

RPI-X@20 Consultation – Networks

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## **Regulating energy networks for the future: RPI-X@20 Principles, Process and Issues— Consultation**

Consumer Focus welcomes the opportunity to respond to this very important consultation. This letter summarises some of the key headline points, particularly relating to some of the themes developed in response to chapter 4, which addresses *Focussing on consumer needs*. Our full response is set out in Annexe One.

Overall Ofgem is to be complemented on producing a thorough and lucid critique of a complex but critical aspect of the regulatory regime, and for placing the theme of consumer needs at its heart. We agree that the process will be enhanced by the adoption of the guiding principles, and these should be developed and used to test proposals for change that emerge.

### **Build on strengths of RPI-X**

We consider that RPI-X has been an effective form of regulation and has been applied appropriately and flexibly in Britain. It has secured benefits through lower network charges for consumers, and bespoke incentives developed and applied within its framework have started to bring about innovation by several network companies. While we support the need for a reassessment of the regulatory framework at this time given the shift in the policy framework, it is important to build on the successes of the past.

In this context we believe Ofgem is right to argue that the focus must be to move from achieving efficiency gains towards also facilitating delivery of environmental targets as this will entail significant network renewal over timescales that are much longer than the periodic regulatory control period and the role of the network operator is set for major change as local markets develop.

### **Increase consumer engagement**

There is a need for greater engagement of consumers and their representatives in the regulatory process as it applies to the monopoly networks; ultimately consumers are the beneficiaries of the service and its funders. We believe this objective can be secured by a more clearly defined process based *at least in part* on constructive engagement by stakeholders and the regulated companies.

Within a wider context, Consumer Focus is encouraged to note recent experience has seen Ofgem more directly engaged with consumers, with commensurate improvements achieved in regulatory policy. There has also been an increase in direct involvement of stakeholders in some areas of regulatory activity, with market participants involved in development of proposals in the recent system operator incentives reset and distributors required to consult local stakeholders on development of their DPCR5 business plans. However, these enhancements should be built on, with clearly defined price review processes published in advance. We acknowledge that this has been done for DPCR5, however this could be made more accessible and identify when consumer representatives input would be of most use. Network companies should as the norm also be required to publish appropriate and fuller information and engage in consultation prior to development of firm policies and proposals.

At the same time, there are limits to the reliance the regulator should place on constructive engagement. Subject to testing this approach in practice in the energy sector, it seems likely that direct negotiation of some areas of the regulatory settlement will improve outcomes, especially where service users can define their desired outcomes or outputs and negotiate for them.

As Ofgem has observed, the practice has recently been adopted in airport regulation in Britain. This is a sector where airlines have clearly differentiated service requirements and these expectations can be factored into revenue determinations. However views differ on how well these processes have worked to date. It may be that some of these practices can be applied in the context of the next transmission price control review, reflecting the ability of suppliers and distributors in particular to articulate their expectations and use their expertise to negotiate with transmission companies.

It is less clear how these practices might be applied successfully to the regulation of distributors, as suppliers simply pass through the costs they incur, and most domestic consumers cannot be expected to have an informed view of service provision and the associated costs. While consumer representatives can participate in this type of process, there are real resource limits on the extent of participation. It must ultimately be for the regulator to ensure that consumers achieve a fair deal in these settlements.

A further important consideration here is the need to set clear boundaries on what aspects of the settlements can and cannot be agreed through constructive engagement. Service users' and consumer interests are not always aligned, and it is possible that service lines and costs can be agreed between the network companies and network users that do not necessarily benefit end consumers. There may also be differences in need between current and future consumers and citizen and consumer interests.

A further issue is that not all affected parties will be able to or be sufficiently resourced to be at the negotiating table, and the regulator will need to continue to protect those interests through the wider review process. Alternatively interested parties not directly involved in such processes should be resourced to be able to challenge the basis of any settlement that is struck between regulated entities and other stakeholders.

### **Reduce complexity**

We agree that the current framework has become too complex even for many industry practitioners, and in some areas there is scope for unintended consequences (for instance, a tendency to spend for the sake of it in later years of the price controls). One discernible feature of the practice of price control as it has developed in the UK and elsewhere has been fragmentation in the number, and complexity, of incentive arrangements. In turn this has made it much harder for non-industry parties to engage in the process. This trend has been compounded by the fact that each price control review has tended to develop in an ad hoc way, with emphasises on different issues. Where common themes and issues have been addressed (e.g. measurement of efficiency gains), they have sometimes been tackled in different ways. We would like to note that challenges faced by Ofgem and the industry are also faced by Ofwat and other regulators. A consistent approach to investment decisions would be useful and while there appears to be some cooperation between regulators, more could be done to align processes.

We see little in the policy proposals to date that would actually tackle this complexity. On the contrary we see scope for processes becoming deeper and longer. It is important in developing proposals for change that Ofgem does not simply swap one type of complexity for another. As we have noted above, we think an important improvement in this area would be simply to develop and publish a clear timetable in advance, describe each substantive stage in it, including the points at which the main stakeholder involvement, including customers, would be required, and (to as great an extent as possible) keep to it.

We would to add an additional note regarding incentives. There is a view that incentives are used to make basic improvements to the network and service to customers. A discussion about the rationale for incentives would be useful. Questions for such a discussion could be; what companies actually get incentives for and what services and/or investment improvements could actually form basic licence conditions and/or targets.

## Securing value for money

All network companies are forecasting very large increases in both capital and operating expenditure over the coming years, and it seems inevitable that costs to already hard-pressed consumers will increase. It is important to identify service parameters and outputs to ensure both “value for money” and that the spending is carried out so as to develop and shape the network in the directions dictated by environmental objectives but also to meet consumer preferences. The interaction between the two also need to be assessed. The regulatory framework needs to encourage value for money.

In particular the network companies should not continue to regard the price control settlement as a fixed budget or a “revenue requirement”. The introduction of the sliding scale sharing factors to forecast accurately as part of recent price review determinations has been a significant improvement on previous practice, but rising environmental costs as well as new costs to assimilate low carbon infrastructure will complicate the regulatory process and further inflate forecasts. There are at least two implications arising from this pressure:

- if forecasts prove wrong or are over-stated, much greater emphasis needs to be placed by Ofgem on claw-back of (with hindsight) unnecessary revenue allowances. We are less concerned about over-spending against allowances (as the companies are naturally biased against this), but there needs to be much better information on reporting condition monitoring and network performance at a much lower level than hitherto so that quality of supply is not subordinated to profit. In principle, network companies should be rewarded for their expenditure based on delivering outputs which are driven by both clearly defined standards and consumers’ requirements, and any failure to deliver should be penalised; and
- it is now commonplace for policymakers, regulators and utilities to simply assume that the cost of delivering sustainability will be passed through to the customer. Consumers are already seeing real costs arising from past regulatory awards (e.g. real price increases from the last network price controls; TIRG) and other new regulatory administered obligations directed at delivering the Government’s low carbon agenda (RO; CERT; CCL for non-domestic consumers). It is now important that these costs are much more clearly disclosed and communicated to consumers otherwise they will be much less likely to properly value the benefits of these policies.

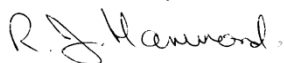
## Protecting the vulnerable

The consultation rightly notes the importance of social objectives to delivering sustainable outcomes, though we would have preferred this issue to be given greater prominence in the document. It also comments on views that have been expressed during preparatory work on the review on whether “networks could and should play more of a role in meeting social policy objectives, including metering fuel poverty targets and potentially wider goals (e.g. regional regeneration)”.

Consumer Focus strongly supports these sentiments and believes this issue should form an important focus of work over the summer leading up to the next consultation. Tackling social issues cannot be treated as a separate stand alone issue in this review. We agree on the need to closely assess the distributional effects of any change proposals, a point that should be brought out more clearly in the guiding principles.

Please let me know if you would like to discuss this response. I can be contacted on 020 7799 7936 or by email: [Robert.Hammond@consumerfocus.org.au](mailto:Robert.Hammond@consumerfocus.org.au)

Yours sincerely



**Robert Hammond**  
Head of Regulated Industries

## **Annexe One**

### **Regulating energy networks for the future: RPI-X@20 Principles, Process and Issues— Consultation**

#### **Chapter One**

##### **Question 1: Do you have any comments on the rationale for the review?**

RPI-X has been an effective form of regulation for Britain, but we support the need for a reassessment of the regulatory framework at this time. The focus is moving from achieving efficiency gains towards also facilitating delivery of environmental targets. This requires a sophisticated analysis of consumer interest, in that it has short, medium and long term aspects. At the same time, there is a great degree of uncertainty as to the possible shape of future networks, which has been thrown into sharp relief by the variation in the scenarios developed under the Long term electricity scenarios (Lens) project.

We consider that both of these factors argue for a pressing need for greater engagement of consumers and their representatives in the regulatory process, as they ultimately are the service users. This is essential to ensure that the network companies invest in ways that better take into account consumers' needs and preferences and that the companies are more responsive in planning and budgeting. At the same time, there is the prospect of consumers becoming more involved in the supply chain through better information (including such measures as smart meters). We acknowledge that a significant 'cultural' shift is required for companies to behave in this way.

We are also concerned that the current regulatory framework has become highly complex, making it difficult for consumers to engage in the process even where they wish to do so.

##### **Question 2: Do you agree with the proposed scope of the review?**

We think it is sensible to first take a fundamental review of the objectives and boundaries of regulation. In particular, we consider that there should be a clear understanding of the limits (and possibilities) of what network companies can achieve in terms of delivering the Government's environmental targets.

Fundamentally, networks are the infrastructure through which the responses of consumers can be enabled. For their part, consumers respond to policy initiatives from Government, and it is they who underwrite the costs and make the usage decisions. Administered solutions for networks are unlikely alone to achieve the desired result, and consumer needs and preferences therefore should play an important role.

##### **Question 3: Do you think that proposed themes for RPI-X@20 are appropriate?**

We consider that the two primary themes of focusing on consumers' needs and delivery a sustainable energy sector are appropriate—in fact they should guide Ofgem's work more generally. In effect, the second is a subset of the first when considering the longer term and the needs of future consumers. But the themes may create conflicting demands in the shorter term, which the current review process will need to resolve.

We also agree the subsidiary objectives listed at para 1.29 should also be included.

##### **Question 4: Do you have any views on our proposed approach for engaging with stakeholders?**

The process of the review will need the active engagement of all stakeholders, and we welcome Ofgem's effort to establish a range of channels for that input and debate. Consumer Focus will endeavour to play its full part.

##### **Question 5: Do you have any comments on the timetable for the review?**

We agree that the approach should be to separate the process into visionary and development phases.

We have been concerned that the very slow start to the review, which was announced almost a year ago, has created uncertainty for stakeholders, particularly in respect of the distribution price control for 2010-15. However, given the relatively advanced state of play on DPCR5, we welcome the intention to develop

proposals which could be implemented at the next transmission price control starting in 2013, which appears a more realistic timetable. That said, the review needs to be focussed and not be subject to “scope creep”.

## **Chapter Two**

### **Question 1: Do you have any views on our aims for RPI-X@20?**

We agree with the proposed aims for the RPI-X@20 review stated at page 11. We agree that, given the uncertainty that the sector faces, any regulatory framework must be sufficiently flexible to adapt to changes in the energy industry and the wider economy.

### **Question 2: Do you think the principles for undertaking the review are appropriate and sufficient?**

Yes, the guiding principles for the review set out at page 12 are appropriate. In particular we note that no retrospective action is proposed and it is currently planned that any recommendations will apply to the next transmission control price review. This is important to avoid uncertainty in the implications for network, the companies that operate them and ultimately consumers from DPCR5.

Perhaps the guiding principles can be taken to a lower level of detail, to help provide a more explicit framework for evaluation.

### **Question 3: Do you have any views on our proposed approach to the review?**

As noted above, the approach outlined appears appropriate. It is right to note that changes should deal with identified issues.

### **Question 4: Do you have any comments on the inter-relationships between RPI-X, other Ofgem projects and EU and national policy developments?**

We agree that as a major strategic project it is important to have joined-up thinking and that the project assimilates all relevant areas of Ofgem’s work. Appendix 2 appears to set out a thorough summary of these.

## **Chapter Three**

### **Question 1: Are the original principles of RPI-X regulation still valid?**

We believe that the original design principles of RPI-X regulation are still valid, but that they need to be flexed to bring about wider engagement within the regulatory settlement and to take account of the new demands posed by the need for sustainable energy networks, especially longer-term investment timescales that go beyond the traditional five-year periodic review and the expected proliferation in local markets. Analysis is also needed as to how the regulatory process can be changed to encourage innovation.

We would question whether in practice the application of the approach has “involved a low burden of regulation”, but would otherwise agree with the description of the regime in practice.

### **Question 2: Do you have any comments on our description of the context of energy regulation since privatisation? Are there any issues or events relevant to the regulation of energy networks that we have not considered?**

We have no comment.

### **Question 3: Do you have any comments on our description of the evolution of network regulation since privatisation?**

No. The supporting papers were helpful.

**Question 4: Do you think our description of the existing regulatory framework in electricity and gas transmission and distribution is the appropriate base case (starting point) for RPI-X@20? Is it appropriate for use to consider electricity distribution regulation using developing proposals from DPCR5?**

Yes with regard to the existing regulatory process. It is difficult to comment on DPCR5 in advance of firm proposals (and TAR, on which Ofgem also notes that it will work from emerging thinking).

**Question 5: What lessons do you think RPI-X@20 can take from the history of energy regulation?**

We broadly agree with Ofgem that the main lesson is “that RPI-X has served customers well over the last couple of decades”. It is also right to note that considerable flexibility already exists within the current framework to adapt to new challenges, and the method broadly followed has evolved in response to experience and short-term challenges.

There is a further lesson we think should be drawn. The flip side of adaptability is the lack of codification of the process, but the review process being based largely on convention. For the reasons set out further below, we believe a more predictable process is now needed to ensure more orderly engagement of relevant stakeholders and a clearer definition of the desired outputs.

**Question 6: Do you have any comments on our assessment of the performance of the network industries since privatisation?**

Broadly, Ofgem’s assessment at pp19-20 seems accurate, though whether the “lemon has been squeezed dry” is a moot point.

**Question 7: Do you think our description of energy networks and the regulatory framework today (the legacy of RPI-X) is accurate? What do you think the implications of this legacy are for RPI-X@20?**

Yes. The legacy implications are that the review needs to build on the strengths of the current arrangements, fine-tuning where necessary. Ofgem’s description of companies reluctant to take risks (no investment without commitment), focused on revenue levels rather than the mechanism for recovery, fixated by the regulator at the expense of other stakeholders and reluctant to innovate is, based on our own experience, spot on. In turn this suggests that the current regime does require several enhancements even before new challenges are taken into account.

**Question 8: Are the identified challenges the right ones? Are they new challenges not previously addressed? Are they short-term (temporary) or permanent challenges? Are there others that we should consider in RPI-X@20?**

Yes, as supplemented by chapters 4 and 5. Setting aside the credit crunch, these challenges are far-reaching in nature and do necessitate a rethink about the fitness of current regulatory practices. In one way or another, we think all these challenges are described in the rest of the document.

**CHAPTER: Four**

**Question 1: We present a number of issues that we will consider when assessing the processes that we and networks use to focus on consumers. Have you any views on these issues? Are there others that we should also consider?**

This is the key chapter for Consumer Focus, and it is correct given Ofgem’s primary duty that it is given prominence. We agree Ofgem has captured all the relevant issues, but would offer the following comments on some of them.

- **The regulator's engagement with consumers.**

Ofgem is right to observe that network companies are not focussed on final consumers or their customers and they pay scant regard to their concerns.

We consider it very important that consumers should be more directly involved with the regulatory process to ensure their needs and preferences are taken into account and that the network develops accordingly. The consequences of failing to do this could be significant in terms of unnecessary or inappropriate investment. This is particularly the case given the high degree of uncertainty about how the key drivers for change identified in the Lens project, such as environmental concern, may develop.

The need for greater consumer involvement in the regulatory process has already been acknowledged and incorporated to some degree through the Consumer First initiative, and the instruction to distributors to engage a wider group of stakeholders in developing their business plans and forecasts for the current distribution price control. Consumer Focus welcomes these initiatives, but they are on a by-exception basis at present. Much more needs to be done.

To provide a more routine and orderly engagement, we consider that it would be useful to develop principles and good practice guidelines in order to embed these practices more generally into the price control review process. Ofgem must also satisfy itself that all consumer interests are appropriately represented and, should this not be the case (because of resource considerations or simply because the regulatory is best placed to exercise this role), to ensure that it represents the interests of those not involved.

In terms of consumer organisations increasing engagement in the regulatory process, it is clearly the case that to ensure consumer representatives can engage effectively, there needs to be adequate funding (see below on basis of engagement.)

One further key issue will be the provision of suitable information and analysis by the regulators and the companies. We need to move from a situation where the real negotiation takes place between the regulator and the companies in effect privately to one where consumers are able to readily see and understand the positions taken by both parties and the impacts for them (i.e. consumers).

Representing the needs of future consumers in the regulatory process also presents difficulties, in terms of deciding the timeframe for these future needs, imputing those needs to the future consumers, and in giving those needs an appropriate weight in the process. In this context we welcome Ofgem's recent attempts to understand consumers' needs through its Consumer First panel, but consider that it is also necessary to including future consumers' needs. In particular, in any future regulatory settlement, it will be important for Ofgem to set out how the needs of future consumers have been taken into account. It might also be useful to hold joint meetings of consumer and environmental groups to discuss relevant issues.

- **The regulator's engagement with users of the network**

Network users should clearly be involved with any regulatory process intended to improve the focus on consumer needs. They are able to supply information as to the potential costs, advantages and disadvantages and potential alternatives in what should be an iterative process.

However, although all electricity supply companies should have the interests of their customers as a central focus, this does not mean their interests are entirely coincident with consumers. Notably, transmission charges are passed through by distributors and other network costs are passed on by suppliers to consumers who ultimately foot the bill. We do not therefore believe that energy supply companies should have the responsibility for representing the interests of final consumers.

- **Basis for engagement**

We consider that consumers need more inclusive fora to engage with network operators. The issues that network companies engage with consumers and network users upon will need careful consideration, but should obviously focus on service levels and the desired outcomes from service provision. Clearly consumers

will have views on issues impacting quality of service and on their willingness to pay for certain projects and services. We believe that there are issues around how networks engage with communities in their localities who have specific issues (for example disruptions to supply). Accessible, proactive and timely communication is a big issue and distributors may need guidance about how best to achieve this.

To enable better engagement, network companies should provide business plans and supporting information in a defined and consistent manner at the front-end of the review process.

Yes, we agree the focus should be on “taking a step back early in the regulatory process to understand the needs of consumers” (p.26).

- **Complexity**

Yes, regulatory controls and processes are complex, though some of the complexity may well be necessary. Nevertheless, this complexity does make it difficult for consumers to engage in consultations. This is particularly true for the number and complexity of incentive arrangements.

There may be some trade-offs worth exploring which could be made between simplifying aspects of price controls in the interests of greater engagement by consumers and closer alignment with their perceived needs. A greater focus on output measures, such as proposed for DPCR5 may be one means to achieve this.

Whether this complexity leads to unintended consequences is a separate issue. It is for the regulator to reach a view on this matter.

- **Network engagement with consumers and network users**

We consider that network company engagement with consumers should be a licence requirement; it should not be just encouraged. There should be an overall framework of principles, with guidelines of good practice. At regulatory review times, and as part of the business planning cycle, there would clearly be a need for greater consumer input. But we consider that engagement is likely to be more productive if it is carried out on an ongoing basis and hard-wired into the companies planning practices.

- **Legitimising the regulatory process.**

The regulator should be required to take into account consumer representations on proposed settlements, but we see little merit in a formal right to appeal to the regulatory settlement to the Competition Commission.

The measures set out elsewhere in this section, if implemented, should go a long way towards legitimising the outcomes from the regulatory process.

**Question 2: We present a number of issues that we will consider when assessing how the regulatory framework encourages networks to meet the needs of consumers. Have you any views on these issues? Are there others that we should also consider?**

The issues identified in this section should be the focus of the assessment. We do not have any particular suggestions for supplementing the list at this stage. We would hope to see all these issues fully defined and developed in the November consultation. Some initial thoughts are highlighted below. We particularly welcome Ofgem’s intention of considering the approaches of other regulators with regard to getting serious consideration of consumer perspectives and issues.

- **Identifying what consumers need.**

This is paramount. We have given some initial thoughts on several of the questions raised by Ofgem above. The network companies cannot be relied upon to do this unless they are required to do so. Greater clarity on how they might do this should be provided through a licence obligation and supporting guidelines.



- **Balancing objectives.**

Again the questions flagged by Ofgem are very pertinent. Clearly, different types of user have different requirements. Ofgem should use the analysis from its Consumer First programme to develop initial thoughts then consult on them. We would be delighted to participate in the development process. The regulator, not the network companies, must be responsible for resolving these issues.

- **Value for money, efficiency and innovation.**

These questions are at the heart of the review.

- **Quality of service.**

This is a facet of what consumers need. The regime should permit differentiation of service provided other customers are not adversely affected. Development of defined outputs will help measurement of progress against these objectives.

- **Volatility of charges and structure of charges.**

Both of these considerations are very important to the generation and supply markets, as well as consumers, and can have an important impact on commercial decision taking and efficiency of the market. The level of charges is independent of their structure, and they should be addressed in that order.

- **Alignment of incentives along the supply chain.**

This is clearly desirable but it is not obvious how to address this issue.

**Question 3: Are the issues different for gas and electricity, and for transmission and distribution?**

No, we think most consumer issues are largely generic to the sub-sectors, although the further analysis to be undertaken by Ofgem should consider each of the questions posed above from this perspective. Solutions should be tailored to the network in question.

**CHAPTER: Five**

**Question 1: Do you have any views on our description of the sustainability challenges facing networks? Are these new challenges? Are the challenges different for electricity and gas, and for transmission and distribution?**

**Question 2: We present issues that we think we should consider when assessing how decisions about what needs to be done by the networks are incorporated in the regulatory regime. Have you any views on the list of issues? Are there others that we should consider?**

**Question 3: We present issues that we think we should consider when assessing how the regulatory framework can ensure that any capital investment is efficient and is financed. Have you any views on the list of issues? Are there others that we should consider?**

**Question 4: We present issues that we think we should consider when assessing how the regulatory framework balances risk and rewards. Have you any views on the list of issues? Are there others that we should consider?**

**Question 5: We present issues that we think we should consider when assessing how the regulatory framework can encourage innovation by the networks. Have you any views on the list of issues? Are there others that we should consider?**

**Question 6: Are we addressing the right issues and questions in the 'Delivering a sustainable energy sector' theme? Are there any issues missing from this theme?**

**Question 7: Are there issues that need to be covered in RPI-X@20 that are not adequately captured by our two themes? Please specify what these issues are.**

We think chapter 5 correctly identifies the main challenges facing the system of economic regulation of the network companies arising from delivering a sustainable energy sector, and agree with the basic proposition that significant changes in current operation by the network companies and their business culture is required.

Again, the issues identified in this chapter should be the focus of the assessment. However, as regards environmental interactions, this should not be to the detriment of social policy objectives. We would like to make a general comment to highlight the possibility of tensions between environmental targets (where there will likely be legal drivers e.g. EU directives) and perceived ‘softer’ issues like customer service and/or issues of concerns to consumers e.g. disruptions to supply. If there are trade-offs to be made in investment decisions, then those with legal compliance implications will dominate. There are understandable reasons for this but a similar experience in the water industry in Scotland (during development of Scottish Water’s investment framework) resulted in issues of concern to customers dropping off the agenda in the light of the environmental drivers. A balance between environmental and customer issues needs to be maintained.

We do not have any particular suggestions for supplementing the list of issues at this stage. We would hope to see all these issues fully defined and developed in the November consultation.

There are three particular issues running through the discussion in this chapter that we would comment on:

- there are a number of ring-fenced incentives in place that have been developed in response to wider policy pressures that are fragmented and not “joined up”. These include, in the case of the electricity distributors, losses incentives, distributed generation incentives, the Regional Power Zone and Innovation Funding Incentives. Network company responses to these should be properly assessed within the context of the guiding principles proposed by Ofgem. There should be a presumption that specific incentives should be targeted at areas where other arrangements do not work with carbon benefits and costs to consumers should be carefully assessed;
- as we have highlighted in the covering letter, the costs of these measures should be properly disclosed to consumers and their representatives. Ofgem should also be required to provide periodic comment on the costs versus the benefits and whether there might be lower cost alternatives; and
- last but certainly not least, the consultation rightly notes the importance of social objectives to delivering sustainable outcomes. It also comments on views that have been expressed on whether “networks could and should play more of a role in meeting social policy objectives, including metering fuel poverty targets and potentially wider goals (e.g. regional regeneration)” (pp32-33). Consumer Focus strongly supports these sentiments and believes this issue should form an important focus of the next consultation, and probably warrants treated as a separate issue (rather than as a sub-set of another). Tackling social issues cannot be treated as a separate stand alone issue in this review. We also agree on the need to closely assess the distributional effects of any change proposals.

## **CHAPTER: Six**

**Question 1: We have presented a number of ideas on changes that could be made to the existing regulatory framework. Are there other alternative frameworks that you think RPI-X@20 should look at?**

No, we think the emphasis on outputs, more constructive engagement with stakeholders and clear disclosure of the associated costs is the correct focus.

**Question 2: Do you have any provisional views on any of the ideas presented here?**

Not at this stage.

## **CHAPTER: Seven**

**Question 1: Do you have any views on the proposed next steps for the review?**

No, after a delayed start, the timeline and process appears appropriate but should be adhered to.