



Making a positive difference
for energy consumers

To interested parties

Email: RIIOED2@ofgem.gov.uk

Date: 06 December 2021

Call for Evidence on the Electricity Distribution Business Plans for RIIO-2

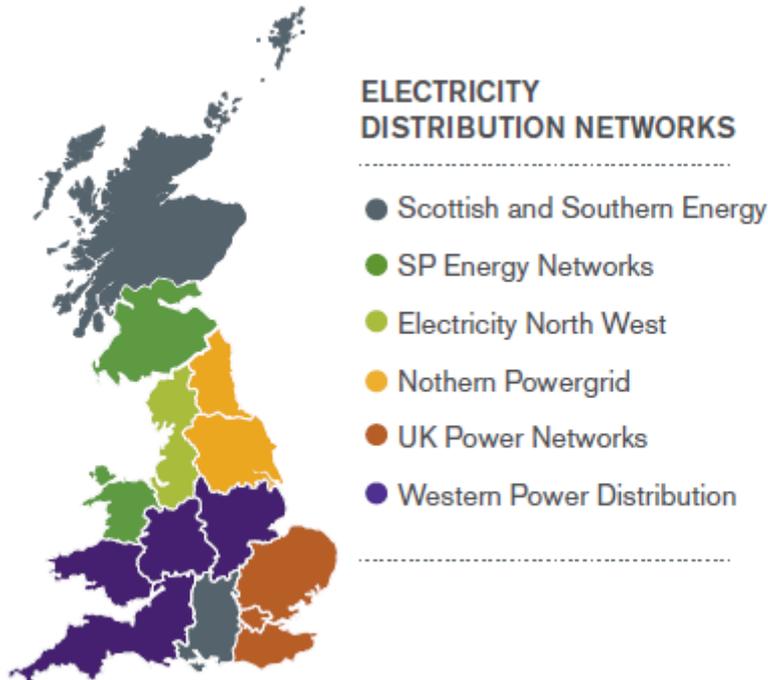
Context

1. On 1 December 2021 the Electricity Distribution Network Operators (DNOs) submitted and subsequently published their final Business Plans for the next electricity distribution price control (known as RIIO-ED2) that will run over the five-year period to 31 March 2028. These Business Plans set out the outputs the DNOs propose to deliver for their consumers and network users along with their proposed expenditure for doing so.
2. Ofgem will now assess these plans and through this Call for Evidence, which closes on 7 February 2022, we are seeking views and evidence from stakeholders on any aspect of these final Business Plans. Stakeholders may also wish to consider the reports produced by Customer Engagement Groups and RIIO-2 Challenge Groups (see paragraphs 5 and 14) when they are providing their views on the Business Plans in response to this Call for Evidence.
3. Responses will help us identify stakeholder views and key areas for potential consideration at the RIIO-ED2 Open Hearings in March 2022 (further detail provided below). Our Draft Determinations on DNO allowances under the RIIO-ED2 price control, due to be published in summer 2022 for consultation, will be informed by all relevant considerations including this Call for Evidence.
4. This Call for Evidence sets out the background to RIIO-ED2 price control and the enhanced stakeholder engagement process. It also provides information on how

stakeholders can respond, and information on how they can participate in the RIIO-ED2 Open Hearings process.

Background

5. Ofgem set the price controls to ensure that monopoly network companies, who run Great Britain's gas and electricity networks, continue to act in the best interests of energy consumers. Since 2013 we have used the RIIO (Revenue = Incentives + Innovation + Outputs) framework to set price controls. The current 8-year RIIO-ED1 price control will end on 31 March 2023. The next RIIO-ED2 price control will run from 1 April 2023 until 31 March 2028.
6. The electricity distribution networks carry electricity from the high voltage transmission networks to industrial, commercial and domestic users, as well as distributing an increasing quantity of power from generation sources that are connected directly to the distribution networks. There are fourteen electricity DNOs operating in GB, which are managed by six companies.



7. In order to set the next price control, we need information from the network companies on the activities that they intend to undertake during the next price control period and their associated forecast costs and outputs. The DNOs provide

this information to us in the form of a Business Plan which covers their proposed activities over RIIO-ED2.

8. We expect Business Plans to reflect stakeholder views and concerns and consider that stakeholders' needs must be at the heart of these plans. We assess these plans, taking into account the needs of existing and future consumers, and other relevant factors such as the transition to a low carbon economy. Following an open consultation, the network companies are then set an allowed revenue by us, which is recovered through network charges that make up over 20%¹ of consumers' energy bills.
9. For the RIIO-ED2 price control, Ofgem has adopted an enhanced stakeholder engagement process (this is set out in our enhanced stakeholder engagement guidance document)². As part of this process, network companies and Ofgem have established independent expert Groups to scrutinise the Business Plans developed by the network companies, including:
 - Customer Engagement Groups (CEGs): each Electricity Distribution company has a CEG to review their company Business Plan.
 - The RIIO-2 Challenge Group (CG): Ofgem has established the CG to scrutinise all company Business Plans and provide it with a report setting out the CG's views on the plans and companies' engagement in developing them.
10. Enhanced stakeholder engagement for RIIO-ED2 also includes a series of virtual Open Hearings which will take place in the second half of March 2022. The Open Hearings will provide an opportunity for Ofgem and the public to hear submissions and evidence on various aspects of the Business Plans. This includes, but is not limited to, any particular areas of contention that are raised by the independent expert Groups in their reports, as well as areas of disagreement or support, and questions to DNOs from other stakeholders.
11. Responses to this Call for Evidence will be considered by Ofgem and may be used by us to inform the topics raised for discussion in the Open Hearings. Once we have reviewed the responses, we may also invite stakeholders to personally make submissions or ask questions at the Open Hearings. Any stakeholder may register to participate in the virtual Open Hearings (see paragraph 20).

¹ [Network Price Control Fact Sheet](#)

² <https://www.ofgem.gov.uk/publications/riio-ed2-enhanced-stakeholder-engagement-guidance-version-2>

Timetable

12. Ofgem intend to publish RIIO-ED2 Draft Determinations for the Electricity Distribution sector by July 2022.
13. There will be an 8-week consultation period that will follow the publication of Draft Determinations.
14. Final Determinations are intended to be published in the Winter of 2022.
15. We will consider all representations made in advance of and during the Draft Determinations consultation period, which in turn may impact this timetable.
16. The RIIO-ED2 Price Control will commence on 1 April 2023.

Call for Evidence

17. We welcome feedback from stakeholders on any aspect of the Business Plans.
18. Responses to this Call for Evidence should be structured as follows: For each issue raised, respondents should
 - a. clearly state which section of the Business Plan or Plans the stakeholder is commenting on;
 - b. include a concise summary of the issue identified;
 - c. include evidence or justification of the stakeholder's view;and,
 - d. where appropriate, set out representations, and, or questions to DNOs that stakeholders would like to see tabled at Open Hearings in March 2022.
19. Participation in Open Hearings is not conditional upon submitting a response to the Call for Evidence. Stakeholders can also submit questions for consideration at the Open Hearings via the Open Hearing registration page linked below, or live when logged in as a participant in the virtual sessions.
20. Please note, we are requiring the DNOs to publish the reports produced by their independent Customer Engagement Group on companies' Business Plans by 17 January 2022. These reports will be available on companies' websites. In early February, we will also publish the independent report prepared by the RIIO-2 Challenge Group on all the Business Plans on Ofgem's website.

21. The Electricity Distribution companies have now submitted and published their RIIO-2 Business Plans. These are available at the following links:

- [Electricity North West](#)
- [Western Power Distribution](#)
- [UK Power Networks](#)
- [Northern Powergrid](#)
- [SP Energy Networks](#)
- [Scottish and Southern Electricity Networks](#)

22. The RIIO-2 Business Plan Guidance³, sets out, amongst other things, guidance for network companies on the publication of the Business Plan. The Guidance states that where information is withheld on grounds of commercial confidentiality, the reasons for the exclusions need to be explained by the network company.

Registering to attend the Open Hearings

23. Stakeholders can register to attend the Open Hearings using our [Eventbrite site](#).

Views welcome and way forward

24. We welcome views on any aspect of the Business Plans by Monday 7 February 2022 sent via email to riioed2@ofgem.gov.uk. Unless clearly marked as confidential, responses will be published on our website.

Yours faithfully

Steven McMahon
Deputy Director, Electricity Distribution
Network Price Controls

³ [RIIO-ED2 Business plan guidance document from Ofgem](#)