

SD Advisory Group

RIIO-ED1: sustainability in the next electricity distribution price control

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RIIO-ED1 launched



Implementation of RIIO model in electricity distribution
8 year price control: 1 April 2015 – 31 March 2023
Process will build on learning from RIIO-T1&GD1
Policies will build on DPCR5, and initiatives such as Smart Grids Forum

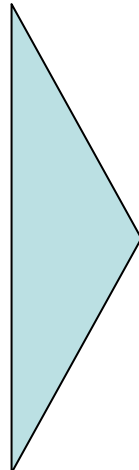
DPCR5

Current price control (DPCR5) precursor to RIIO framework:

- Run in parallel to RPI-X@20 (RIIO)
- Recognised need for DNOs to anticipate low carbon future
- More focus on outputs
- Targeted customer focussed DNOs

objective

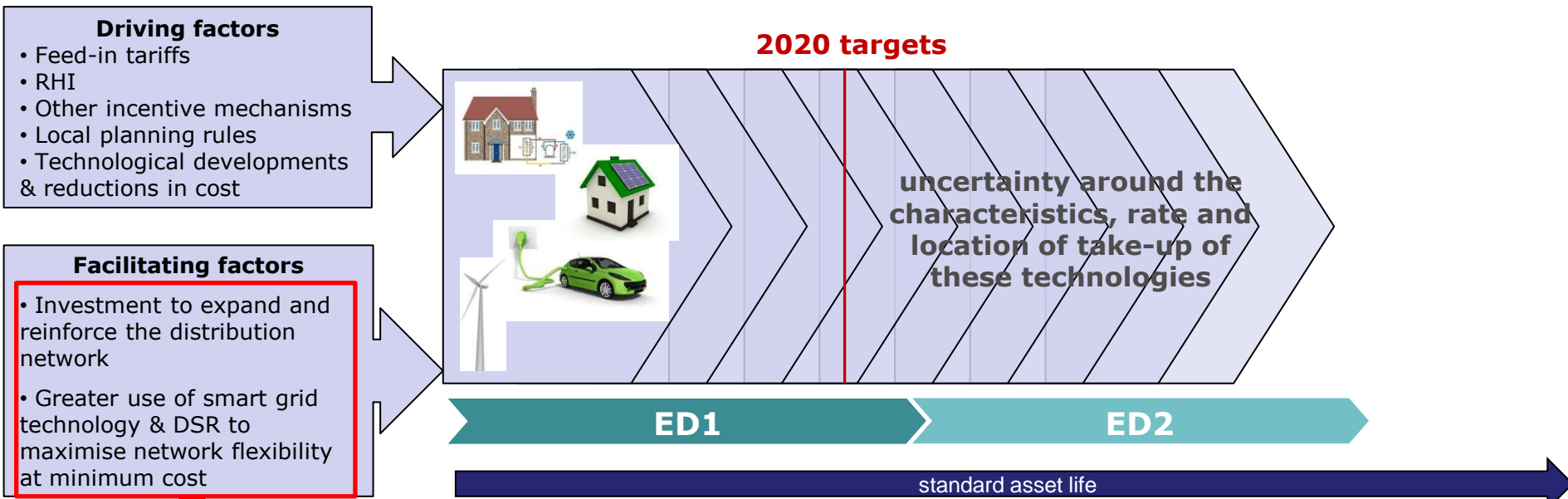
- Reduce DNOs' environmental impact
- Enable customers to adopt low carbon or energy saving measures
- Ensure DNOs prepare for change in network use
- Reduce barriers to DSR & DG



DPCR5

- £500m Low Carbon Networks fund
- Losses incentive
- Funding for undergrounding of lines in AONB & NPs
- BCF reporting
- Better information for DG connectees
- DG incentive
- Cost reflective charging
- Broad measure of customer satisfaction
- Same incentive strength on operating costs & assets

RIIO-ED1 Key Challenge



Issues to consider for ED1

- DNO approach to developing business plans – scenarios and investment justification
- Outputs DNOs are required to deliver – longer term?
- Barriers to DNOs adopting commercial arrangements to manage demand and generation output
- Incentives and uncertainty mechanisms

Ensure low carbon technologies can connect in appropriate time at appropriate cost

Environment/Social Output categories

Environment

- Help to minimise the environmental impact of DNO operations and of users on the network by:
 - ensuring low carbon technologies can connect at a reasonable cost and in a timely manner
 - managing losses
 - minimising business carbon footprint
 - minimising material non carbon emissions
 - using a stakeholder based approach to visual amenity in areas of outstanding natural beauty or national parks
 - potentially encouraging any role the DNOs might play in Local Authorities' integrated energy schemes.

Roll-out of smart meters will uncover issues affecting accuracy of losses data. BUT once smart meters in place, accurate losses measurement

Social obligations

- Priority services register obligations in licence.
- Could include issues such as initiatives to target the fuel poor?

Discussion questions

Low carbon connections

- Thoughts on potential barriers and other issues
- Any thoughts on how we can address?

DNO environmental impact

- Any other areas we should consider?
- Any role for DNOs with integrated energy networks?

Social

- What should we consider?

Objective to have a proportionate approach – targeting the material elements

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, a hand is shown holding a white document. In the bottom left corner, a blue gas burner is visible. The overall theme is energy and customer service.

ofgem

Promoting choice and value
for all gas and electricity customers