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**NERL's SIP 2019**

You asked for more information on my letter of 28 March 2019 when I informed you that we would not be approving the form, scope and level of detail of SIP19.

In discussion I explained that we acknowledged the improvements you had made over the last few years in your SIPs. I explained that the changes that have been made to the SIP in recent years can mainly be characterised as incremental changes within the existing overall structure of the SIP. The Independent Reviewer's recent comments on the latest version of the SIP might be seen as reflecting the number of such incremental improvements and changes that have been made, making this a more effective document in the current format. However, we consider that the SIP could be more useful and effective for all stakeholders if its overall structure and the approach to it was also reviewed.

The consultancy work that Trax is doing to improve the clarity and usefulness of your SIP documentation is a potentially important part of the process of achieving a step change in the quality of the SIP. We have met Trax and, given our initial engagement, are hopeful that by working with them you will be able to produce a more focussed document that will provide more timely and tailored information on progress on current capex as well as involving users at the optioneering stage of your new capex projects. If you can achieve these changes then this should help to make the SIP an important part of the enhanced capex governance process that we signalled we would like to see in our draft RP3 performance plan proposals.

Early in RP3 we will carry out an ex-post review of the cost efficiency of your capex, including how well you have consulted on projects with users. Although we are planning a step change in your consultation requirements, when looking at your RP2 capex our judgement will be against the standards we have expected you to meet in RP2 and not the enhanced process to be introduced for RP3.

I would also like to confirm what I mentioned in discussion that as the work with Trax is a radical change in your engagement with users we understand that this is a process, and that the first SIP document you produce using it (interim SIP19 due in June 2019) may be the first part of embedding those improvements. It will also be important to test changes with users, so we would encourage a process of continuous testing and improvement of the SIP on an ongoing basis.

I hope this letter is helpful in clarifying further why we are not approving the form, scope and level of detail of SIP 2019.

Yours sincerely

Paul Smith

**Paul Smith**  
**Director Consumers & Markets Group**