

## Terms of Reference

### UKRN peer review of the GD17 cost of capital

#### **1. Background**

- 1.1. The UK's economic regulators have joined together in the UK Regulators Network (UKRN) to ensure effective cooperation between sectors.
- 1.2. Without cutting across the independence or specific goals of each regulator, UKRN will strengthen work across sectors. It will explain and take account of the differences between sectors, while maximising coherence and shared approaches in the interests of consumers and the economy.
- 1.3. Working groups have been formed to carry out the project work of the UKRN. The cost of capital working group has agreed terms of reference<sup>8</sup> and a set of principles<sup>9</sup>. Participating regulators have also identified a number of ways that they can work together<sup>10</sup> to support and further the cost of capital principles including supporting one another during decision periods through peer reviews.
- 1.4. GD17 is the first draft determination to be published since this agreement and the UR has agreed with Ofgem they would lead a review under the remit of UKRN cost of capital working group.

#### **2. Information to be provided**

- 2.1. GD17 Approach<sup>11</sup>
- 2.2. GD17 Draft Determination document and annexes.<sup>12</sup>
- 2.3. GDN submissions to the UR on cost of capital.
- 2.4. Other information as deemed relevant to the review following initial engagement and discussion on the documents above.

#### **3. Purpose**

- 3.1. The cost of capital working group believes there is merit in engaging other regulators on the development of relevant cost of capital decisions. This will lead to better informed decisions, facilitate cross sector comparisons and allow opportunities for future cross sector work to be identified.
- 3.2. The specific purpose of the review is to ensure the UR's decision is informed by the experience and insights of the regulators represented on the working group.
- 3.3. Particular focus should be made to sense check the methodology and analysis presented as part of GD17 draft determination.

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<sup>8</sup> [http://www.ukrn.org.uk/?page\\_id=575](http://www.ukrn.org.uk/?page_id=575)

<sup>9</sup> [http://www.ukrn.org.uk/?page\\_id=983](http://www.ukrn.org.uk/?page_id=983)

<sup>10</sup> [http://www.ukrn.org.uk/?page\\_id=429](http://www.ukrn.org.uk/?page_id=429)

<sup>11</sup> [http://www.uregni.gov.uk/publications/gd17\\_approach\\_document.l](http://www.uregni.gov.uk/publications/gd17_approach_document.l)

<sup>12</sup> [http://www.uregni.gov.uk/publications/gd17\\_draft\\_determination](http://www.uregni.gov.uk/publications/gd17_draft_determination)



#### **4. Deliverables and Timing**

- 4.1. A report addressed to the UR that summarises the key findings of the review and outlines how the lead reviewer has engaged with other members of the working group to reach those findings.
- 4.2. The report should be available by 30 June (to be discussed) to ensure it can be considered sufficiently prior to the final determination.