

BEAMA

BEAMA has been established for over 100 years, covering a range of industries in the electrical, energy, water and power related sectors, and represents directly some 150 companies in the UK electrotechnical and allied manufacturing industries. BEAMA members produce equipment required for smart grids, metering and homes, and are active in many market sectors including commercial and residential buildings and energy networks. BEAMA is an active member of Orgalime, and of numerous EU Sector Committees. BEAMA member opinion is canvassed through a network of product and policy committees, and positions shared with officials.

BEAMA Initial feedback on RIIO ED1 DNO business plans

BEAMA are concerned about the length of time Ofgem has allowed for feedback from stakeholders on the business plans; up to the 2nd of August. This has been an inadequate time to respond in full and examine the details within the plans, and therefore express an informed opinion on whether the plans are well justified. We will therefore continue to examine these in more detail and will request a meeting with Ofgem in September in order to provide further, more detailed comments we may have in relation to the areas of feedback identified below. In the mean time we have provided some initial and higher level feedback on some critical areas we have identified so far.

Overall quality of the plans

- **Do you consider that the plans are comprehensive and well-justified? Do they provide a clear understanding of what the DNO will deliver over the price control period?**

The business plans are certainly comprehensive and total over 1000 pages of detailed text. This is difficult to analyse appropriately and BEAMA does not believe that it is reasonable to expect stakeholders to provide well considered response in the period allowed. It does not help that much of the critical information is set out in different formats in the various plans, making it hard to extract. BEAMA does recognise that the DNOs should be free to 'compete' over the approach they have taken to the plans, perhaps there could be a summary where key facts are presented in a consistent format.

- **Do the plans include all relevant information necessary for you to understand the impact of those plans on your interests?**

No comment at this time.

Reflecting what customers value/ stakeholder engagement

Under RIIO stakeholders have a greater opportunity to inform our, and network companies' decisions during the price control review process.

- **Have the views you provided to the DNOs been reflected in their plans? If not, has the DNO explained why?**

BEAMA strongly believes that manufacturers of the equipment used in the networks and the service providers to the DNOs should be included as stakeholders by the

DNOs and that the DNOs should engage formally with their supply chain. These views should be provided by appropriate Trade Bodies, such as BEAMA, to allow industry sector input, as opposed to the views of particular companies.

If manufacturers were consulted they would be able to identify a number of measures, such as smoother purchasing plans and common T&Cs that would reduce their costs and improve efficiency.

- **Do you consider that the plans reflect the interests of both existing and future consumers?**

Manufacturers report that there is consistent and strong pressure on them to reduce their costs. The business plans do nothing to suggest that there will be any change in this. Given the market power of the DNOs it is difficult for individual manufacturers to resist this pressure. Historically, as a result of this pressure, a large number of manufacturers have left the market. It also leaves UK manufacturers with inadequate funds to invest in innovation. There is a consequent danger that, in the medium term, UK networks will be increasingly importing equipment, services and innovation. This is not in the interests of future customers and is poorly aligned with the government's stated desire to promote UK manufacturing and exports via smart grids. A strong UK manufacturing base is important to future customers to ensure the efficient future operation of UK networks and to avoid rising costs as equipment and services have to be imported. BEAMA is initiating a program of work to seek ways to strengthen the UK supply chain for smart grids and hope that this can be tied into future discussions with the DNOs and OFGEM regarding innovation plans and deployment of Smart Grid technologies throughout ED1.

BEAMA members would welcome a positive discussion with the DNOs to seek approaches that would provide long term efficiencies for DNOs and manufacturers.

Expenditure proposals

We require DNOs to set out the operating and capital investment expenditure they require to deliver the outputs required by customers.

- **Do you consider that the DNOs have clearly identified and justified their operating and capital expenditure requirements to deliver the required outputs?**

The move in RIIO to output measures rather than inputs represents a major change to the regulation and operation of the DNOs and should be approached with caution. It would seem sensible to ensure a smooth transition from the inputs based approach to the outputs based so that there should be no step changes in NLR from DPCR5. Assuming that the asset replacement plans under DPCR5 were well founded, there appears no obvious reason why there should be a step change in NLR asset replacement.

- **Do you consider that the DNOs have adequately considered the potential efficiency gains from:**
 - **learning arising from the Low Carbon Networks Fund**
 - **future innovation**
 - **adoption of smart solutions (including Demand Side Response)?**

There is evidence that all DNOs have considered the learning from LCNF and there seems to be a strong emphasis on translating learning from these projects to business as usual as part of their strategies for ED1. The market will now need to work closely together to ensure the various solutions and technologies adopted in LCNF are scalable in the business as usual market for DNO operations. This is another key reason why the manufacturing community now need to engage at a detailed level with DNOs and in 'on the ground' trials.

BEAMA recognise the use of the Transform model in the business plans. BEAMA support the use of this model as a means to provide a consistent approach for all DNOs developing their longer term strategic planning for the deployment of smart grid solutions. However, it should be clear to the DNOs how this is going to be used and managed during this price control period and those following. Concern would arise if the model was to be misused (for shorter term procurement) and we would recommend this is reviewed in light of other models and the DNOs instructed to ensure their own models are complementary rather than affecting the validity of the model. BEAMA agree that the data to support the model must be provided and validated by an independent body, and therefore are currently working closely with EA Technology to ensure we validate the existing data sets relevant to our members products (enablers and solution sets), as well as develop a longer term plan for how this model will be managed, to ensure that the Transform model is based on an accurate and independent knowledge base. BEAMA will comment at more length with regards to the existing model and data through our consultation with EA Technology this summer.

The transform model outputs recognise the potential jump between ED1 and ED2 with regards to the rollout of low carbon technologies and therefore smart grid deployment. This indicates a significant level of deployment in ED1 in preparation for this significant change. Arguably we would expect the DNOs to be optimising the benefits of the NIA and NIC in order to build their resilience to the change at the end of ED1 and motivate deployment in preparation for ED2.

The rollout of smart metering will be a key enabler for smart grids and we recognise it is absolutely essential DNOs make the most of the data that will be made available from smart meter rollout and integrate the program into their business plans. There is evidence that the DNOs are utilising these new assets, but the level of detail provided in some cases does not present a clear picture as to how the connection with smart grid development will be made.

Financial proposals

We put forward proposals in our Strategy Decision to ensure efficient DNOs would be able to raise finance and to ensure they would be remunerated appropriately.

- **Do you have any views on the package of finance measures proposed by the DNOs?**

No comment.

Uncertainty and risk

DNOs are required to demonstrate that their proposals take account of the various risks and uncertainties they face and in light of these provide a strategy to deal with them efficiently.

- **Do you consider that the plans present a comprehensive consideration of the sources uncertainty they face, including uncertainty in relation to the low carbon future?**

No comment.