



Transmission early competition consultation

KEY POINTS

- These proposals carry significant risks to energy consumers if applied within transmission, based on our perspective as an electricity distributor; this approach (or any similar) would be even more detrimental to energy consumers within electricity distribution.
- Since our perspectives are grounded in our understanding of the electricity distribution system, our response is limited to our overarching points, below.
- Ofgem had already taken a minded to decision in its ED2 methodology along different lines, which we had supported and signed up to as part of our draft ED2 business plan.
- The consultation proposals appear to bring about new risks that were not present in earlier forms of Ofgem policy; including risks that would apply to transmission as well as distribution.
 - A substantial value threshold is necessary to give certainty to all parties (including investors) over the application of this administrative form of competition.
 - The criterion of "new" and "separable" is necessary for any competitive transmission network solutions bidding within an early competition, otherwise it fails to maintain accountability for transmission network integrity (or to respect property rights).
 - An approach which reduces or removes these thresholds will further fragment accountability for the performance of the electricity system, and will cause consumer detriment that Ofgem has not captured in its impact assessment.
 - The further fragmentation of network price controls will be detrimental to the incentives that the RIIO framework was intended to bring about, for network operators to identify and procure innovative solutions (through native competition).
- If this policy were applied to electricity distribution, it would cause additional problems.
 - There are opportunities within distribution to save money through an integrated approach to decision taking, given the substantial cross over between decisions on how to maintain the asset base with decisions over enhancement - these decisions are not separable.
 - Within distribution it is still possible to maintain accountability with a single, well capitalised, party, which is beneficial to consumers because it means a small participant with little to lose from poor performance is less likely to bring the system down.
 - In distribution Ofgem has far stronger tools of comparative competition across the DNOs, to mimic competition, when compared to transmission. Therefore the benefits from an administrative form of competition are smaller in electricity distribution.
- Overall this means that the costs of applying a similar approach to distribution would be higher, and the benefits lower, and it would represent bad value for energy consumers.