

Rachel Fletcher
Acting Senior Partner, Distribution
Ofgem
9 Milbank
London
SW1P 3GE

2nd April 2012

Dear Rachel,

The way forward for RIIO-ED1

Thank you for your invitation to respond to the above consultation. As you are aware, Good Energy is a small, licensed electricity supplier of 100% renewable electricity to over 28,000 customers; sourced from a community of around 25,000 small and decentralised generators across the UK. We also supply gas to over 5,000 customers on a tariff which supports the development of renewable heat.

Good Energy believes that the future solution to the trilemma of energy security, affordability and decarbonisation lies in a decentralised energy market where consumers are also generators and active participants in decide when and how they use their energy. A key building block of this future is a distribution network which enables smart energy use, not just by network companies, but customers and suppliers alike. To this end the decisions made in RIIO-ED1 are critical to delivering the network companies part of this solution.

We do not have answers for all the questions posed in the open letter, but we have answers some of the questions below.

1. Do you agree that ensuring that DNOs accommodate low carbon technologies in a timely and cost effective way should be a key objective of RIIO-ED1? Do you have any thoughts on how we should address this?

Yes. The accommodation of low carbon technologies, including storage are a key objective of this process. We believe that it is important that the process allows DNO's to take a longer view of investment so that investment in assets can be put forward on the basis of expected requirement even if that requirement is not immediate. For example, where clustering of technologies may require an upgrade to a small part of the network, then a DNO should be able to invest in a wider area smart solution on the expectation that other clusters will develop, rather than opting for a "copper based" solution to the immediate solution, each time a cluster appears and only switching to smart once sufficient clusters indicate an enduring smart solution is justified, which would cost more in the long run.

This should be addressed by DNO's having a strategic vision to a smart grid solution. A full smart network solution may mean that the network becomes over engineered in certain areas, but the economies of scale could prove better than a reactive patch by patch approach. In an ideal solution, then the network should be ready prior to low carbon technologies appearing.

We also believe that RIIO-ED1 should change the emphasis from DNOs not acting as barriers to low carbon solutions, but to engage more as proactive proponents of the low carbon agenda.

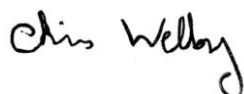
2. Do you think the ED1 price control should last for 8 or 9 years?

The next 10 years are likely to be the most intense period of change that the electricity industry has ever faced, and the likelihood is that the view of the networks in 10 years time, are likely to turn out very different as the various industry and society changes play out. That said, we would support a 9 years period with break points at 3 yearly intervals, rather than 8 years with a break at the 4 year point. We believe this re-

assessment point is essential to ensure that decisions are made on the best available data and not continued if the drivers change.

If you would like to discuss these matters further, please contact me.

Kind regards,

A handwritten signature in black ink that reads "Chris Welby". The signature is written in a cursive, slightly slanted style.

Chris Welby
Policy & Regulatory Affairs Director