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31/10/22

Dear Akshay,

Open Letter on the next network price control review process

Optimal Power Networks (OPN) welcomes the opportunity to respond to the open letter on the next network price control review. OPN is an IDNO and a subsidiary of SSE plc. We are committed to contributing significantly to the low carbon transition in the UK. We bring whole system thinking and investment in our networks to be fit for the future and zero carbon ready by being an enabler of sustainable technologies such as electric vehicle charging, heat pumps and embedded generation.

The consultation document states that IDNOs are out of the scope of this work stream. Whilst we agree with this position as we are not covered by the price control methodology, we would like to highlight that changes to DNO revenue streams may impact IDNOs and want to remind Ofgem to consider the knock on effects a change in process could have on IDNOs. In short, any new funding mechanism should not disadvantage IDNOs and must not restrict the market for competitive provision for new electricity distribution networks.

A more detailed response to the consultation questions is in Annex 1

Yours sincerely,

Louise Murphy
Enterprise Business Partner

Annex 1: OPN's response to Ofgem's open Letter on the next network price control review process

1. Do you have any views on the strategic issues we will face in the development of the next price control review process?

OPN agrees with the strategic issues that Ofgem has identified.

2. Do you have any views on the case for change we have outlined?

OPN agrees that there is a case for further discussion and consideration as to whether there is a need for change but is not yet convinced that the case for change has been made given the level of change and uncertainty elsewhere in the industry.

3. Do you have views on whether the changes to the electricity or gas sectors mean we should consider alternatives to the approach taken in the RIIO-2 price control?

We agree that there are different mechanisms that could be considered and want to highlight that if Ofgem decides there is a need for change it must ensure that IDNOs continue to flourish. Ofgem should consider how new network infrastructure can be developed and funded efficiently over both DNO and IDNO markets. As mentioned previously Ofgem must be aware of the risk of inadvertently disadvantaging IDNOs. Care must be taken to ensure that changes to the model do not unfairly exclude certain categories of market participant from being able to provide services that may benefit wider customers.

4. Are there any broad frameworks or options that you think we should consider, including variants and alternatives to those we set out?

There are numerous models and frameworks that can be used to incentivise cost effective provision of new network infrastructure that may or may not form part of the distribution price control. Given that a step-change is required in the provision of new low-carbon electrical capacity, it may be worth considering whether including one of these mechanisms may benefit consumers who will be connected to those networks.