



3rd Floor North  
200 Aldersgate Street  
London EC1A 4HD  
Tel: 03000 231 231

[citizensadvice.org.uk](http://citizensadvice.org.uk)

**26 January 2018**

Geoff Randall  
Associate Partner  
9 Millbank  
Westminster  
London SW1P 3GE

Dear Geoff,

As the statutory body responsible for representing consumers in the energy market, we wish to make our current position known on the proposed introduction of RIIO Accounts by Ofgem.

We are largely supportive of Ofgem's intentions for RIIO Accounts and believe that they are likely to deliver greater clarity on network company performance. We think there are two central benefits:

- Crucially, they should allow for meaningful, accurate and transparent comparability across the sector and be navigable by the full range of interested stakeholders and customers.
- They also offer a much needed role of providing improved reputational regulation, which we consider to be an important driver of company behaviour.

As political and media attention continue to focus on the profits network companies can make under the RIIO price controls, it is reputationally important for both parties to be in a position to clearly and compellingly demonstrate that companies' performance justifies these returns. This is something that has been lacking to date, but that would markedly improve transparency in RIIO2.

RIIO Accounts would be useful to a wide range of stakeholders - not just investors. For example, consumer advocate groups would be able to use them for improved comparability across network companies. This should allow for correct and purposeful assessments of network company performance under RIIO, an endeavour that current accounting requirements do relatively little to assist.

We are particularly supportive of the statement of regulatory financial performance outlined in Section 2.24 of the draft Ofgem Regulatory Financial Reporting Standard (ORFRS). Coupled with the intention that RIIO Accounts be prepared annually on a licensee basis, the ORFRS should deliver improved accountability and clarity. Ensuring that network companies provide key financial performance information in a digestible format will substantially aid the scrutiny process. On this note, it would be useful for the

**Patron HRH The Princess Royal**

**Chief Executive Gillian Guy**

Citizens Advice is an operating name of the National Association of Citizens Advice Bureaux

Charity registration number 279057 VAT number 726 0202 76 Company limited by guarantee Registered number 1436945 England

Registered office: 3rd Floor North, 200 Aldersgate Street, London EC1A 4HD



3rd Floor North  
200 Aldersgate Street  
London EC1A 4HD  
Tel: 03000 231 231

[citizensadvice.org.uk](https://citizensadvice.org.uk)

RIIO Accounts to include a summary of key financial indicators, such as companies' RORE, TOTEX, RAV, rewards and penalties, cost of debt outperformance and allowed revenues. This should help assessments of whether or not the price controls are providing value for money in a clearer and more intuitive way than the current accounting requirements.

The efficacy of the price control system relies on effective scrutiny of network companies' performance. To this end, we do have some reservations as to the extent of the comparability that the RIIO Accounts will allow, especially since plans for a RIIO Accounts Support Module appear to have been dropped. It is critical that the RIIO Accounts allow a wide range of stakeholders to form an overall picture of the networks' performance, and that their metrics are standardised across form and content. We would expect the RIIO Accounts to *fairly present* companies' regulatory financial performance and position under the ORFRS in the near future, in line with the higher standards applied to existing accounts. However, we are sympathetic to the rationale for them to target a lower level of audit opinion in the meantime.

On balance, we judge the implementation of RIIO Accounts to be a bold step in the right direction and we look forward to continuing to work with you on this important development.

Yours sincerely,

Joel Atherton  
Senior Policy Researcher  
Energy Regulation Team