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Dear Steve,

RIIO-ED1 Mid-Period Review (MPR) Consultation Response

This submission was prepared by Citizens Advice. Citizens Advice has the statutory responsibility to represent the interests of energy consumers in Great Britain. This document is entirely non-confidential and may be published on your website.

Chapter 2 - Question 1: Do you agree with the initial view we set out in this section against each individual issue?

Issue 1 – Electric Vehicles (EVs)

We agree with Ofgem’s initial view that “there is currently not enough clarity around the changes in outputs required to accommodate EVs to justify an MPR”. Whilst policy goals have been announced and consumers are being incentivised to buy EVs, the networks have not yet been able to quantify what costs and requirements this places on them. On this basis, we consider this issue to be outside the scope of the MPR.

Issue 6 – Whole-system outcomes and the transition to Distribution System Operator (DSO)

We agree with Ofgem and the network companies that, although the transition from distribution network operators (DNOs) to distribution system operators (DSOs) is an essential part of making the GB energy system smart and flexible, at this stage the exact role and functions that DSOs are to fulfil are not yet fully defined and agreed upon. Changes to the outputs for ED1 would therefore be premature. The incentives currently in place should in the meantime be sufficient for DNOs to manage their networks in the most efficient and coordinated way possible.

Issue 8 – Rail Electrification

We believe that customers should be entitled to a refund of costs previously assigned to rail electrification projects that have now been cancelled (excluding any costs shown to have been incurred up to the cancellation). This portion of the original allowance provided to support the delivery of cancelled rail electrification should be returned to customers in full, these costs are no longer required and have arisen from a clear change in government policy. More generally, where network cost savings are unconnected to network performance (e.g. through government policy changes or commodity prices), these savings should be returned to consumers in full.

Chapter 3 - Question 1: What are your views on a potential significant extension of scope to capture financial and incentive performance and design?

Given that some network companies have already set a precedent by making voluntary returns under GD1 and T1, we see a clear benefit in the reasoning behind their actions being formalised by Ofgem, and then extended to network companies in an MPR in ED1. The purpose of this should be to ensure that unfair profits received by electricity distribution companies are returned back to consumers, in line with the recommendations made in our 2017 report Energy Consumers' Missing Billions¹. Reopening the ED1 financial settlement in this way would do much to increase fairness and improve consumer and political trust in the RIIO framework.

We would like to see Ofgem's assessment of the quantified impacts of the proposal to significantly extend the scope of the MPR, including consumer cost implications and investor risk. Until then it is difficult to precisely assess the merits of a significant redesign of the MPR at this stage for RIIO-ED1.

More broadly, we are mindful that the extent to what an MPR can cover should be clearly defined as early as possible, and there are risks associated with doing this at a late stage. That said, MPRs should enable the updating of data that was previously estimated on forecasts (not actual) - a process that in some cases could be automated.

If you would like to discuss any matter raised in more detail please do not hesitate to contact me.

Yours Sincerely,

Joel Atherton
Senior Policy Researcher

¹ <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/EnergyConsumersMissingBillions.pdf>