

Price Control Review Forum: summary of proceedings**Date: 30 July 2013, 09.30 – 13:30****Venue: Ofgem, 9 Millbank**

On 30 July 2013, Ofgem held the third Price Control Review Forum (PCRF) for the electricity distribution price control (RIIO-ED1). We summarise the main points arising in the meeting below.

Annex 1 sets out the attendees at this PCRF. Presentations given by the DNOs, Consumer Futures and Ofgem's RIIO-ED1 Consumer Challenge Group (CCG) are attached as associated documents to this summary.

Introduction and purpose of the meeting

Ofgem highlighted the main purposes of the meeting as being for:

- DNOs to provide short summaries of their business plans
- the Consumer Challenge Group (CCG) and Consumer Futures to present initial views on the business plans
- discussion of the DNOs' approaches to connections, social, and innovation and environment issues as set out in their plans.

Presentations

Each DNO presented a 10 minute summary of the plans they had submitted to Ofgem for RIIO-ED1.

The CCG and Consumer Futures then presented their initial views of the business plans. The CCG representative noted that there was a lack of cohesion across different elements of the plans, and that it was hard to see how elements such as data management had been considered across different areas of the plans. The Consumer Futures representative observed that they were clearly large plans written by lots of different teams, and that there was a clear difference between the descriptions of things that DNOs are used to doing versus things they're not.

Discussion

Following the Consumer Futures presentation, attendees discussed comments made by Consumer Futures on smart grids.

One attendee asked how many DNOs are investing in and assessing the value of smart grid projects to reduce network constraints. The Consumer Futures

representative said that all DNOs appeared to mention this, but that it was difficult to assess because if these projects are set out in an annex to the business plan they can be missed.

A number of DNOs described projects they are currently undertaking to implement Demand Side Response and other smart grid solutions. However, they highlighted that a big challenge is to understand the impact low carbon technologies will have on the networks, the cost associated with delivering the smart grid solutions, and the commercial risks in undertaking these projects.

One attendee asked whether the wider benefits of smart grid investment in lowering overall customer bills is taken into account in DNO plans.

Ofgem replied that it is looking for whole of industry solutions, and hopes that DNOs will work with organisations across the energy supply chain. DNO costs may increase, however if this investment results in benefits elsewhere in the supply chain then overall consumers should benefit. A DNO representative noted that the cost benefit analysis in the plans included wider benefits.

Connections

A representative from RenewableUK said it was not always clear how each DNO was proposing to meet the requirements of different types of connections customers. It would be helpful if plans were clearer on how they would impact upon specific groups such as generators, domestic and non-domestic customers.

One DNO highlighted the need to tailor the service to meet the different needs of customers. For example, some simply require connections as quickly as possible, other look for more engagement with the DNO and greater flexibility.

Another DNO suggested that to reflect the needs for different customers it may be better to have a different, rather than common, customer service targets across DNOs and customer groups. An Ofgem representative highlighted that what was critical was that all customers received the service that they required.

Social

The NEA attendee welcomed the shift in the approach adopted by DNOs in addressing a range of social issues, but noted the challenge is to embed and implement these commitments. He noted the importance of energy efficiency for fuel poor and wanted to see more from the DNOs on how they would encourage energy efficiency in RIIO-ED1.

The CCG representative asked how the DNOs felt about the broader definition of consumer vulnerability. One DNO stressed their role as enabling benefits to be delivered to customers, not necessarily delivering the support services themselves.

One attendee asked how much analysis has been done on the take-up of smart meters, whether take-up will reduce demand or just alter demand patterns, and whether the network can handle any such large changes in demand. The representative from DECC said that the assumption is that demand will drop as a result of the take-up of smart meters.

One DNO explained that this is the assumption but the Smart Grid work should lead to a better understanding of the issues. Another DNO stressed the importance on ensuring smart meter data was used to improve services for vulnerable customers.

One attendee said that there needs to be specific outputs to bolster monitoring and evaluation of the impact of new technology. These are required to understand the social benefits of innovation.

Innovation and Environment

The representative from CNP noted that not all DNOs are planning to spend their allowance for undergrounding existing lines in national parks and areas of outstanding natural beauty. They asked WPD why they were only planning to use a quarter of their allowance. A WPD representative explained that their approach was the best compromise to feedback from stakeholders on what they considered was the right level of spending. They had stressed to stakeholders that this allowance is paid for through customers' bills, and stakeholders had been polarised. They noted that their plan has projected spending at around 50 per cent higher than their current level.

One attendee asked what role DNOs are playing in government's Capacity Mechanism, for example in providing Demand Side Response (DSR) and the relationship with National Grid.

One DNO said there are a lot of projects underway that are exploring the role of DSR and whether the DNOs can achieve payments totalling less than the avoided investment. There have also been various discussions on this with National Grid, through the Demand Control Group which has now been adopted by the Smart Grid Forum. One representative stated that they had found it very difficult to compare the different DNOs' strategies on DSR and asked if the Energy Networks Association (ENA) could provide a summary.

One attendee asked whether the general application of DECC's low scenario will impact upon forecasts for the take up of low carbon technologies, and what will happen if take-up is higher than expected. One attendee, representing major energy users, expressed scepticism at DECC's forecasts and insisted that DNOs should not invest ahead of need in order to anticipate a higher level of take-up. One DNO stressed that while they have gone for DECC's low scenario, there are mechanisms and incentives in place to ensure they can respond to a different level of take-up.

Annex 1: List of attendees

Name	Organisation
Lewis Dale	National Grid
Alison Sleightholm	Western Power Distribution (WPD)
Roger Hey	Western Power Distribution (WPD)
Sarah Walls	Electricity North West Ltd (ENWL)
Steve Johnson	Electricity North West Ltd (ENWL)
Aileen McLeod	SSE
Sam Risdale	SSE
Keith Hutton	UK Power Networks (UKPN)
Ben Wilson	UK Power Networks (UKPN)
Tom Fielden	Northern Powergrid (NPg)
Iain Miller	Northern Powergrid (NPg)
Jim McOmish	SP Power Systems (SPD)
Helen Inwood	RWE npower
Rochelle Harrison	Centrica
Hugh Conway	Major Energy Users Council
Zoltan Zavody	RenewableUK
John Christie	Department for Energy and Climate Change (DECC)
Sheila Rees	Health and Safety Executive (HSE)
Ruth Bradshaw	Campaign for National Parks (CNP)
Andrew Faulk	Consumer Futures
Ian Burkett	GMB
James Harbidge	Intellect
Linda Lennard	RIIO-ED1 Consumer Challenge Group (CCG)
Peter Smith	National Energy Action (NEA)
Anna Rossington	Ofgem
James Veaney	Ofgem
Dora Guzeleva	Ofgem
Hannah Nixon	Ofgem
Andrew Stone	Ofgem
Stephen Perry	Ofgem
Matthew Ramsden	Ofgem