

Reference: RIIO ED2 Draft Determinations

Ofgem
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By email

**The Leader's Office
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**Cllr Liz Leffman
Leader of the Council**

**Cllr Dr Pete Sudbury
Cabinet Member for Climate
Change Delivery &
Environment**

24 August 2022

Dear Ofgem

Re: RIIO ED2 Draft Determinations

Oxfordshire County Council strongly urge Ofgem to withdraw the significant cuts proposed to the DNO investment proposals set out in the draft determinations of RIIO ED2.

We condemn the time and effort spent on a consultation that will have negligible impact upon bill payers, for whom the problem is in the order of hundreds or thousands of pounds, whilst significantly disabling urgent and necessary modernisation. In the light of the accelerating impacts of climate change and the clear and stark warnings from every reputable scientific body regarding the need to accelerate the energy transition, we also condemn as reckless and foolish proposals that wilfully downgrade and slow that transition.

We believe it is clear that cutting already inadequate investment in grid capacity to support future electrification of heat, transport, housing and employment growth will significantly impact Oxfordshire economically, environmentally and socially.

The benefits indicated by the level of disinvestment by Ofgem is trivial in terms of householder bills, of the order of an estimated £10/year, and regret no long-term cost impact assessment has been completed for this important decision. The proposal to move core DNO costs into the uncertainty mechanism does not provide any assurance that these will be delivered and there is no clarity or transparency around the proposed costings. Without this level of detail, it is our estimation that the level of cost savings will be minimal, whilst the longer-term impacts will have a greater cost, especially to those on lower incomes.

Local Authority Support

The Council is pleased to see SSSEN's proposal for local authority support has been approved by Ofgem under the Whole Systems Consumer Value Proposition. The provision of embedded support to our local authority will enable us to better plan whole system opportunities to facilitate our transition to net zero.

Local Economy

Within Oxfordshire the local grid is under a patchwork of generation and demand constraint challenges, principally the northern half of the county is constrained by the National Grid supply point at East Claydon, with an upgrade expected to be installed in 2028. The rest of the County is experiencing local challenges with often prohibitively costly upgrades. The County has already seen generation technologies being curtailed (Magna in Banbury had a CHP engine curtailed by National Grid from 5MW to 1MW despite DNO approval, having a business impact of over £1m per year, an impact on growth and the environment) and prospective new business restricted from grid connections from new developments (Gateway development in Bicester) constraining economic growth.

These are not isolated incidents, with other local grid challenges being seen across the County including housing developments experiencing prohibitively costly grid connection offers and delays. The work being delivered under the ground-breaking innovation project of Local Energy Oxfordshire indicates the potential opportunities for flexibility services and future needs of the transition from District Network Operators to District Network Service provider.

With several electric vehicle companies, charging companies and supply chain organisations based within Oxfordshire there is a direct impact upon the local economy from the proposals to provide a reduced number of EV connections.

The Oxford Low Carbon Economy report estimated that 7% of the local economy was based upon the low and zero carbon industry, with the potential to add £1.35bn to the local economy with an additional 11,000 jobs by 2030, with the correct policies. The proposed restrictions will have an ever further and growing constraining impact upon the local economy and jobs.

Environmentally

The County Council declared a climate emergency in 2019, as did the UK government. Working with other local stakeholders, we developed the Oxfordshire Energy Strategy and Pathways to a Zero Carbon Oxfordshire reports. Both these allow a target of meeting net zero for the county by 2050 or earlier. The County Council has already fed into the stakeholder consultations held by the local grid companies SSEN and WPD in developing their business plan and along with other local authorities in the region highlighted that Oxfordshire expects to follow the 'Leading the Way' pathway to net zero (one of the three pathways set out by National Grid in their Future Energy Scenarios to meet the net zero target for the country by 2050). The current investment levels are below the minimum levels required by National Grid to meet the 2050 target. This level of investment will preclude following the "least cost" pathways, increasing climate impacts, and passing additional costs to future bill-payers.

Socially

EV uptake in the county is already well ahead of other areas (approximately 40% share of new vehicle registrations in June 22, the highest rate in the UK) and we expect installation of heat pumps to increase significantly in the next five years. DNOs have regularly indicated the challenge for large scale uptake of EVs and heat pumps on low voltage networks, with several innovation challenges looking to directly address these areas.

Indications from EV uptake has indicated that areas scoring low on the Index of Multiple Deprivation have had a slow EV and heat pump uptake, as a result there is a potential equity challenge looming for future EV uptake in installing EV home charging infrastructure. The failure to address this will lock residents out of a zero carbon future, and into fossil fuelled transport and heating. This will compound the issues of relative and absolute levels of deprivation, inequality, and fuel poverty across the County. The quantum of this is regrettably unclear, as laid out at the beginning of this letter, but likely that these constraints would undo any potential savings hoped for by Ofgem.

There is a body of global economic assessments, from the IM, IEA and European Commission amongst others, that have indicated the greater costs of delaying action on climate change in the future compared to taking action now. These costs would be passed to future bill-payers and it does not appear that these factors have been considered by Ofgem's determinations.

In Conclusion

Climate impacts are already imposing very significant global and local costs. The requirement to decarbonise rapidly in this decade should be of the highest possible priority, to avoid much greater future costs and wider threats to our health, economic and social wellbeing.

With grid capacity already challenged and economic growth being constrained, the draft determination based on the 'System Transformation' pathway, together with the cuts made to the strategic investment in the baseline funding will not enable the DNOs to support the vital transition to DSOs across the region.

A failure to start building the network needed for the future now risks a delayed, disorderly, unjust and counter productive transition. We have seen the benefits of the energy system of the future through our participation in the SSEN-led innovation project, Project LEO. The flexible electricity network of the future can only be delivered at scale by accelerating electrification of heating and transport.

As indicated, Oxfordshire is already experiencing economic challenges both through existing and planned growth, curtailing job deployment and investments, which will be exacerbated in the future under the Ofgem proposition. The proposed levels of investment are below the minimum required to meet the UK's net zero future, with a looming economic financial cost on future generations for delivering net zero. There are implications in locking vulnerable residents out of a zero-carbon future and into costly fossil fuelled heating and transport, potentially countering any proposed savings to residents under these measures.

On this basis Oxfordshire County Council can find no evidence of any detailed assessment in which Ofgem have taken these factors into consideration when making its draft determination. Given that Ofgem's responsibilities include 'to deliver net zero' and 'ensuring a fair treatment for all', it is our considered view that, were this draft proposal taken forward, Ofgem would be failing to meet its duties and responsibilities and would conclude that Ofgem is failing in its primary functions.

Should you require any further information, please do not hesitate to contact us.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Liz Leffman'.

Councillor Liz Leffman
Leader, Oxfordshire County Council

A handwritten signature in black ink, appearing to read 'Pete Sudbury'.

Councillor Dr Pete Sudbury
Cabinet Member for Climate Change and Environment