

By email

17 June 2014

Dear Regulatory Director

### **Draft determination process: next steps**

Thank you very much for sharing your progress on the actions you are taking to bridge the gaps identified in the risk based review during recent meetings with Sonia Brown and in meetings and telephone calls with your portfolio leads. We certainly found these meetings helpful in terms of helping to ensure that collectively we deliver the best possible outcome for customers and we appreciate the time and effort you put in to these meetings. We now look forward to receiving your updated business plan by **10.00am on 27 June**.

As we prepare for draft determinations for your company I thought it would be helpful to explain the next steps in the process.

- Your portfolio contacts may contact your team between now and 27 June to clarify particular aspects of your gap analysis. But we would expect this to be minimal.
- Once revised business plans are submitted, the nature of our dialogue with you will change. We will initiate a formal query process, contacting you with specific requests for information where necessary. Given the constructive dialogue to date to date, and in light of the additional information we have provided we hope to keep these requests to a minimum. Of necessity we will need you to respond quickly and, depending on the nature of the query, generally within 48 hours.
- As you will recall, outcome delivery incentives (ODIs) were not tested as part of the risk-based review since we recognised that you would wish to make changes in response to the guidance and feedback provided. As result, the degree of change in revised business plans may be greater for ODIs than some other areas. In anticipation of this, we think it would be prudent to pre-arrange a time for possible dialogue regarding your revised Outcomes. Your portfolio contacts will arrange this with you in advance and then in the event that no dialogue is required, we will cancel the arranged slot.

- The query process is not intended to provide an opportunity for an extended dialogue or negotiation and we will have to impose a cut off date, in advance of publication of draft determinations, after which we will not ask for further information. Once we have completed our initial assessment of the 27 June submissions your portfolio lead will contact you to tell you what the cut off date for our query process is.
- Draft determinations for your company will be published on 29 August. You will then have until 10.00am on 3 October to make representations. In keeping with the transparent process we have adopted to date, any representations received will be placed in the public domain. We will also publish the populated financial models for each company that we use in arriving at those draft determinations.
- During that five week period we would be very happy, and indeed would welcome the opportunity, to have a bilateral meeting with you so that we can understand the representations you intend to make before we proceed to final determination. Your portfolio lead will contact you after your draft determination is published to arrange a meeting.
- If, following submission of your representations on the draft determination, you consider that in the round there are still material issues which would prevent customers interests being protected, you will have the opportunity to request a formal hearing ahead of our publication of final determinations on 12 December. We would expect a non-executive director to accompany executive teams to these meetings. It is likely that these meetings would take place in late October/early November. We will confirm arrangements after the draft determinations are published.

I hope this information is helpful but in the meantime, if you do have any queries about the process then please contact either me or your portfolio lead before 27 June. I would be grateful if you would ensure that other relevant people in your organisation are aware of this letter.

Yours sincerely



Giles Stevens

PR14 Portfolio Director