCPR5, Ofgem had 2 consultations in the lead up to their final determinations.

We were very careful to ensure we had a transparent process and therefore did not share our minded to positions or draft papers with NIE T&D during the process. NIE T&D have been critical of this approach.

Comparison with our values

We note that in its response to the draft determination, ESB's consultant raised concerns about a lack of transparency to the company of our decision making process. We acknowledge that the company had much less visibility of the process leading to the draft determination than it did at the equivalent stage of RP4. However, more face to face meetings were held as part of the RP5 process.

We considered both our statutory duties and our values throughout RP5. Our values include a requirement to be transparent, consistent, proportional, accountable, and targeted. We consider that we have aligned to all of these in the RP5 program.

In line with our values, our focus in RP5 has been to improve transparency to all interested parties, not just the company. This has resulted in other stakeholders

having much greater visibility of the information and reasons behind our draft determination.

Conclusion

We regard RP5 as a very robust determination. We requested a lot of information to assist us in fully understanding the NIE T&D business over the next 5 years. We regard our engagement with the company as professional and non discriminatory. The significant amount of stakeholder engagement is very welcome and ensured we took the views of all interested parties into account in coming up with our final determination.