

Topic	Business plan guidance reference	REQUIREMENT	What and where
Track-record & business plan commitment	2.3	delivery against RIIO-1 output targets and incentive mechanisms	Chapter 9 - Track record in RIIO-2 Chapters 13-20, section 2 - Our activities and performance
Track-record & business plan commitment	2.3	the level of service provided to customers in RIIO-1, and what steps were taken within the period to improve service provision	
Track-record & business plan commitment	2.3	how well different groups of customers have been served over the RIIO-1 period – eg customers in particular regions/circumstances	
Track-record & business plan commitment	2.3	how expenditure has differed from allowances set at the outset of RIIO-1	
Track-record & business plan commitment	2.3	what factors contributed to differences between allowances and expenditure and how these factors have been considered in preparing the RIIO-2 Business Plans	
Track-record & business plan commitment	2.3	the returns companies earned over the RIIO-1 period, and key drivers behind these returns. These should be expressed in terms of RORE	Chapter 9 - Track record in RIIO-2
Track-record & business plan commitment	2.3	the level of profit payment distributed to investors over the RIIO-1 period	Chapter 22 - We can finance our plan Annex A22.01 Finance- Section 6 : Financing Requirements.
Track-record & business plan commitment	2.3	how the company intends to align the structure of pay and reward within the organisation to the delivery of commitments set out in their Business Plans	Chapter 18 - I want all the information I need to run my business, and to understand what you do and why
Track-record & business plan commitment	2.3	how the company identifies and avoids any impact on consumer bills, such as impacts related to additional or delayed costs caused by RIIO-1 performance, such as deferral of work	Chapter 9 - Track record in RIIO-2 Chapters 13-20, section 2 - Our activities and performance
Track-record & business plan commitment	2.4	Additionally, the Business Plan should set out the level of assurance that has been provided by sufficiently independent directors that the plan and associated costs have been tested for accuracy, ambition and efficiency.	Chapter 7 - Assuring our final business plan Annex A7.01 - Assurance report Annex 7.02 - Irregular submission assurance report
Giving Consumers a stronger voice	2.6	Business Plans should set out how they have been designed using enhanced engagement processes. To do this, Business Plans must include evidence of:	
Giving Consumers a stronger voice	2.6	appointment of company specific groups – including timely appointment of groups, governance arrangements at appointment and on an ongoing basis, among other things as described in the enhanced engagement guidance document	Chapter 10 - Giving stakeholders a stronger voice – how we have built a stakeholder-led plan Annex A10.01 Independent stakeholder user group set-up report
Giving Consumers a stronger voice	2.6	effective engagement with User Groups, Customer Engagement Groups and the RIIO-2 Challenge Group	Chapter 10 - Giving stakeholders a stronger voice – how we have built a stakeholder-led plan Annex A10.01 Independent stakeholder user group set-up report Annex 10.03 - stakeholder engagement report Engagement logs for each of the stakeholder priorities (A12.05, A14.01, A14.24, A15.13, A16.06, A16.07, A17.01, A17.02, A18.01) Chapters 13-20, section 3 of each chapter explains how our proposals are based on the outcomes of our engagement, including the conclusions, trade offs and where the independent stakeholder user group and RIIO-2 Challenge Group have influenced our business plan.
Giving Consumers a stronger voice	2.6	robust and high quality engagement with stakeholders by the company in designing the plan	Chapter 10 - Giving stakeholders a stronger voice – how we have built a stakeholder-led plan Annex A10.01 Independent stakeholder user group set-up report Annex 10.03 - stakeholder engagement report Annex 10.04 - Frontier triangulation report Engagement logs for each of the stakeholder priorities (A12.05, A14.01, A14.24, A15.10, A16.06, A16.07, A17.01, A17.02, A18.01) Chapters 13-20, section 2 (What have stakeholders have told us?) and section 3 of each chapter explains how our proposals are based on the outcomes of our engagement, including the conclusions, trade offs and where the independent stakeholder user group and RIIO-2 Challenge Group have influenced our plan. Finance engagement in annex A22.01
Giving Consumers a stronger voice	2.6	Additionally, in order to facilitate stakeholder engagement ahead of the open hearings, each company should publish its final December Business Plan on its website. In doing so, companies should ensure maximum transparency by publishing the plans in as full a form as possible. Where companies exclude information from the published plans on grounds of commercial confidentiality (or any other reason), the reasons for such exclusions should be clearly and comprehensively set out in an explanatory statement published alongside the plan. For example, if information is redacted on grounds of commercial confidentiality, we would expect to see an explanation of the particular commercial interest that would be prejudiced by disclosure. In assessing the company's compliance with the minimum requirements on stakeholder engagement set out in the paragraph above, Ofgem will take into account any stakeholder feedback it receives on the level of transparency demonstrated by companies and their explanations for any exclusions amongst other relevant considerations.	Will be published on my website.

<b>Giving Consumers a stronger voice</b>	<b>2.7, 2.8</b>	<b>STAKEHOLDER STRATEGY</b> Consistent with expectations described in the SSMD, the Business Plan must set out the company's approach to ongoing engagement in RIIO-2, including a strategy for engagement as well as a set of commitments to deliver the strategy. The approach should:	
<b>Giving Consumers a stronger voice</b>	<b>2.8</b>	· be strategic and proportionate, including how the company's approach reflects the particular circumstances of the company's geographic regions and its various network users, both domestic and industrial	Chapter 10 - Giving stakeholders a stronger voice – how we have built a stakeholder-led plan Annex A10.02 - gas RIIO-2 stakeholder engagement strategy
<b>Giving Consumers a stronger voice</b>	<b>2.8</b>	· be inclusive of all stakeholders, including consideration of hard-to-reach groups as well as the needs of both existing and future consumers	
<b>Giving Consumers a stronger voice</b>	<b>2.8</b>	· be responsive to stakeholder needs, including how the company will maintain an up-to-date understanding of stakeholders' needs as well as how it will ensure views are captured and incorporated into the day-to-day operation of the business	
<b>Giving Consumers a stronger voice</b>	<b>2.8</b>	· be ambitious, including how the company has established performance commitments which are appropriate, well-evidenced and stretching	
<b>Giving Consumers a stronger voice</b>	<b>2.8</b>	· be transparent, including how the company will measure progress against its commitments as well as any consequences for non-delivery of commitments	
<b>Giving Consumers a stronger voice</b>	<b>2.8</b>	· deliver outcomes that network users and society value at a price they are willing to pay. The plan should provide evidence that costs associated with the delivery of commitments are efficient and provide value for money. This should include consideration of resource commitments to support engagement	
<b>Giving Consumers a stronger voice</b>	<b>2.8</b>	· demonstrate senior-level buy-in and that engagement runs through all levels of the organisation	
<b>Giving Consumers a stronger voice</b>	<b>2.8</b>	· incorporate and builds on the best practice methods learned in RIIO-1 and considers best practice methods employed in other industries	
<b>Giving Consumers a stronger voice</b>	<b>2.8</b>	· include RIIO-1 engagement initiatives as business as usual (BAU) activities	
<b>Giving Consumers a stronger voice</b>	<b>2.9</b>	The approach could make reference to the use of LAEPs as an effective tool for engagement and investment planning that takes proper account of the need to substantially decarbonise energy systems	
<b>What consumers want and value from networks: meeting the needs of consumers and network users (LOs, PCDs, ODIs)</b>	<b>2.12</b>	The business plan must set out the outputs the company will deliver in the RIIO-2 price control period and how it will do this. (ie. Deliver against LOs, ODIs and PCDs)	Chapter 13-20, section 4 - Our proposals for RIIO-2 and how they will benefit consumers Annex A3.01 - Price control deliverables Annex A3.02 - Uncertainty mechanisms Annex A3.03 - Output delivery incentives Annex A3.04 - Output, UM and CVP snapshot
<b>What consumers want and value from networks: meeting the needs of consumers and network users (LOs, PCDs, ODIs)</b>	<b>2.13</b>	Business Plans must identify planning and resourcing requirements, especially where the level of activity looks to increase significantly from historical levels.	Chapter 20 - Our plan is efficient and affordable, providing value for money Annex 20.15 opex Chapter 21 - Our plan is deliverable Annex 21.01 deliverability Annex 21.02 sustainable workforce strategy
<b>What consumers want and value from networks: meeting the needs of consumers and network users (LOs, PCDs, ODIs)</b>	<b>2.14</b>	In the SSMD, we provided more information on the specific outputs that are applicable in each sector. In some areas- including in relation to this 'meeting the needs of consumers and network users' output category but also more broadly- companies must include output specific information within their business plans. Appendix 1 lists additional sector specific business plan requirements, as set out in our SSMD sector annexes.	Chapter 13-20, section 4 - Our proposals for RIIO-2 and how they will benefit consumers Annex A3.03 - Output delivery incentives Annex A3.04 - Output, UM and CVP snapshot
<b>Proposals for bespoke outputs</b>	<b>2.15</b>	As set out in the SSMD, companies will have the opportunity to propose bespoke outputs in collaboration with their stakeholders and Customer Engagement Groups (CEGs)/User Groups (UGs). This could include bespoke PCDs or ODIs.	Annex A3.01 - Price control deliverables Annex A3.03 - Output delivery incentives Annex A3.04 - Output, UM and CVP snapshot
<b>Proposals for bespoke outputs</b>	<b>2.16</b>	Company proposals for bespoke outputs should: reflect the network services that existing and future consumers/network users and/or wider stakeholders require be as complete as possible in capturing the activities and costs of the company be measureable and reportable allow comparison of performance across companies, where there is sufficient commonality where relevant, capture the long-term nature of outputs. set stretching targets which are well-evidenced and deliver clear outcomes/outputs deliver clear consumer value	
<b>Proposals for bespoke outputs</b>	<b>2.17</b>	The Company should address the following to justify any proposals for bespoke outputs: whether the activity in question is best dealt with through the price control, rather than through a government body responsible for the public interest in that area (eg Highways Authorities for matters relating to the occupation of the highway) whether proposals are backed by robust evidence and justification (such as cost-benefit analyses ) and demonstrate value for money for existing and future consumers the value that consumers will receive from a proposed new service level and, by extension, the potential associated reward and/or penalty, and the extent to which these are symmetrical, in terms of value and likelihood of outcome the extent to which an independent measure of the existing level of service that consumers receive is available and the degree to which the target level being proposed represents an improvement on this the level of service provided by other companies/comparators (where available) the activities (and indicative cost) associated with achieving the targeted level of service proposals for licence conditions and/or penalties if performance falls below existing service levels	Annex A3.01 - Price control deliverables Annex A3.03 - Output delivery incentives Annex A3.04 - Output, UM and CVP snapshot

What consumers want and value from networks: maintaining a safe and resilient network	2.18	<b>Asset Resilience.</b> Business Plans must set out the company's views on asset health, criticality and replacement priorities at:	
What consumers want and value from networks:	2.18	the start of the price control period, effectively reflecting their view on the asset health and risk of assets on the network	Chapter 14 - I want to take gas on and off the transmission system where and when I want BPDT NARM
What consumers want and value from networks:	2.18	the end of the price control period with no intervention, effectively reflecting their view on asset degradation over the period Please see our requirements for cost-benefit analysis in Section 2 of this guidance.	
What consumers want and value from networks:	2.18	the end of the price control period with intervention.	
What consumers want and value from networks:	2.18	We also expect companies to explain their long-term risk objectives and strategy, as well as the long-term benefits delivered by their proposed interventions.	
What consumers want and value from networks: maintaining a safe and resilient network	2.19	Monetised Risk objectives must be informed by stakeholder engagement and cost-benefit analysis (CBA), and demonstrate that selected investment options efficiently both meet their stakeholder-driven objectives and deliver sufficient net benefit for existing and future consumers.	
What consumers want and value from networks: maintaining a safe and resilient network	2.20	<b>Workforce Planning.</b> Ofgem continues to recognise the challenge faced by companies in attracting, developing and retaining the skilled workforce needed to run their businesses effectively. Business Plans must demonstrate how companies will develop a modern, diverse, high quality, well-trained workforce fit for the future. We consider that these plans should focus on improving inclusion, diversity and equality, improving workforce satisfaction, motivation and productivity, upskilling and multi-skilling, and ensuring the health, safety and wellbeing of the workforce.	Chapter 21 - Our plan is deliverable Annex A21.02 - Sustainable workforce strategy
What consumers want and value from networks: maintaining a safe and resilient network	2.21	These plans should be informed by company engagement with the company CEGs/UGs, Trade Unions and other relevant stakeholders.	Annex A21.02 - Sustainable workforce strategy
What consumers want and value from networks: maintaining a safe and resilient network	2.22	<b>Cyber Resilience</b> Business Plans must demonstrate how companies will take appropriate and proportionate technical and organisational cyber security measures to manage risks posed to the security of the network and information systems on which their essential services depend, and to prevent and minimise the impact of incidents on these essential services.	Chapter 15 - I want you to protect the transmission system from cyber and external threats Annex 15.02 - NGGT business IT security plan Annex 15.07 - NGGT cyber resilience plan
What consumers want and value from networks: maintaining a safe and resilient network	2.23	To address cyber resilience requirements during RIIO-2, Business Plans should include the following two sections: i) A Business IT Security Plan (which would be considered BAU expenditure) – focused primarily on cyber security for business systems,	Chapter 15 - I want you to protect the transmission system from cyber and external threats Annex 15.02 - NGGT business IT security plan
What consumers want and value from networks: maintaining a safe and resilient network	2.23	and ii) A Cyber Resilience Plan – which is incremental expenditure focused primarily on Production Systems Operational Technology (OT), in response to the Network and Information Systems Regulations 2018 ("NIS Regulations").	Chapter 15 - I want you to protect the transmission system from cyber and external threats Annex 15.07 - NGGT cyber resilience plan
What consumers want and value from networks: maintaining a safe and resilient network	2.27	For both plans, Ofgem is not expecting these to include general technology refresh, or end of life replacement. Ofgem would expect such projects to form part of more general system investment plans, which should already include appropriate cyber security protection.	Chapter 15 - I want you to protect the transmission system from cyber and external threats Annex 15.07 - NGGT cyber resilience plan
What consumers want and value from networks: maintaining a safe and resilient network	2.29	In general, both plans should include efficient, appropriate and proportionate costs to deliver necessary enhancements to the cyber security and resilience of the systems used to operate essential services. Current risks, vulnerabilities, threats and mitigation options are expected to be documented, together with the relative benefits of the options considered.	Annex 15.02 - NGGT business IT security plan Annex 15.07 - NGGT cyber resilience plan
What consumers want and value from networks: maintaining a safe and resilient network	2.31	<b>Physical security</b> Business Plans must demonstrate how companies will meet any ongoing requirements of the Physical Security Upgrade Programme (PSUP). As discussed in our SSMD, companies must submit any costs relating to PSUP as part of their Business Plans, as a (confidential) PCD.	Chapter 15 - I want you to protect the transmission system from cyber and external threats Annexes 15.08 -15.10 - Enhanced physical site security reports

What consumers want and value from networks: delivering an environmentally sustainable network	2.33 & 2.34	<b>Required features of an Environmental Action Plan</b> In the SSMD, we set out that companies should embed considerations for the three impact areas above into their RIIO-2 Business Plans in the form of an Environmental Action Plan (EAP). The EAP should explain how a company will take responsibility for the environmental impacts of their network in RIIO-2. EAPs included in Business Plans should:	Chapter 16 - I want you to care about the environment and communities Annex A16.01 - Environmental Action Plan
What consumers want and value from networks: delivering an environmentally sustainable network	2.34	include a robust methodology that has been used to assess the environmental impacts of the company's network and Business Plan in RIIO2 to inform its EAP. The assessment methodology should set out: <ul style="list-style-type: none"> <li>- a comprehensive review of the significant environmental impacts arising from its network</li> <li>- the opportunities and challenges for addressing material impact areas</li> <li>- an options analysis to identify value for money impact reduction initiatives</li> <li>- evidence that consideration of impacts was coordinated with the company's wider business planning processes and decisions</li> <li>- evidence that wider stakeholders have been involved in the assessment</li> </ul>	
What consumers want and value from networks:	2.34	clarify their long-term overall targets/objectives for the network's environmental impacts, which might be longer- term than the RIIO-2 period	
What consumers want and value from networks:	2.34	include an assessment of the network's potential environmental impacts in RIIO-2, in comparison to its current impacts	
What consumers want and value from networks:	2.34	set out clear links between the impact areas it has prioritised for in the EAP, action in RIIO-2 and how these are linked to the company's long-term environmental targets/objectives	
What consumers want and value from networks:	2.34	set out the role the company envisages playing in supporting the low carbon energy transition	
What consumers want and value from networks:	2.34	set out the deliverables, outputs or environmental benefits the company proposes to deliver from implementing the EAP	
What consumers want and value from networks: delivering an environmentally sustainable network	2.35	<b>In appendix 2</b> , we set out initial views of the minimum level of ambition we would expect from the companies in their business plans. Where these initiatives, or equivalent, are not thought to be appropriate for their networks, companies should provide clear justification for why they believe this to be the case.	
Modernising energy data (digitalisation strategies)	2.36	<b>Modernising Energy Data (Digitalisation Strategies)</b> 2.36. We expect as part of ongoing network stewardship that network companies are already doing their part to modernise energy data and network operation through digitalising the energy system and have considered: <ul style="list-style-type: none"> <li><input type="checkbox"/> how digitalisation is already bringing about cost savings;</li> <li><input type="checkbox"/> its ongoing potential for efficiency improvements and;</li> <li><input type="checkbox"/> its potential to aid other markets and the wider economy/consumers, including those participants that might be currently unrelated to energy network investment and operation.</li> </ul>	Chapter 20 - Our plan is efficient and affordable, providing value for money Annex 20.23 Digitalisation strategy
Modernising energy data (digitalisation strategies)	2.39	We particularly echo the principle from the EDTF report of continuous improvement. We urge network companies to deliver benefits to their customers early, and to frequently iterate small improvements to their services and plans, and would expect this to be captured and demonstrated in their business plans.	
Modernising energy data (digitalisation strategies)	2.40	It is important that digitalisation strategies enable current and future users of energy system data to access, understand and challenge the digitalisation strategies. Strategies will need to be iterated in a timely fashion and to reflect ongoing learnings and user feedback, assuring that any digitalisation work delivered best meets users' needs.	
Modernising energy data (digitalisation strategies)	2.41	In recognition of the relevance of a whole system approach to delivering digitalisation, we encourage network companies to collaborate on the development of their strategies and to include this collaborative work in their published strategies.	
Modernising energy data (digitalisation strategies)	2.42	For this first iteration, we invite companies to take their own view on what content will best meet the needs of their current and future data users. However, below we list themes that Ofgem considers will be valuable content for network companies to include in their digitalisation strategies: <ul style="list-style-type: none"> <li>- Actions being taken to align with the recommendations made by the EDTF</li> <li>- Consideration of making available metadata (which is data that describes and gives information about other data)</li> <li>- Workforce planning with respect to ensuring digital, data and technology capabilities, demonstrating that these have a credible path to being in place to meet the needs of the digitalisation strategy now and in the future</li> <li>- Approaches to user engagement and feedback on the digitalisation strategy</li> <li>- Reporting their current understanding of user needs (eg new data needs; existing data improvement needs)</li> <li>- Delivery plans to meet users' needs: cost, benefit, options, validation, prioritisation</li> <li>- Preferred corporate ways of working when delivering digital and data services</li> <li>- How network digitalisation is being coordinated between network companies</li> <li>- How digitalisation strategies are contributing to and aligning with wider initiatives, such as, but not limited to;             <ul style="list-style-type: none"> <li>- The centre for Digital Build Britain (including the Gemini principles, the Digital Framework Taskgroup Roadmap, digital twins and the Information Management Framework)</li> <li>- The wider National Infrastructure Commission agenda</li> <li>- The National Data Strategy and UK Digital Strategy</li> </ul> </li> <li>- Energy system digital architecture needs and associated delivery plans</li> <li>- Preferred corporate digital and data best practices, such as to realise user needs-driven data visibility, data interoperability and implementation of the EDTF recommendation that energy system data is presumed open</li> </ul>	

Modernising energy data (digitalisation strategies)	2.44	<p>We therefore expect that alongside the December submission of their business plan:</p> <ul style="list-style-type: none"> <li>- Network companies will each make a "Digitalisation Strategy" publicly available, including on their websites. This iteration (and future iterations) of the Digitalisation Strategy, should include a plan for how the company will continue to improve its digitalisation strategy, with particular focus on getting and acting on feedback from current and future users of Energy System Data.</li> <li>- Network companies will provide Ofgem with a single hyperlink to the homepage where that published strategy is hosted. That hyperlink is to be emailed to ofgemdataservices@ofgem.gov.uk. Ofgem will then collate all the hyperlinks and publish them together on its website.</li> </ul>	Chapter 20 - Our plan is efficient and affordable, providing value for money Annex 20.23 Digitalisation strategy
Modernising energy data (digitalisation strategies)	2.45	<p>We also see merit in network companies arranging a collaborative event to take place in early 2020. (see specific section for the detail of what the event should include) For the purposes of the BP submission schedule: we expect the Digitalisation Strategies to include either directly or via hyperlink the plan for and date of for the collaborative network company hosted event, describing how stakeholders can participate in it.</p>	
Enabling Whole System Solutions	2.48	<p>We expect companies to provide information on their approach to enabling whole system solutions in their Business Plan. This should include:</p>	
Enabling Whole System Solutions	2.48	<p>We expect companies to provide information on their approach to enabling whole system solutions in their Business Plan. This should include:</p> <ul style="list-style-type: none"> <li>-plans and processes for joint planning with other network companies and/or the system operator (and evidence of that already undertaken)</li> <li>-evidence of effective identification and adoption of potential whole system solutions and approaches, reflecting how they have taken account of the impacts and opportunities of their actions for the wider system (and the wider system for them), and accounted for those in their cost benefit analyses</li> <li>-a demonstration of long-term whole system thinking and value for consumers and the wider society, including identification of uncertainties and mitigation.</li> </ul>	
Enabling Whole System Solutions	2.49	<p>Where a company proposes an activity which coordinates with, or generates benefits for, any broader area of the economy or society, it should evidence and quantify these impacts.</p>	
Enabling Whole System Solutions	2.50	<p>The Business Plan should contain justified and costed proposals for whole system outcomes and solutions. Such activities must demonstrate:</p> <ul style="list-style-type: none"> <li>-they meet all the same requirements for 'non-whole system' activities (costs, engineering justifications, etc), and how uncertainty mechanisms, including re-openers, could support them. Companies should apply proportionality when submitting whole system CBA. For example, smaller or simple projects following the standard CBA template, whereas larger or more complex projects requiring bespoke analytical approaches</li> <li>-that there are net benefits for their sector's consumers<sup>7</sup> and their type, eg lower bills, reduced environmental damage, improved reliability and service. The distribution of costs and benefits over time should also be demonstrated (ie for existing and future consumers)</li> <li>-the value – and methodologies for calculation – of the activity for other sectors, towards achieving broader goals (eg, decarbonisation), and for other aspects of the economy (eg, telecommunications)</li> <li>-the level of coordination and potential provisional agreements that have already been secured to support these proposals, including a justification that the split of costs and benefits between the company and the whole system partner(s) are appropriate</li> <li>-why a market solution cannot be utilised to produce this result, and that all options have been considered on a level playing field</li> <li>-that the activity is not BAU, and expenditure which sets the activity as above BAU should be clearly identified and delineated</li> <li>-how changes already made in the RII0-1 operating period – in response to changing market conditions, stakeholder expectations, or potential licence changes – and outlines how these practices will be embedded and improved in RII0-2</li> </ul>	Chapter 17 - I want you to facilitate the whole energy system of the future - innovating to meet the challenges ahead Chapter 14 - I want to take gas on and off the transmission system where and when I want - section on network resilience Annex 14.06 Increasing resilience at the Blackrod offtake JR
Enabling Whole System Solutions	2.51	<p>Where a company has not identified any potential opportunities for proposed whole system outcomes and solutions, we expect to see evidence of their engagement and attempts to discover such opportunities.</p>	
Enabling Whole System Solutions	2.52	<p>Additionally, Business Plan sections on innovation must contain consideration of whole system approaches as potential solutions to the barriers being addressed.</p>	Chapter 17 - I want you to facilitate the whole energy system of the future - innovating to meet the challenges ahead Annex 17.03 GT innovation RII0-2 strategy
Enabling Whole System Solutions	2.53 - 2.58	<p><b>Local area energy plans</b></p>	Not provided explicitly however whole systems approach and heat decarbonisation included in chapter 17 - I want you to facilitate the whole energy system of the future - innovating to meet the challenges ahead
Managing Uncertainty	2.59 - 2.60	<p><b>Uncertainty mechanisms</b></p>	Chapter 13-20, section 4 - Our proposals for RII0-2 and how they will benefit consumers Annex A3.02 uncertainty mechanisms

Managing Uncertainty	2.61	<b>Real Price Effects (RPEs)</b> To enable us to assess Real Price Effects (RPEs) appropriately, we expect companies to provide us with the following information in their Business Plans:	
Managing Uncertainty	2.61	the input costs for which our measure of general output price inflation (ie CPIH) is a poor proxy, along with justification for why	Chapter 20 - our plan is efficient and affordable, providing value for money Annex A22.02 RPEs and ongoing efficiency
Managing Uncertainty	2.61	the expenditure categories (eg direct opex) to which these input costs relate, and to what extent. We expect companies to consider the practical implications of their proposals, and in doing so show that each RPE is material relative to both totex and our measure of general output price inflation. This information should align with the data provided in the Business Plan Data Templates (BPDTs)	
Managing Uncertainty	2.61	evidence to support all proposed RPEs, including clear evidence of a sustained and material deviation between input costs and our measure of general output price inflation	
Managing Uncertainty	2.61	proposed indices for any proposed RPEs, along with evidence to support their use in indexation and justification for their selection over alternatives	
Managing Uncertainty	2.61	an explanation of any RPE cost profiling effects proposed throughout the price control	
Managing Uncertainty	2.62	<b>Ongoing efficiency</b> To enable us to assess ongoing efficiency appropriately, we expect companies to set out in their Business Plans the expenditure categories or activity costs to which an ongoing efficiency assumption has been applied, along with evidence of how these assumptions have been derived. This information should align with the data provided in the BPDTs	
Managing Uncertainty	2.63	To enable us to assess ongoing efficiency appropriately, we expect companies to set out in their Business Plans: <input type="checkbox"/> the expenditure categories or activity costs to which an ongoing efficiency assumption has been applied, along with evidence of how these assumptions have been derived. This could include: <input type="checkbox"/> any proposed comparator industries for the purpose of cost assessment, along with a justification for those proposed <input type="checkbox"/> an explanation of how any historic data has been used to derive efficiency forecasts, including a justification for the time period selected and how forecasts capture enduring effects from efficiencies generated in previous price controls <input type="checkbox"/> a comparison of efficiency forecasts against efficiency gains realised in previous periods <input type="checkbox"/> interactions with innovation funding (past and future) <input type="checkbox"/> interactions between ongoing efficiency forecasts and output quality	Chapter 20 - our plan is efficient and affordable, providing value for money Annex A22.02 RPEs and ongoing efficiency Annex A20.17 unit costs process and assessment Chapters 13-20 - section 2 'our activities and current performance' and section 4 'our proposals for RIIO-2 and how they will benefit consumers'
	2.64	This information should align with the data provided in the BPDTs.	
Managing Uncertainty	2.65	<b>Highly anticipatory investment</b>	N/A
Driving efficiency through innovation and competition	2.66	<b>Innovation</b> As set out in our RIIO-2 Sector Methodology Decision, our expectation is that companies fund more innovation in RIIO-2 using their totex allowance, as part of their BAU activities, rather than relying on additional innovation stimulus funds.	Chapter 17 - I want you to facilitate the whole energy system of the future - innovating to meet the challenges ahead Annex 17.03 GT innovation RIIO-2 strategy
Driving efficiency through innovation and competition	2.68	Companies' Business Plans must evidence a strong strategic focus on innovation. This will include how companies are developing and embedding a culture of innovation throughout their business.	
Driving efficiency through innovation and competition	2.69	We are not asking companies to set out all the specific innovation projects they plan to do with their totex allowance. Instead we want to understand the high- level innovation activities (ie. the areas and themes they seek to focus on) companies are planning for RIIO-2 using their totex allowance and the processes they have in place for identifying these ideas.	
Driving efficiency through innovation and competition	2.70	This must evidence: a strategic approach to the company's innovation activities, which builds upon industry-wide challenges and industry-wide strategic direction	
Driving efficiency through innovation and competition	2.70	how they will consider, and mitigate if necessary, the potential impacts of their innovation activities on consumers in vulnerable situations	
Driving efficiency through innovation and competition	2.70	consideration of whole system approaches as potential solutions to the barriers being addressed	
Driving efficiency through innovation and competition	2.70	how plans for RIIO-2 build on past projects completed by itself and others, considering lessons learned from these past projects	
Driving efficiency through innovation and competition	2.70	plans for third-party involvement in the company's innovation activities, demonstrating how they will increase third party involvement in their innovation activities and ensure full consideration of third party innovation ideas. They may, for example, include plans for independent consideration of which third-party innovation ideas to take forward	
Driving efficiency through innovation and competition	2.70	plans to collaborate and disseminate innovation learnings with other network companies and other interested bodies	
Driving efficiency through innovation and competition	2.70	a framework for rolling out proven RIIO-2 innovation into the business during the course of the RIIO-2 price control	
Driving efficiency through innovation and competition	2.70	how they propose to monitor the benefits of planned RIIO-2 innovation and reduce costs in other areas during the course of RIIO-2 using this innovation	
Driving efficiency through innovation and competition	2.71	The Business Plan should also describe the steps that they are taking to ensure that previously proven innovation is rolled out into BAU and how the benefits of these are reflected in the company's proposed expenditure for RIIO-2. This will include innovation trials that they have participated in, as well as ones that have been led by other companies.	
Driving efficiency through innovation and competition	2.72	Companies can also include a case for any additional totex allowance necessary for RIIO-2 to roll out previously proven innovation. We will consider any specific expenditure proposed that will enable roll-out of specific innovations through their baseline funding, providing they can demonstrate how this will reduce costs and/or improve efficiency within their submission.	

Driving efficiency through innovation and competition	2.73	<b>Network Innovation Allowance</b> Additionally, we have decided to retain the opportunity for companies to receive additional Network Innovation Allowance (NIA) in RIIO-2.	
Driving efficiency through innovation and competition	2.74	If companies believe NIA funding is necessary for RIIO-2, their Business Plans should set out the level of NIA funding they require. They should explain why the innovation in question cannot be funded from the totex allowance. We would like companies to include high-level areas of focus for NIA spending, rather than individual projects, and how much additional funding they believe is necessary for each of these areas of focus, together with the value/benefits they anticipate this may generate.	
	2.75	As part of this, companies should set out the desired structure of their proposed RIIO-2 NIA and how much risk they are willing to take on themselves against their NIA. For example: <input type="checkbox"/> whether they seek an annual allowance or an allowance over the length of RIIO-2 <input type="checkbox"/> the compulsory contribution they are willing to make towards RIIO-2 NIA projects or against their overall allowance <input type="checkbox"/> any other wider features they seek to propose to support their allowance, such as reopeners to reassess the level of NIA funding needed during the course of RIIO-2.	
Driving efficiency through innovation and competition	2.76	As set out in the RIIO-2 Sector Methodology Decision, in determining the level of NIA funding, we are likely to take into account the following, along with other information that may be relevant: • companies' proposals for these allowances in their Business Plans • the extent to which companies are undertaking other innovation as BAU activities • the extent to which companies' proposals incorporate the application of best practices • the processes companies have in place to roll out proven innovation into BAU and the evidence that they are already doing so • the processes companies have in place to monitor, report and track innovation spending and the evidence that they are already doing so	
Driving efficiency through innovation and competition	2.78	<b>Competition</b> <b>Late competition</b> Companies should set out their best view of which projects meet the late model criteria for competition. Where the company sets out its view that a project in its Business Plan submission valued at over £100m does not meet the criteria for competition, the company should provide detailed reasoning through additional commentary. In presenting projects in their Business Plans, companies should also consider and indicate whether our approach to applying 're-packaging' would be appropriate for those projects.	Chapter 20 - our plan is efficient and affordable, providing value for money Chapter 14 - I want to take gas on and off the system where and when I want - Bacton Chapter 16 - I want you to care for the environment and communities - Wormington Chapter 19 - I want to connect to the transmission system - section 4 Milford Haven
Driving efficiency through innovation and competition	2.79	Companies should not seek to split larger, single projects into multiple smaller projects for the purpose of avoiding the high value criterion.	Plan is compliant
Driving efficiency through innovation and competition	2.81	<b>Early competition</b> To facilitate the identification of the system needs which may give rise to these projects, companies are required to flag in their Business Plans system needs (or projects) which are valued at £50m or over.	Chapter 20 - our plan is efficient and affordable, providing value for money
Driving efficiency through innovation and competition	2.82	Networks are able to indicate from among the projects that they have flagged as meeting the threshold value, any which they consider would have no reasonable probability of being addressed by an alternative solution (contestability test).	
Driving efficiency through innovation and competition	2.83	For other flagged system needs or projects, networks can provide reasons as to why subjecting these system needs or projects to early competition is not in the interests of consumers. For example, where the need or project is part of a wider programme of work and the separation of one aspect would make the overall programme more expensive for consumers.	
Driving efficiency through innovation and competition	2.84	<b>Native competition plan</b> In their Business Plans, companies need to provide a native competition plan which details how they will use competition to identify and reveal efficient costs and ideas. Each company's competition plan should align with the native competition best practices as outlined in the SSMD. These best practice principles should be followed by companies except where these conflict with any legal obligations, including the Utilities Contracts Regulations 2016 and Utilities Contracts (Scotland) Regulations 2016 (as amended or replaced; which implement the EU Directive 2014/25/EU).	Chapter 20 - our plan is efficient and affordable, providing value for money Annex A20.16 Native competition plan
Driving efficiency through innovation and competition	2.85	If relevant, networks should identify where their preferred approach to implementing the best practice principles is not possible, for example where implementation raises a conflict with existing rules.	
Driving efficiency through innovation and competition	2.86	Networks must outline the type of information they commit to share throughout the price control such that Ofgem and stakeholders have sight on upcoming competitive processes and can continually assess their performance against their commitments in their native competition plan. Where certain information is only intended for Ofgem and needs to be kept in-confidence (eg for commercial reasons), it should be clearly badged and justified as such.	
Driving efficiency through innovation and competition	2.87	While companies must meet their legal obligations, this does not preclude them from exceeding minimum requirements, where appropriate and beneficial. For example, allowing a longer period of time for the receipt of tenders than the mandated minimum in cases of particularly large and complex projects.	
Driving efficiency through innovation and competition	2.88	The principle of technology agnosticism requires an openness to different ideas. Where appropriate, 10 companies can communicate with the bidding market prior to a formal process or can undertake a phased approach to tendering to identify solutions which best meet need. Companies should consider using their competition plan to publicly commit to an approach which best embeds this principle.	
Driving efficiency through innovation and competition	2.89	Companies should commit to a tender design and assessment approach which ensures the best outcomes for existing and future consumers, eg by using explicit considerations of option value, particularly for flexibility solutions.	

<b>A consistent view of the future</b>	<b>3.1</b>	In preparing their Business Plans, companies should consider a range of future outcomes and the different investments and activities required to support these.	Chapter 11 - The changing energy landscape towards net zero Chapter 12 - Network capability Network capability annexes A12.02 - A12.04 Uncertainty mechanism annex A3.02
<b>A consistent view of the future</b>	<b>3.4</b>	Importantly, we have consistently stated that where networks believe their plans need to deviate from the common view, then they should provide evidence for this and the most appropriate mechanism to allow expenditure allowances to adjust.	
<b>A consistent view of the future</b>	<b>3.5</b>	The Business Plans must: provide substantial evidence for where overall forecasts of investment drivers, or the forecasts for individual line items, are higher than historical averages or trends explicitly identify and incorporate investment drivers and their impacts which may reduce required network expenditure, such as those arising from consumer behaviour change and from smarter network technology and policies design their baseline revenues around parameters which are no greater than the lowest point of the ranges provided in the ENA Scenario Working Group report, and ensure that their plans can flex, where they consider this to be necessary, to meet high outturns (eg by proposing relevant uncertainty mechanisms). Where a network's planning exceeds these points, an explicit and proportionate justification for this deviation must be provided (and that their combined assumptions are consistent)	
<b>The net zero target</b>	<b>3.6</b>	In June, the UK and Scottish Governments introduced legislation to implement the net zero greenhouse gases target by 2050 and 2045 respectively (the Net Zero target). On 8 August 2019,25 we informed networks that they are expected to clearly propose and evidence how their Business Plans are able to flex to support achieving the Net Zero target in line with a range of pathways. In that letter, we set out that it would be a minimum requirement for companies to: <input type="checkbox"/> identify where their baseline investment plan may impede the efficient achievement of any of a plausible range of pathways through which this target could be achieved, and <input type="checkbox"/> propose how their Business Plans can flex to address these impediments and facilitate timely investments which support potential pathways.	Chapter 11 - The changing energy landscape towards net zero Chapter 12 - Network capability Network capability annexes A12.02 - A12.04
<b>The net zero target</b>	<b>3.7</b>	In providing this information, companies should: -carefully consider the need for investment in anticipation of need where such investment supports Net Zero pathways. Given the important role played by the energy sectors in achieving the Net Zero target, Ofgem will thoroughly consider proposals of this nature, and -outline their plans to coordinate with the UK government, devolved administrations, local government and relevant customers to more efficiently support the achievement of the Net Zero pathways.	
<b>The net zero target</b>	<b>3.8</b>	For projects raised by networks explicitly in order to support the Net Zero target, we acknowledge that there will be significant levels of uncertainty associated with long term planning. As such, our expectations of 'well justified' for projects specifically intended to support achieving the Net Zero target will be tailored appropriately.	
<b>The net zero target</b>	<b>3.9</b>	When considering the implications of different plausible pathways meeting the needs of consumers and network users, companies should show how they have considered, or will consider, the implications of macro scenarios at a local level. For example, when considering implications of plausible pathways in which the number of users of the gas network is considerably smaller than at present, gas network companies should consider which parts of their network would be most/least likely to be used in future. Companies should take into account local implications of different pathways in planning their activities. This could include prioritising investments over the RIIO-2 period, such as tailoring repex schedules to take into account the possibilities of use/decommissioning of the gas network.	
<b>Cost information</b>	<b>3.10</b>	In proposing costs for operating and developing their networks, we expect companies to explain their costs/workload forecasts, particularly where these diverge from historical trends. In particular, we expect companies to provide information in their Business Plans on: <input type="checkbox"/> cost drivers <input type="checkbox"/> consideration of options <input type="checkbox"/> justification of costs, including the proposed profiling of costs <input type="checkbox"/> how efficiency and innovation will be used to reduce costs	
<b>Cost information</b>	<b>3.11</b>	Companies must complete the BPDTs in accordance with the relevant Ofgem guidance.	Compliant with RIGs
<b>Cost information</b>	<b>3.12</b>	Business Plans must clearly set out the key drivers of expenditure for the RIIO-2 period - for example, growth in demand, conditions of assets/utilisation, legislative requirements, and any other relevant drivers.	Chapter 4 - the cost of our business plan Chapters 13 - 20 section 4

<p><b>Cost information</b></p>	<p><b>3.13</b></p>	<p>Business Plans must clearly justify the need for new investment, including:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> the different options considered for meeting future network requirements, including the cost of “doing nothing” and of “deferral” options and the associated cost benefit analysis (CBA). These options should include, where appropriate, the availability of potential market solutions to the system need, and whether any 'whole system' solutions are available. Options which are supported by LAEPs (where available) might provide a higher level of evidence</li> <li><input type="checkbox"/> for options discounted at this stage, full reasoning, detailing key assumptions and selection criteria given for exclusion</li> <li><input type="checkbox"/> the reasons for the timing of investment under the different options considered, including expected outputs (eg the delivery of an increment in boundary capacity transfer, the delivery of an electricity link, a gas pipeline) related to the investment and year of delivery</li> <li><input type="checkbox"/> the risk of underutilisation/stranding that new investments/existing might face in the future. In considering these risks, and in justifying additional investment, networks may consider any outputs from LAEPs that can inform understanding of the ongoing utilisation of the asset.</li> </ul>	<p>Chapter 12 - network capability  Chapters 13 - 20 section 4  Investment Decision Packs (all EJPs and CBAs)</p>
<p><b>Cost information</b></p>	<p><b>3.14</b></p>	<p>Business Plans must include:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> evidence of the efficiency of their costs, for example as compared to historical benchmarks and/or benchmarking with national and international comparators</li> <li><input type="checkbox"/> details of assumptions and justification for projected changes in the efficient levels of unit costs over time (ie ongoing efficiencies) caused by improvements in project delivery, technological innovation, procurement efficiencies, etc.</li> <li><input type="checkbox"/> a clear rationale for any associated assumptions they consider we should use when assessing costs. For example, robust and transparent justification for the extent to which regional and company-specific factors determine material (higher and lower) cost variations</li> <li><input type="checkbox"/> details of the activities and indicative costs that are directly funded through totex allowances and are associated with achieving service levels</li> <li><input type="checkbox"/> details of which categories of expenditure are more uncertain and more difficult to forecast using historical/independent benchmarks. Where this is the case, we expect companies to consider mechanisms that mitigate risk associated with uncertainty, and/or other evidence to justify their submitted costs</li> </ul>	<p>Annex A3.02 UMs  Chapter 9 - Track record in RIIO-01  Chapter 20 - our plan is efficient and affordable, providing value for money  Investment Decision packs - all EJPs and CBAs  Annex A20.08 opex external benchmarking  Annex A20.15 opex annex  Annex A20.16 native competition plan  Annex A20.17 unit cost process and assessment  Annex A20.19 IT benchmarking</p>
<p><b>Cost information</b></p>	<p><b>3.15</b></p>	<p>For new or existing assets that face a risk of underutilisation, Business Plans should set out the monitoring and mitigation they will put in place to reduce this risk.</p>	<p>Chapter 12 - Network capability  Network capability annexes A12.02 - A12.04</p>
<p><b>Cost information</b></p>	<p><b>3.16</b></p>	<p>Business Plans should demonstrate how their expenditure forecasts map onto relevant ODIs and PCDs.</p>	<p>Chapter 13-20 section 4  Annex A3.03 ODIs  Annex A3.01 PCDs</p>
<p><b>Business plan data templates</b></p>	<p><b>3.17-3.20</b></p>	<p>3.17. BPDTs enable the collection of Business Plan data from all companies on a consistent basis.  3.18. In March 2019, we issued draft BPDTs and associated guidance, which identify the terms (mindful of our proposed move away from RPI to CPIH) in which companies should present financial, workload, asset and output information. Since the March 2019 draft BPDT issuance, Ofgem has engaged with industry at a sector level to further develop the BPDTs and associated guidance. As part of this ongoing engagement, a number of draft BPDT templates have been revised and republished.  3.19. We will use the data collected from the draft BPDTs and supporting documents (including engineering justifications and CBAs) to test whether we have all the information we require for our cost assessment and to enable us to further develop our approach to assessing efficient costs.  3.20. We issued final BPDTs in September 2019.</p>	<p>Compliant with RIGs</p>
<p><b>Cost benefit analysis (CBA) and engineering justifications</b></p>	<p><b>3.21</b></p>	<p>Both the CBA and engineering justifications are important decision support tools as part of the justification for investment needs in RIIO-2. In demonstrating due diligence has been followed in the appraisal of potential investment decisions by companies, CBAs and engineering justifications should:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> be consistent with published guidance and recognised best practice, for example the Green book and the Spackman discounting approach</li> <li><input type="checkbox"/> demonstrate evidence of structured options development, including consideration of whole system options and non-network options, where applicable, against a baseline scenario which involves the minimum level of intervention that would be required to remain compliant with all applicable regulation</li> <li><input type="checkbox"/> demonstrate the value of projects across different scenarios, and include an explicit consideration of (quasi) option values of deferring the investment</li> <li><input type="checkbox"/> be clearly linked to the Business Plan, where applicable, with sensitivity to changes in input parameters assessed, for example future energy scenarios</li> <li><input type="checkbox"/> act as a robust decision support tool, open to scrutiny and challenge in conjunction with other appropriate means of justification for investment decisions</li> <li><input type="checkbox"/> be transparent about which risks, costs and benefits have neither been considered nor monetised as part of the analysis</li> <li><input type="checkbox"/> be transparent about assumptions, inputs and rationale for decisions, calculations and results</li> </ul>	<p>Investment Decision Packs (all EJPs and CBAs)</p>

Financial information	3.23-3.25	<p>On 20th September 2019, we provided a financial BPDT, designed to gather relevant information on, for example, tax, pensions and asset disposals. By 31 October 2019, we will provide a final version of the Business Plan Financial Model (BPFM) to the modelling working group. To submit business plan information, and for corresponding analysis as presented in the plan such as scenarios or tables of values, companies should use the BPDTs and BPFM. Any other models or tools used to produce alternate or supplementary analysis, such as bill impacts, should be submitted with, and clearly cross-referenced to, the Business Plan. Where applicable, inputs to the BPFM should be linked to the corresponding BPDT.</p> <p>The BPFM will be pre-populated with all the parameters set out in the finance section of the May RIIO-2 sector-specific methodology and forecast closing RIIO-1 price control financial model (PCFM) data, for example regulatory asset value (RAV). It will allow companies to populate with their plans to calculate expected allowed revenues. It will also be used for assessing the financeability of the plan and will include a suite of commonly used financial metrics.</p> <p>3.25. Consistent with RIIO-1, the BPFM is primarily set up to reflect the notional company. However, worksheets have been included to allow analysis of the actual company financing costs, structure and performance.</p>	Compliant
Financial information	3.26	Companies must complete the BPFM in accordance with Ofgem guidance, including incorporating Ofgems working assumptions for cost of capital. Companies must also include a financeability assessment for both the notional and actual company, including target ratings	Chapter 22 We can finance our plan Annex A22.01 Finance
Financial information	3.27	<p>Business Plans must clearly set out:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> financial projections for each year of the RIIO-2 period.13</li> <li><input type="checkbox"/> the company's target ratings and the key financial ratios and qualitative factors used to assess maintenance of those target ratings</li> <li><input type="checkbox"/> the results of the Ofgem-suggested set of common stress test scenarios with results clearly explained</li> <li><input type="checkbox"/> a clear explanation of any additional stress test scenarios, including rationale, results and commentary of results</li> <li><input type="checkbox"/> a clear explanation of the company's proposed capitalisation and depreciation rates, including evidence for any adjustments to capitalisation or depreciation rates required for financeability or bill smoothing purposes. This includes the level of customer support for such adjustments (and/or consideration of customer preferences)</li> <li><input type="checkbox"/> clear explanation of the company's dividend and equity issuance policy and strategy</li> <li><input type="checkbox"/> fully completed BPDTs in accordance with the relevant Ofgem guidance</li> </ul>	Chapter 22 We can finance our plan Annex A22.01 Finance BPDTs compliant with RIGs
Financial information	3.28	<p>Plans must clearly demonstrate:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> a clear understanding of financial risk and evidence of risk management measures. This must include a clear explanation of the assumptions underpinning company risk and scenario analysis and description of how risk analysis takes into account company actions for mitigating downside risks</li> <li><input type="checkbox"/> an assessment of overall risk of the Business Plan and realistic and welljustified proposals for notional gearing</li> <li><input type="checkbox"/> licensee board assurance that the Board is satisfied that the licensee is financeable on both a notional and actual capital structure basis(using the Ofgem SSMD working assumptions for cost of capital allowances and expected incentive outperformance), or that all applicable measures to aid financeability have been considered, including supporting evidence and justification. If any financeability challenges are identified then the Business Plan should clearly set out, in detail, what these challenges relate to (for example servicing equity or debt) and efforts made to address them.</li> <li><input type="checkbox"/> justification for any proposed company-specific alternative cost of capital estimates (for example for RAV-weighted debt index for networks with unusual RAV growth profiles), including customer support for any such alternatives</li> </ul>	Chapter 22 We can finance our plan Annex A22.01 Finance
Financial information	3.29	In December 2018, we consulted on our approach to financeability and in March 2019 we published a further information document setting out further guidance to Transmission and Gas Distribution companies with regards to how they should assess financeability in their Business Plans. This further information document set out our proposed approach to financeability and the various credit and equity ratios that are included in the BPFM.	
Presentation	4.1-4.3	<p>4.1. Plans should be concise – no longer than 200 pages excluding BPDTs, Investment Packs and the BPFM - with the emphasis on keeping the core narrative as short as possible, while presenting proportionate evidence and justification for the proposed expenditure and outputs.</p> <p>4.2. Where the company needs to provide further information it should use annexes. Though annexes will not count towards the 200-page limit, companies should, to the fullest extent possible, ensure that the core narrative contains all information relevant to Ofgem's assessment of the plan. Annexes should be clearly signposted and referenced within the core Business Plan text.</p> <p>4.3. More technical information may be provided in the annex documents but the company should still ensure that the annexes are as clear and readable as the rest of the Business Plan. Business Plans should be clearly written, with considerable emphasis on making them as easy to read as possible (avoiding small font sizes).</p>	Compliant
Structure	4.4-4.6	<p>4.4. Though Ofgem does not prescribe a particular structure that plans must follow, it is important to ensure that we can easily identify material contained in the plans that will be relevant to our assessment. Therefore, plans should cover each of the sections set out in this document. These should be clearly labelled so that we are able to access all of the information that we require in each of these areas.</p> <p>4.5. Companies should try to ensure that the information relevant to each assessment area is presented in its relevant chapter or section (rather than spread throughout the plan, for example).</p> <p>4.6. Where it is not possible to include all information relevant to an assessment area within its own single chapter or section (for example where a supplementary annex is required), companies will need to clearly identify where in the plan the relevant material is located. Therefore, each plan should include a table that maps information on these key areas to relevant parts of the plan.</p>	Chapter 8 - Mapping our business plan to Ofgem and Citizens Advice Annex list at back of 200 page business plan This matrix included as an annex for mapping purposes detailing how we have met the minimum requirements

Structure	47-4.8	<p><b>Cross-referencing</b></p> <p>4.7. In order to successfully navigate the plans, companies should effectively crossreference between different sections. Wherever possible, hyperlinks should be included when referencing any of the data tables, annexes or any further detail which is explored elsewhere in the plan.</p> <p>4.8. It is important to have clear links between the data tables and the core narrative sections. Data tables should be clearly numbered and any data in the narrative should be clearly linked to the relevant data table number (and hyperlink wherever possible). For each data table there should also be a link to where in the main narrative this data is discussed. For some data tables this may be more than one part of the plan that describes the data.</p>	<p>Compliant with cross referencing</p> <p>Chapters 13-20 section 6 'our proposed costs for the RIIO-2' also maps to the relevant BPDTs</p> <p>Table narrative included with BPDT's linking to 200 page business plan</p> <p>The use of hyperlinks is not possible within huddle upload environment</p>
Snapshot tables for Outputs, Uncertainty Mechanisms and CVP proposals	4.10	<p>To assist our review of Business Plans, alongside the version of this Guidance document that was published in September 2019, we issued 'snapshot' tables in which companies should include some basic information about all of the Outputs, Uncertainty Mechanisms and CVP proposals that are set out in their plans. Companies are requested to submit completed tables alongside the Business Plan</p>	<p>Annex A3.04</p>
Stage 1 Minimum Requirements	5.8	<p>For a plan to be complete under the Stage 1 BPI assessment, it must:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> contain all the material detailed in this Guidance (the relevant material is listed in Appendix 1 for ease of reference)</li> <li><input type="checkbox"/> be presented in a clear and understandable manner and in line with the timetable for submissions</li> <li><input type="checkbox"/> comply with Ofgem's Data Assurance Guidance for Electricity and Gas Network Companies</li> <li><input type="checkbox"/> demonstrate how the plan has been tested, challenged and developed using the enhanced engagement process</li> <li><input type="checkbox"/> include a clear explanation of what has changed in the Business Plan from the drafts submitted on 1 July and 1 October to the final plan submitted to Ofgem on 9 December and must also have regard to the guidance given in Section 4 of this document on the presentation and structure of Business Plans.</li> </ul>	<p>Chapter 6 - what's changed</p> <p>Chapter 10 - giving stakeholders a voice - building a stakeholder-led plan</p>
Stage 1 Minimum Requirements	5.9	<p>For a plan to be of satisfactory quality to meet the minimum requirements under the Stage 1 BPI assessment it will need to demonstrate that, where appropriate,:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> the proposals are sufficiently evidenced, including evidence of consumer expectations and willingness to pay</li> <li><input type="checkbox"/> there is a credible plan for delivery, that takes into account current levels of performance and any steps necessary to improve upon these</li> <li><input type="checkbox"/> commitments are proposed that offer safeguards on the delivery of the Plan's ambitions</li> <li><input type="checkbox"/> the proposals have been informed by, and subject to the challenge of the enhanced engagement process. Where disagreements with the company's proposals have arisen, we will expect the company to have explained in their Plan the nature of this disagreement and the justification for the Company's positions</li> </ul>	<p>Annex A3.03 ODIs</p> <p>Annex A3.01 PCDs</p> <p>Chapter 20 - our plan is efficient and affordable, providing value for money</p> <p>Annex 20.01 willingness to pay</p> <p>Annex 20.18 acceptability testing</p> <p>Chapter 21 - Our plan is deliverable</p> <p>Chapter 10 - giving stakeholders a stronger voice- how we have built a stakeholder led plan</p> <p>Chapters 13-20 section 3 'what have stakeholders told us?' includes trade-offs, SUG and CG feedback</p>
Stage 2 the consumer value proposition	5.13 - 5.17	<p>5.13. Under the CVP, Business Plans should set out the ways in which their plan goes beyond the minimum requirements and beyond the functions typically undertaken by an energy network company as business as usual and how this will lead to benefits for consumers. Ofgem will assess the proposals included within the CVP and determine whether a reward should be paid to the company and, if so, the size of the reward.</p> <p>5.14. The CVP must be summarised clearly within the Business Plan. However, it may draw upon material that is embedded within each of the relevant areas that contribute towards the CVP.</p> <p>5.15. Companies should seek to provide a monetised value to consumers for each proposal forming part of the CVP. Companies should set out any methodology employed in determining this monetised value, along with any underlying data used in its calculation. Ofgem will take this information into account in determining whether a proposal should receive a reward and, if so, the size of that reward.</p> <p>5.16. Each proposal forming part of the CVP will be assessed individually on its own merit. Where a company is unable to propose a robust methodology for calculating a monetised value to consumers associated with a proposal, Ofgem notes that it may be unable to determine an appropriate size of reward for that proposal, which may lead to the proposal receiving no reward.</p> <p>5.17. Proposals forming a part of a company's CVP should be clearly and unambiguously identified as such.</p>	<p>Chapter 3 - delivering stakeholder's priorities summary table</p> <p>Chapter 10 - Giving stakeholders a stronger voice - how we have built our stakeholder-led business plan</p>
	5.18-5.25	<p>However, Ofgem considers that companies could include within their CVP proposals for:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> service quality levels that are higher than existing levels and delivered at the same or lower cost</li> <li><input type="checkbox"/> bespoke outputs in aspects of service provision that are not currently reflected in the existing framework of outputs</li> <li><input type="checkbox"/> commitments for stakeholder engagement, which could take the form of bespoke outputs, likely to result in measurable positive outcomes for consumers</li> <li><input type="checkbox"/> well-justified initiatives in the Environmental Action Plan to reduce the environmental impacts of the network that will result in measurable outcomes that are valued by consumers</li> <li><input type="checkbox"/> uncertainty mechanisms that highlight risks to consumers of which Ofgem would not otherwise have been aware</li> <li><input type="checkbox"/> an innovation strategy likely to drive forward energy system thinking and address consumer vulnerability</li> <li><input type="checkbox"/> whole system approaches likely to drive forward the industry – including proposals for data sharing</li> <li><input type="checkbox"/> strategies and implementation plans likely to deliver positive impacts for consumers in vulnerable situations, including use of the consumer vulnerability use it or lose it allowance in gas distribution</li> <li><input type="checkbox"/> the company's commitment to an above-BAU approach to sharing information and data with relevant parties to facilitate greater whole system coordination</li> </ul>	<p>Annex A10.05 Consumer value proposition</p> <p>Annex 10.06 Frontier Economics CVP report</p> <p>Annex 10.07 Frontier Economics CVP quantification</p> <p>Also included CVP in chapters 13-20</p>

<b>Appendix 1: Material that must be included in companies' Business Plans in order for them to be considered complete for the purposes of Stage 1 of the BPI (including sector-specific Business Plan requirements set out in the SSMD)</b>	Stakeholder engagement incentive and satisfaction surveys 2.22, 2.23	<b>All ODIs included in annex A3.03</b> Chapter 10 - Giving stakeholders a stronger voice - how we have built our stakeholder-led business plan Annex A10.02 gas RIIO-2 stakeholder engagement strategy
	Quality of demand forecast incentive 2.57, 2.60	<b>All ODIs included in annex A3.03</b> Chapter 18 - I want all the information I need to run my business, and to understand what you do and why
	Maintenance Business plan must include proposals for targets discussed in 2.76	<b>All ODIs included in annex A3.03</b> Chapter 13 I want to take gas on and off the transmission system where and when I want
	Capacity constraint management 2.101, 2.104 Business plan must also include proposals for targets discussed in 2.102 - 2.105	
	Residual balancing 2.114, 2.115 Business plan must also include proposals for targets discussed in 2.117	
	Compressor emissions compliance and strategy for compliance 3.54, 3.59, 6.22	Chapter 16 I want you to care for the environment and communities Annex A3.01 PCDs Annex A3.02 UMs Annex 16.05 compressor emissions compliance strategy A16.10-16.17 EJPs and CBAs All ODIs included in annex A3.03
	Greenhouse gas emissions (venting) 3.68 Business plan must also include proposals for targets discussed in 3.72	Chapter 16 I want you to care for the environment and communities Annex 16.01 environmental action plan All ODIs included in annex A3.03
	NTS shrinkage 3.86	All ODIs included in annex A3.03
	Low carbon energy systems and decarbonisation of heat 3.20	Chapter 16 I want you to care for the environment and communities Annex 16.01 environmental action plan Chapter 17 - I want you to facilitate the whole energy system of the future - innovating to meet the challenges ahead Annex A3.02 UMs
	Network capability review 4.22, 4.23, 4.24, 4.26, 4.32, 4.33, 4.35	Chapter 12 - Network capability Annex A12.02 network capability report (to meet requirements initial network capability report and network capability target report) Annex A12.03 baseline obligated capacities report Annex 12.04 Network capability fleet strategy
Cost assessment (incl. requirements for Business Plan Data Template) 5.15, 5.16, 5.18	Chapter 3 - delivering stakeholder's priorities summary table Chapter 10 - Giving stakeholders a stronger voice - how we have built our stakeholder-led business plan Annex A10.05 Consumer value proposition Also included CVP in chapters 13-20	
Quarry and loss of development 6.39	Chapter 16 - I want you to care for the environment and communities Annex A 16.09 Quarry and loss supporting information	