

I am writing to provide the views of the Energy Consumers Commission on Ofgem's RIIO-2 Draft Determinations for Transmission, Gas Distribution and Electricity System Operator.

The Energy Consumer Commission (ECC) is a newly established independent group, including membership with significant experience in national consumer bodies, local groups and academia. The commission is the Scottish Government's Strategic Leadership Group on Energy Consumers and aims to strengthen the voice of Scottish consumers in energy decision making.

The commission welcomes Ofgem's commitment to ensuring value for money for current and future consumers. We know that this will be essential as Ofgem looks to balance consumer costs against the need for the significant system changes that are to come over the RIIO-2 period and beyond. Overall, we believe that the RIIO framework is the correct one to ultimately ensure these outcomes.

We also welcome your suggestions to reduce the returns received by network companies. We note that the findings of analyses, such as that of the National Audit Office, highlighted the rate of returns for network companies under RIIO-1 were significantly higher than those generally seen for businesses in other sectors. Consumers will appreciate long term savings on their energy bills.

The Challenge Group, Customer Engagement Groups (CEGs) and User Experience Groups are a positive step towards helping the network companies better understand consumer needs, providing vital end-user-centric challenge to companies' business plans. The ongoing engagement that you are undertaking has the potential to enhance the consumer voice within the final determinations.

We note, however, that despite CEGs indicating that they are content with network plans, funding has not been approved at the levels proposed, we must be mindful of any risk to innovation that will reduce longer-term consumer benefits.

In particular the majority of Consumer Value Propositions (CVP) have not been taken forward at this point, either being moved into Business as Usual (BAU) funding, being rejected due to failing value for money analysis or not sufficiently demonstrating support from consumers and stakeholders. This leaves some uncertainty as to the value placed on

CEG input and risks network companies underperforming in relation to consumer and future-consumer outcomes.

In answer to your consultation questions we agree that there is a valuable role for CEGs throughout the price control period and for continuity into preparations for RIIO-3. Within this the CEG voice should be fully respected. We hope that further work ahead of the final determinations will result in a larger proportion of CVP rewards being approved, the proposed claw-back mechanisms combined with ongoing CEG scrutiny of delivery will provide confidence for network companies to invest in consumer benefits as well as assurance that where value is not delivered, consumers will not lose out.

We are also concerned that all the processes were determined before key consumer based outcomes and outputs had been articulated, consulted upon and agreed. Consumers should have had a voice in how their views were going to be recognised. In our view this will have frustrated the engagement with consumers via the RIIO-2 Challenge Group or Customer Engagement Groups. This could have excluded the contribution of those with limited knowledge of network activities.

It is absolutely essential that we consider the needs of future consumers now in order to ensure a just transition. To build consumer engagement and subsequent trust in the RIIO process and networks overall it is imperative to make sure consumers understand and are involved in the decision-making process. We are pleased to see that the draft determinations go some way towards this and we look forward to engaging with Ofgem further ahead of the final determinations and future price control mechanisms.

Kind regards

Lewis Shand Smith
Chair, Energy Consumers Commission