



## **Consultation on a potential RIIO-ED1 Mid-Period Review**

### **E.ON consultation response**

#### **Executive Summary**

- We welcome the chance to comment on Ofgem's thoughts regarding a mid-period review of the RIIO-ED1 regulatory framework. It is important that a wide range of stakeholders are consulted and we hope that this consultation achieves that level of engagement.
- Within the document, Ofgem has put forward some initial views on whether an MPR would be necessary, covering a number of topics. We agree with the assessment that developments within smart metering, the deployment of electric vehicles and the clean energy package do not necessarily justify an MPR.
- Although we have found the tone and content on the document as being fairly helpful, especially the initial conclusions alongside analysis, it is imperative that Ofgem do not seek to use the consultation to simply verify their initial conclusions instead of considering each response according to its own merit.

#### **Background**

##### **Question 1**

##### **Do you have any comments on the scope of the ED-MPR?**

1. We believe that the scope of the ED-MPR remains suitable and fit for purpose.

##### **Question 2**

##### **Do you have any comments on the preliminary information on company performance provided in this document?**

2. We are pleased that Ofgem has released some preliminary information on the performance of distribution networks and are looking forward to seeing further updates as the data arises.
3. We believe that it would be useful if the return on regulatory equity data included a distinction between Totex underspend that has resulted from efficiencies and Totex underspend that has arisen from lower than expected demand (as explained in paragraph 1.1.7 of the consultation document). These are very separate reasons for underspend and it would be useful to understand how they compare.

#### **External Factors Potentially Affecting RIIO-ED1**

##### **Question 1**



## **Do you agree with the initial view we set out in this section against each individual issue?**

### Electric Vehicles

4. In our view, all performance criteria (reliability and availability; customer satisfaction; connections; environmental and social obligations and; safety) are affected by EV uptake.
5. We believe that the uptake of electric vehicles in the UK is accelerating at pace. The number sold in 2017 almost matched the total number purchased in the previous three years. In addition to this, the UK government has given clarity that all new cars and vans need to be zero emissions by 2040. It is therefore clear to us that EVs represent a major challenge for DNOs. We believe that this challenge will arise within the RIIO-ED1 period, and it is important that they are able to respond to this such that it does not impede the uptake of EVs.
6. Some DNOs have already moved to enable curtailment of EV charging as part of mitigating against the risk of the potential failure of current network assets. Although this could help with network resilience in the short term, it also has a negative effect on customer satisfaction which could be detrimental to the growth of EVs. Curtailment should not be viewed as a success and instead the incentive framework should encourage more innovative solutions to support the expected uptake of EVs, including the need for investment.
7. The consultation document asserts that there is not enough clarity to around the required changes in outputs to accommodate EVs. We however believe there is sufficient clarity on expected uptake of EVs and the demand this will create for the networks for this to be reviewed.

### Implementation of the European Clean Energy Package

8. As the clean energy package has not yet been agreed, we agree that there is not currently enough clarity to justify an MPR.

### National Flood Resilience Review

9. We do not have a particular view on this at this time.

### Resilience of Networks and Information Systems

10. We do not have a particular view on this at this time.

### Black Start

11. We do not have a particular view on this.

### Whole-system outcomes and the transition to Distribution System Operator (DSO)

12. The RIIO framework for DNOs is offering some incentives for network companies to consider alternative options to the traditional approach of investing in copper and wire to increase their regulatory asset base but more needs to be done.
13. To deliver their functions effectively, DNOs must transition into DSOs. The transition needs to include strong incentives for the role to bring forward the most cost effective solutions to market through RIIO-2.
14. As of yet, a decision has not been made on which market model would be best designed to deliver this. It is unlikely that this decision will be made before the MPR would take place.
15. Because of this, and because the Totex model within RIIO-ED1 gives some room for DNOs to make the transition within the framework, we do not believe this necessarily justifies an MPR.

#### Smart Meters

16. We acknowledge that the smart meter rollout has not progressed at the rate that many expected when forecast were set for RIIO-ED1. It is important that DNOs meet the terms of their SLAs in order to ensure that the rollout can provide as good value for customers as is feasible. Well-functioning smart meter infrastructure will be crucial to achieving the smart, flexible energy system that will be needed in order to minimise costs for customers.
17. We do however accept that Ofgem have the ability to monitor efficient use of funding as part of the continuous monitoring work. Therefore we agree that this is beyond the scope of the MPR.

#### **Question 2**

**Have you identified any other issues not covered in this section that should be considered within the scope of the ED-MPR process?**

18. We have not encountered any further issues that we believe should be considered within the scope.

#### **Question 3**

**What are your views on a discrete extension of the ED-MPR scope as described in paragraph 2.30 (rail electrification)?**

19. We do not currently have a view on this.

#### Additional Issues Considered

#### **Question 1**



**What are your views on a potential significant extension of scope to capture financial and incentive performance and design?**

20. This seems to be a sensible extension of scope and we would be supportive of such a measure.

#### **Question 2**

**Do you have any views on the other issues raised in this section?**

21. We do not have any on this section.

#### **General Feedback**

##### **Question 1**

**Do you have any comments about the overall process of this consultation?**

22. We do not have any comment

##### **Question 2**

**Do you have any comments about its tone and content?**

23. We have found the tone and content on the document as being fairly helpful, especially where Ofgem has given its initial conclusions alongside analysis, making it quicker and easier for others to come to their own conclusions. It is, however, imperative, that Ofgem do not seek to use the consultation to simply verify their initial conclusions instead of considering each response according to its own merit.

##### **Question 3**

**Was it easy to read and understand? Or could it have been better written?**

24. We found the document easy to read and understand when considering the complexity of its subject matter.

##### **Question 4**

**Were its conclusions balanced?**

25. We believe that the conclusions are balanced.

##### **Question 5**

**Did it make reasoned recommendations for improvement?**



26. We believe that the recommendations are reasoned.

**Question 6**

**Any further comments?**

27. We do not have any further comments at this time.

**E.ON**

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