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RIO2 Framework Consultation

Citizens Advice provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. We are the statutory representative for domestic and small business energy consumers across Great Britain.

We are pleased to be invited to respond to this consultation. This document is entirely non-confidential and may be published on your website.

Overall we support RIO framework and believe that this approach to monopoly regulation has been a great improvement on previous price controls. We have been critical of some aspects of RIO1, in particular we have been critical of the high returns that many of the networks are making. But in our view this requires optimisation of the model and not fundamental restructure. We also recognise significant strategic challenges ahead for the energy sector as we transition to a flexible and increasingly decarbonised energy system and are keen to see RIO2 play a central role in delivering the benefits of the transition to consumers. We are pleased with Ofgem's proposals which put RIO2 on the right tracks, however now it is vital that Ofgem sticks to its intentions and delivers.

In considering the proposals, we have tried to reflect where we believe they require further refinement, additional evidence or where we feel they would not be best placed to meet the needs of consumers or the movement towards future energy systems. In summary:

- We welcome Ofgem putting greater focus on stakeholder engagement within RIO2, and additional layers of challenge and scrutiny to networks to further improve their responsiveness to consumer needs and interests. We support the introduction of Customer Engagement and Transmission User Groups but the proposals require further refinement in order to effectively achieve greater consumer scrutiny and engagement. In particular, during RIO2 we would prefer to see one central GB-wide Customer Engagement Group that would review and comment on company consumer engagement plans and

implementation reports, facilitate cross-company sharing of good practice and joint working, establish an open library of consumer research, and feed into annual assessment rounds of engagement incentives (if they are retained).

- Vulnerable consumers are rarely cited within the framework document and further work is required to ensure that the price control framework more fully reflects the needs of these consumers. We expect to see more focus on this area in the GD2 sectorial proposals. Two areas for example where networks could be further incentivised to address the needs of these consumers could be through modifications to the social obligation incentives, and through encouraging networks to demonstrate how they are meeting the needs of these consumers in their innovation applications.
- We are happy that Ofgem has reflected the need for a tighter framework on network financial returns and to ensure fairer returns during the next price control period. We are in agreement with the proposals to change the measurement of the cost of equity, including moving towards the CEPA range for the cost of equity, and to index the risk-free rate and TMR, together with the move to utilise other indices than RPI. But we do want to see Ofgem review whether it should use the Generalised Auto-Regressive Conditional Heteroskedasticity (GARCH) model to measure the equity beta.
- We think that Ofgem should consider whether consumers should share with investors the benefits of financial outperformance associated with the cost of debt.
- We agree with the principle that there should be a failsafe framework to ensure the return of funds to consumers in exceptional circumstances where there are higher than expected returns. We would like to see from Ofgem further specific details on the design of each of the approaches.
- We agree with the proposal to set the price control period to 5 years, however there is currently incomplete evidence on the downsides and benefits of this length of control period. In addition, Ofgem should make clear its assessment criteria for arguments made by companies for timescales that differ from the baseline of 5 years. This will be particularly important if views of the optimum timescale for a particular output differ across companies.
- We agree with the proposal to maintain dedicated innovation funding in RII02 given the likely investment that will be required to transition to future energy systems. We are also in agreement of aligning the funding to key energy transition challenges and wider public sector innovation funding. Ofgem

should seek to ensure that innovation funding and projects benefit consumers. We also agree with the principle of increasing third party engagement in funding, but Ofgem should seek to address the regulatory requirements gap associated with non-licensed operators.

- We agree with the view that the next price-control framework should help to deliver whole system outcomes. However, further work is required to define what it means by, 'whole system' and also to ensure that other aspects of the RII02 framework, including innovation funding, are more geared towards whole system outcomes.
- We agree with the overarching proposals set out in relation to the System Operator (SO). We agree with the view that the electricity SO should have its own price control separate from the electricity TO and for an alternative remuneration model is considered for the ESO, although these should follow a number of principles that we set out below in our response. We do not see a need for alternative remuneration models for the gas SO, at the current time.
- In terms of IQI, we acknowledge Ofgem's analysis that it is not working optimally, but we think Ofgem should provide further analysis whether or not it has derived positive effects and therefore whether it should be reformed or replaced.

We have developed five principles that we think need to be met in order for the next price control to really deliver for consumers. Whilst we consider these principles to be rightly demanding in order to produce the best outputs for consumers, we do consider these tests to be achievable. A summary of these is below and we have attached the full text as an annex to our response:

1. Profits are lower than the previous price control, to more accurately reflect the relative low risk for investors in this sector.
2. The value of any unspent funding for infrastructure projects is returned to consumers promptly and in full.
3. Industry business plans and regulatory decisions are directly informed by consumer (including future consumer) feedback and research.
4. Companies are required to publish complete information on their performance, financial structures, gearing and ownership.

5. Innovation funding and incentives support consumers in the transition to a low-carbon future, particularly those consumers in vulnerable circumstances.

Given the importance of this price control we have been looking to gather cross-party support across Parliament for these principles. 20 MPs have added their names to these principles. A full list can be found in the Annex.

Finally, we were impressed with the quality of the Consultation document. Given the complexity of the subject area, it is easy to read and comprehend and clearly articulates and addresses the key points of how the next price control framework should be developed.

Chapter 3 - Giving consumers a stronger voice

Q1. How can we enhance these models and strengthen the role of stakeholders in providing input and challenge to company plans?

What are your views on the proposal to have Open Hearings on areas of contention that have been identified by the groups?

General comments

We welcome Ofgem putting greater emphasis on consumer engagement for RIIO-2. We agree that an additional layer of challenge to the companies and assurance to Ofgem are important steps to further improve company responsiveness to consumer needs and interests. This should improve the quality of company business plans as well as contribute to achieving better outcomes for consumers during RIIO-2 delivery. We also agree with Ofgem that this is best implemented by putting in place comparable structures across companies. This should ensure that all companies receive a consistent level of challenge from consumers and users. Underneath these challenge structures, companies are still free to conduct engagement in whatever form they see appropriate for their customer base.

We will shortly be publishing our research into energy networks stakeholder and consumer engagement. We have been working with Involve (a specialist engagement consultancy) and Sustainability First to identify best practice, and consider how networks can optimise their engagement when developing their business plans and during the course of the price control. This work has informed our response.

Justification of proposals: Ofgem's model is clearly trying to learn lessons from other sectors and models. Ofwat's Consumer Challenge Group (CCG) model has been widely praised as a step forward; the Civil Aviation Authority (CAA) has used a form of negotiated settlement for some years now. We haven't seen any evaluation which proves that a certain challenge model delivers better consumer outcomes compared to another. For example, determining whether negotiated settlement versus challenge groups is the better model is genuinely difficult because the counter-factual will never be known. However, we would have preferred more focus in the consultation document on justifying or explaining Ofgem's decision on why the particular models were chosen and what analysis was done to assess various models that exist. Part of the decision-making process should be asking network stakeholders themselves. For example, our conversations with Distribution Network Operators' (DNO) stakeholders have shown us that there is also great appetite for some level of negotiations between energy networks and their customers.

Incentives for good engagement: We would like more clarity about what incentives Ofgem is offering companies for conducting sound consumer research and running their Customer Engagement (CEG) and User Groups well. In RIIO-1, consumer engagement was only one of many components under assessment for a business plan. Rewards given to companies depended on the overall assessment, and no specific reward was given for engagement efforts. That's why in their paper in 2017¹, Bob Hahn and colleagues found no direct link between the evaluation of a company's engagement process and the overall assessment of the business plan. Asking for a ramp up in quality and extent of engagement from companies without offering a concrete reward may incentivise companies to put in minimum effort.

Space for company-specific targets and outputs: We agree that Ofgem should retain ultimate decision-making power over business plans whilst taking into account the views of company stakeholders. It would however be helpful for Ofgem to indicate soon in which area they may allow companies to set company-specific targets and spending plans, and where Ofgem draws a line and will expect common approaches. Though Ofgem has indicated that - with independent assurance in place - they will be open to considering more company or region-specific plans as Ofwat does, knowing what the "off-limit" areas are would be helpful to avoid unnecessary work and disappointment.

Ofgem resourcing: Implementing these enhanced engagement plans will take up a significant proportion of the regulator's staff time to stay in regular contact with CEG and User Group Chairs, to provide guidance, to run the RIIO-2 Challenge Group and to then properly assess the groups' submissions. We are concerned that current resourcing levels risk not being sufficient to allow the RIIO-2 team to meet these heightened levels of activity and we hope that Ofgem will take steps to address this.

A common standard for "good engagement": Members of CEGs will be asked to comment in detail on the quality of company engagement. It is important that they have some form of common understanding to do so. Currently, the only indication from Ofgem on what "good engagement" looks like are the judging criteria of the Stakeholder Engagement Incentive. We believe that Ofgem should develop a standard evaluation framework to evaluate the quality and effectiveness of company engagement. A basis for such a framework could be Ofgem's own principles for engagement (2010)²: Inclusiveness, Transparency, Accessibility, Control, Responsiveness, Accountability, Taking views seriously, Demonstrating impact, Evaluation; as well as Ofwat's principles³ for engagement.

¹ Robert Hahn, Robert Metcalfe and Florian Rundhammer, (2017) "[Working with Customers to Improve Regulation: Working Paper](#)",

² Ofgem (2010), '[Handbook for implementing the RIIO model](#)'

³ Ofwat (2016), '[Ofwat's customer engagement policy statement and expectations for PR19](#)'

Engagement during price control: Whilst the task at hand is preparing for RIIO-2, we think it is important to think ahead and also consider how and whether these new structures will be used during the price control period. Our report⁴ explores various options (Chapter 6) and concludes that the best solution would be to establish one central GB-wide group during RIIO-2, covering all networks, whose functions could include: review and comment on company consumer engagement plans and implementation reports; facilitate cross-company sharing of good practice and joint working; establish an open library of consumer research; feed into annual assessment rounds of engagement incentives (if they are retained).

Comments on Distribution model: Customer Engagement Groups

Role: Ofgem's guidance stated that CEGs should "provide independent challenge on whether the company's business plan addresses the needs and preferences of consumers." Adding some detail to this, we think this challenge should involve:

- scrutinising how effectively the company has engaged with consumers and their representatives, and evaluating the breadth, depth and quality of engagement;
- challenging the company about how they have interpreted the results of their consumer engagement - but in doing this it is important that CEG members should not substitute their views for those of consumers;
- assessing how effectively companies have used the outcomes of engagement and research to inform their business plan, and forming a view of whether proposals go far enough;
- considering different types of consumers, including domestic, small and micro businesses, consumers in vulnerable situations and future consumers.

Remit: We greatly welcome the wide remit that Ofgem has given the CEGs in their guidance document⁵, especially the focus on support provided to vulnerable consumers. It sets out clear areas of focus, which should help avoid the experience of some water challenge groups who explored topics which Ofwat had not envisaged them commenting on. We also welcome that, in the guidance document Ofgem indicates that CEGs will also be tasked with assessing the quality of engagement undertaken to inform a business plan. This has been missing from the consultation document.

Support: Given the novelty of the CEGs' function, and the time pressure that gas distribution and transmission companies are under, we would expect that Ofgem gives a great level of support to CEGs. Network companies have shown in their work with their stakeholder groups that they are good at explaining their own business and

⁴ To be published on our website early May 2018

<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/>

⁵ Ofgem (2018), '[RIIO-2 Enhanced Stakeholder Engagement Guidance – Version 1](#)'

performance, but less good at creating a holistic industry picture and showing how they perform against others. Ofgem as the regulator should play a role by bringing all group members to a level of common understanding of the price control process, and to providing a benchmarking and cross-industry data to enable CEGs to make a proper assessment of their company's engagement efforts and business plan. Citizens Advice has also communicated its willingness to support CEGs if they want to invite our views and evidence on any topic as the statutory representative of domestic and SME energy consumers, as well as being willing to participate on CEGs.

Questions to ask: Providing CEG members with an indicative list of questions they should be asking their company would help CEG members hit the ground running. The water regulator Ofwat wrote a list of indicative issues that they wanted the water Customer Challenge Groups to report on, which can also be read as a useful list of questions. See pages 24 and 25 in their guidance document⁶ (2016). In addition, the CEGs should ask to what extent the companies' engagement was in line with principles of good engagement. Ofgem's principles⁷ for effective enhanced engagement (2010) are a good starting point to assess quality against.

Transparency: Companies and CEGs have to ensure that their work and operations are transparent to Ofgem, to the wider energy industry but also to the general public in whose interest these additional challenge functions should work. We welcome all the suggestions Ofgem has made in this regard in their guidance document. We would add that companies should publish the report that Ofgem is requiring from them about the arrangements put in place to ensure independence of the CEG. This way third parties including consumer bodies will be able to assess and compare across companies.

Evaluation: There is a lack of evidence which regulatory models for bringing in the consumer voice actually have the most impact. It is important that we understand to what extent CEGs are having a positive impact on company business plans, the regulatory process and how it helps Ofgem take a final decision on plans. Therefore it is crucial to set out now how to evaluate the CEGs to then inform decisions for ED2. Ofgem should go back to the drawing board for ED2 and assess all options again for how to strengthen the consumer voice.

Comments on Transmission model: User Groups

We do not believe that a User Group is an ideal forum to represent domestic and small business consumers. Users, i.e. companies, will necessarily have a commercial interest during negotiations, as observed by Bush and Earwaker in their analysis of the Heathrow and Gatwick price control negotiations. The domestic and small business consumer voice will likely be drowned out and not receive the necessary amount of

⁶ Ofwat (2016) *ibid.*

⁷ Ofgem (2010) *ibid.*

attention. Instead we believe the RIIO-2 Challenge Group will be better placed to assess transmission companies' business plans from the lense of different types of consumers, as Ofgem's proposal suggests. That said, we of course welcome any company that decides to have a consumer representative on their User Group.

We agree with Ofgem that it would not be economical to have a consumer challenge group for every transmission company. It would likely be difficult to identify people with suitable experience and capacity to sit on each group. This would particularly be the case in Scotland as transmission companies based there have pointed out. In addition, each group would again need an independent chair, and a method of allowing chairs and (preferably) group members to exchange experience during the planning process would also be needed. The alternative, as proposed by Ofgem - a single, GB-wide RIIO-2 Challenge Group for transmission is preferable. Such a group can compare and contrast plans during their development, and would also make best use of the capacity of the limited number of individuals able to contribute.

We have concerns around the **assumption that transmission users are already sufficiently knowledgeable to be productive members of a User Group.** Transmission companies themselves voiced their doubts about how readily their users would be able to comment on price control topics, or even tangible decisions and plans if the users are not directly affected by them. The amount of effort that should go into the set-up and training of the User Group should not be underestimated. It may require input from Ofgem, just like for the CEGs, to bring group members to a common level of understanding on price control, or to provide benchmarking information.

There is a gap in the way that transmission companies receive challenge under the proposed model. **It is not clear who will be reviewing the quality of engagement that went into company business plan.** Neither User Groups nor the RIIO-2 Challenge Group are tasked do so. Checking that engagement was of quality is of great importance and it is necessary as past examples show. In 2011, National Grid Electricity Transmission was asked⁸ to re-do a willingness to pay study they had conducted due to methodological shortcomings which likely influenced the final study outcome. A water CCG recently highlighted a significant flaw in willingness to pay studies in that they traditionally give more weight to the responses of men compared to women for no sound methodological reason. This shows that methodological rigour and challenge do matter. Given the limited time and resources available, it seems that Ofgem or the RIIO-2 Challenge Group would be best placed to assess the quality of engagement of transmission companies. We would welcome discussion with Ofgem on how this could be best implemented.

⁸ London Economics (2011), [‘Review of company surveys on consumers’ willingness to pay to reduce the impacts of existing transmission infrastructure on visual amenity in designated landscapes’](#)

Comments on the RIIO-2 Challenge Group

We welcome this proposal of adding another level of strategic challenge and enabling cross-company comparison through this group. It can build on the strong foundations laid by the ED-1 consumer challenge group we think played an important role in ED1. Vitality, it adds a level consumer challenge to transmission companies, who would otherwise only be challenged by their direct users. We believe that Citizens Advice, as the statutory representative of domestic and SME business energy consumers, is well suited to take up a seat on this Challenge Group. We would appreciate further detail from Ofgem on what membership on this Group would involve.

We would expect that the RIIO-2 Challenge Group is engaged in, or can at least comment on Ofgem's decisions on the cost of capital and financeability - issues that have a profound impact on consumers. It is clearly stated that neither the Customer Engagement Group, nor the User Group are expected to look at these issues. We do think consumer scrutiny on these topics is important and - given Ofgem's own research with consumers⁹ - such scrutiny should be provided by independent, knowledgeable experts.

When comparing and assessing company business plans, the group needs to give due attention to the regional differences between England, Scotland and Wales. For example, Wales has its own fuel poverty and community energy targets, Scotland its own renewable energy targets. These will invariably create differences between company plans.

We welcome that the Ofgem guidance document and Ofgem staff verbally confirmed that the RIIO-2 Challenge Group will also serve to challenge Ofgem itself. We would soon like to see the scope of this challenge function outlined, for example in the terms of reference of the group. We believe this should include challenging Ofgem on its approach to RIIO-2, its assessments of business plans and on forthcoming key decisions such as the design of the incentive framework and uncertainty mechanisms. Further detail is also needed about what the membership of this group should look like, the resourcing available, and the sequencing of work.

Comments on Open Hearings

This is a welcome proposal. Open hearings will give more transparency to the process of price control. We would like to see more detail from Ofgem about how these hearings will work.

To add value, any open hearing should provide space for more stakeholder views and evidence to be heard, i.e. more than provided input into to CEGs and User groups and could not agree in the first place. Hearings should not become a talking shop of those

⁹ Ofgem (2018), ['Consumer First Panel, Year 9, Wave 2, Consumer involvement in the price control process'](#)

involved in the disagreement, repeating what they set out in their reports already. There should also be criteria in place for what issues qualify for being brought to an open hearing to allow to sift through suggested topics.

Contributors to the hearings should be asked to, as far as possible, define the consumer benefit or detriment of any proposal under discussion. Given Ofgem's goal to "make a positive difference for energy consumers", having clarity on the consumer impact is crucial and should play a major role in Ofgem's decision-making. Ofgem should consider how "open" these open hearings can be conducted. The public attention around these hearings may be conducive to solving contentious issues that affect the public interest. However, there may be commercial interests that prevent parts or most of the hearings to be conducted publicly. Thoughts from Ofgem on how to maximise transparency during the hearings would be welcome.

Comments on Ofgem's own customer engagement

Just as we are calling on network companies to engage more with end-consumers, we would encourage Ofgem to do the same. Regulators and Government should involve citizens in a meaningful way in societal debates. We will highlight in our report on consumer engagement Ofgem's Consumer First Panel as a best practice example. But there are further topics that need end-consumer engagement. Where issues affect the whole network industry, for long-term issues or where decisions lie with the regulator, Ofgem may be better placed than individual companies to engage end-consumers.

Two examples spring to our mind. Firstly, senior Ofgem staff have been saying that RIIO-2 should deliver a price control that lets companies earn revenues that are fair in the eyes of the consumer. But it is unknown what the average energy user thinks is a fair return for a network company. We think this is worth exploring. Our research found that network companies would not be accepting of any consumer research on this topic conducted by Citizens Advice. Equally, we would be querying research commissioned by network companies on fair returns.

Secondly, a regulatory change that is potentially as significant as RIIO-2 is reform of the network charging regime. Implicit in decisions about charging are judgements around fairness, about who pays and who benefits. We believe that at some stage in the network charging review process, deliberative research with end-consumers should form part of the evidence-base.

Chapter 4 - Responding to how networks are used

Length of price control

Q2. Do you agree with our preferred position to set the price control for a five-year period, but with the flexibility to set some allowances over a longer period, if companies can present a compelling justification, such as on innovation or efficiency grounds?

This change in approach should allow for a more responsive price control, without overreliance on potentially disruptive reopeners. However given that the current (longer) price control is still underway, there is incomplete evidence on the downsides and benefits of its length which would be necessary to make a full assessment of the costs and benefits of changing the length of the price control. We agree that in some circumstances, giving companies the option to use longer time periods may help to improve predictability of costs, which should then be channeled towards reducing costs for consumers in the long term. Ofgem should be clear on its plans to assess the merits of differences in opinion between companies - regarding the timescale set for specific aspects - if it wishes to ensure consistency across companies.

What type of cost categories should be set over a longer period?

We think that the burden of proof should be on networks to demonstrate where cost categories should be set over a longer period. Genuinely routine maintenance of the network, such as infrastructure inspection costs and replacement of predictably time-limited equipment, could in some cases be managed more efficiently if set over periods of time greater than five years. Ofgem should also consider longer periods of time for spend categories (including innovation) in which companies can prove that they need more than five years to deliver changes that deliver measurable consumer or environmental benefits. Additionally, in circumstances where costs are realised late in a given price control, Ofgem should consider allowing these costs to be spread into the next price control where this can be shown to improve the overall impact on consumers.

How could we mitigate the potential disruption this might cause to the rest of the framework?

Not answered

What additional measures might be required to support longer-term thinking among network companies?

Not answered

Do you instead support the option of retaining eight-year price controls with a more extensive Mid-Period Review (MPR)?

No, we believe that having shorter time periods of planning for inherently unpredictable aspects of the price control is more advantageous than leaning on potentially disruptive reopeners. But, if longer price controls were to be used, we would want to see the scope and scale of MPRs increased to properly tackle emerging issues and allow the price control to readjust in flight.

What impact might the alternative option of an eight-year price control with a more extensive MPR have on how network companies plan and operate their businesses?

Not answered

Whole system outcomes

Q3. In what ways can the price control framework be an effective enabler or barrier to the delivery of whole system outcomes?

- **If there are barriers, how do you think these can be removed?**
- **What elements of the price control should we prioritise to enable whole system outcomes?**

Every network company already has an obligation to make efficient and active use of innovative system solutions where these offer benefits. However, there are barriers for companies activity seeking whole system outcomes as routine.

- Innovation is currently, in some cases, a barrier to whole system outcomes, and is explored further in our response to questions 11-15.
- Alignment of transmission and distribution electricity price controls could create a new barrier to gas/electricity transmission outcomes.
- Companies should be incentivised through the price control framework to identify whole system outcomes.
- Individual company incentives working against each other could prevent whole system outcomes- delivery of NOMs for example. Particular attention needs to be paid to the electricity System Operator and electricity transmission owner incentives. Therefore, as identified in paragraph 4.42, we agree that it is in consumers' interests to "...carry out a comprehensive cross-sectoral review of the key price control areas and touchpoints."

- Ofgem needs to be mindful that in promoting whole systems thinking, it ensures that the best solution for the system is completely aligned with the best solution for consumers and avoids double counting for a single solution. For example, if the ESO is able to act in a way that improves the system - and subsequently removes the need for other network companies to act on the same issue - then in this case the networks should not benefit from underspend as this would effectively place a cost on consumers under what appears to be a system improvement.

Q4. Do you agree with our minded-to position to retain the current start dates for the electricity transmission and electricity distribution price controls, and not align them?

We agree that with Ofgem's view to retain the current start dates for the electricity transmission and electricity distribution price controls.

The process for reviewing and scrutinising a price control ahead of implementation is a timely and resource intensive for numerous organisations across the energy industry and interested external parties. By aligning the price control start dates, the level of scrutiny towards the price controls will likely be diminished, which is not in the interests of consumers.

Additionally, any lessons-learnt from the electricity transmission price control implementation could, in theory, be transferred across to the distribution price control implementation.

Q5. In defining the term 'whole system', what should we focus on for the RIIO-2 period, and what other areas should we consider in the longer-term?

- **Are there any implementation limits to this definition?**

We agree that it is important for the network companies and stakeholders to define what Ofgem means by 'whole system'. The definition needs to be realistic, but it should encompass at the very least the whole energy system, including gas and electricity networks.

In our view heat and transport should be a part of any whole system definition. Whilst Ofgem's remit only covers the gas and electricity system, the electrification of heat provides the energy networks with a clear challenge and therefore needs to be actively considered in this definition. Relationships between the gas and electricity networks and heat networks will also be important considerations. Likewise, the impact of changes to transport should form a part of network company thinking, as the take up of EVs and

natural gas vehicles is likely to increase over the course of and following the RIIO-2 price control¹⁰.

System Operator price controls

Q6. Do you agree with our view that National Grid's electricity SO price control should be separated from its TO price control?

We agree that the electricity SO should have its own price control separated from the electricity TO. We consider this is a sensible approach given the different priorities the electricity SO and TO have. The electricity SO regulatory and incentive framework¹¹ (2018-2021) makes a good start of unpicking the electricity SO's opportunities and responsibilities. We advocate the development of an annual Forward Plan by all network companies, not just the electricity SO, to provide further transparency of performance.

Q7. Do you agree that we should be considering alternative remuneration models for the electricity SO?

- **If so, do you have any proposals for the types of models we should be considering?**

It also seems reasonable that an alternative remuneration model is considered for the ESO. We caution against an ex post model, as has been implemented for the Data and Communications Company (DCC) where we have significant concerns. In 2014, we set out our views¹² on the DCC price control, outlining why an ex post model was not in the best interests of consumers. An ex ante remuneration model should provide stakeholders and customers with more certainty and protect consumers by providing a stronger mechanism for keeping cost under control.

We are not proposing any particular type of model for Ofgem to consider. However, a number of principles should be considered when evaluating any remuneration model, which we also stated in our response to the ESO Forward Plan¹³. The remuneration model should be:

- **Controllable:** The ESO should have a reasonable ability to control or influence whether the stated outcome is met. Any scope for windfall gains or losses driven by other actors or external factors should be nil, or very limited.
- **Stretching:** the ESO is already remunerated for providing a good service under its existing baseline RIIO settlement. Should this remain the case for RIIO-2,

¹⁰ National Grid (2017), '[Future Energy Scenarios](#)'

¹¹ Ofgem (2018), '[Policy Decision Electricity System Operator Regulatory and Incentives Framework from April 2018](#)'

¹² Citizens Advice (2014), '[Consultation on the DCC price control](#)'

¹³ Citizens Advice (2018), '[Response to the Electricity System Operator \(ESO\) Forward Plan from April 2018](#)'

any rewards on top of that need to reflect genuine excellence. Where an incentive rolls over from year to year, historic performance should be set out and contextualised so that the degree of stretch can be gauged.

- Bankable: as the ESO improves its performance over time, the targets should move to 'bank' past gains. It shouldn't be able to be rewarded for hitting the same unchanging target every year.
- Proportionate: the ESO should prioritise bigger wins over smaller ones. To do this, the ESO needs to understand and demonstrate the wider costs and benefits of its work, and the incentive regime itself needs to be proportionate - i.e. bigger wins/losses should come with more cash attached to them.
- Measurable: objective targets that can be operationalised and will give clear and stable signals. We recognise that the ESO may have a limited ability to reliably understand/forecast whether it will be rewarded or not until the new incentive and regulatory regime from April 2018 has bedded in.

We are willing to work with Ofgem to further discuss the merits and downsides of any proposed models, once further detail is available.

Q8. Should we consider alternative remuneration models for the gas SO?

- **If so, why and what models?**

We do not see a need for alternative remuneration models for the gas SO, at the current time. The functions of the gas SO and transmission owner overlap significantly and there isn't as clear and compelling an argument as was the case for change for the electricity SO. The changes required, from a cost and practicality perspective, outweigh the benefits. We would expect that this is kept under review as there may be a compelling case to change at a later time.

Network utilisation, stranding and investment risk

Q9. What options, within the price control, should be considered further to help protect consumers against having to pay for costly assets that may not be needed in the future due to changing demand or technology, while ensuring companies meet the reasonable demands for network capacity in a changing energy system?

The suggested requirement for network companies to demonstrate how they have considered various alternative solutions (e.g. non-build solutions) to infrastructure investments seems sensible. If done, it should explicitly demonstrate the benefits (or otherwise) to consumers from the various alternative solutions.

It is difficult for us to comment further until there is more detail on the sector-specific consultations.

Our energy system is going through a period of rapid transition that is likely to continue throughout the RII02 price control period. Because of this, there are significant risks that forecasts of system use and need made now will prove to be materially inaccurate in some areas, even if made in good faith using the best available information. It may therefore be appropriate for the least certain investments to be identified and allocated conditional funding in the price control settlement, subject to a subsequent decision on whether that funding becomes unconditional being made once the price control is live. In its business plan, the network should set out the expected triggers that would result in it seeking a decision from the regulator that this conditional funding should be released. To avoid the risk that this process of within price control sign-off becomes burdensome for both network and regulator, it may be appropriate to set a materiality threshold such that it only applies to projects or assets where significant spend would be required.

The consultation suggests one approach that could be taken to uncertain assets could be to tie incentive payments to utilisation rates - in order to stop networks from being rewarded for building an asset that is subsequently unused, or under-used. While there is some risk that under-utilisation could be driven by factors that are outside the network's control, we think this idea has merit and would be worth exploring further.

End-use energy efficiency

Q10. In light of future challenges such as the decarbonisation of heat, what should be the role of network companies, including SOs, in encouraging a reduction in energy use by consumers in order to reduce future investment in energy networks?

- **What could the potential scale of this impact be?**

Gas Distribution Networks (GDNs) and DNOs are not realising their full potential to encourage energy efficiency savings, because of the current market arrangements.

These networks may be better placed to deliver energy efficiency measures than energy suppliers, who are currently the responsible for the main national energy efficiency scheme (the Energy Company Obligation). Making energy efficiency improvements better aligns with their incentives, so giving them energy efficiency obligations could realise synergies. This could also make energy efficiency schemes more transparent, and allow for a more consumer-friendly delivery approach.

Careful consideration is needed of any change to market arrangements to make sure they give value for money. It would need to strike a balance between demonstrating additionality and allowing synergies to be exploited. One consideration is whether networks may need to be given a positive incentive, in terms of profit, rather than a

negative incentive, as suppliers have under ECO. Another is whether any incentive is built into RIIO or outside of it.

One way in which networks could - and some have already - use energy efficiency is to use it in parts of their network which is at risk of being constraint. Energy efficiency as an intervention can be one tool of many to delay or avoid expensive network reinforcement.

Chapter 5 - Driving innovation and efficiency

Innovation

Q11. Do you agree with our proposal to retain dedicated innovation funding, limited to innovation projects which might not otherwise be delivered under the core RIIO-2 Framework?

Evidence on innovation schemes to date suggests that they are likely to provide value for money for customers in terms of the long-term benefits¹⁴ arising from them, in driving a more innovative culture in network companies, developing engagement with customers and third parties at an unprecedented level, and through the development of significant learning and data from project activity¹⁵. Energy systems are changing rapidly, with shifts towards smarter, data-heavy systems, changes to the way that electricity is produced and fed to networks, and the additional impacts imposed on networks through, for example, the uptake of electric vehicles. The move towards such systems will continue to require significant levels of innovation for network companies to smoothly adapt to such changes and to minimise the knock-on effects of potential rising network related costs being passed on to consumers.

Therefore we are supportive of the proposal to retain dedicated innovation funding in the RIIO 2 price controls. However, given the previous intention to foster a culture of innovation as business-as-usual within network companies, we believe that Ofgem should consider how this could be achieved within the design of the funding framework, for example through considering a phased funding profile during the price control period, with the greatest levels of funding being distributed during the early stages of the price control. As such, Ofgem should continue to scrutinise,¹⁶ and provide greater clarity on the types of activities that they expect to be part of business as usual operations and seek to distinguish funding between these and truly innovative activities.

Q12. Do you agree with our three broad areas of reform:

i) increased alignment of funds to support critical issues associated with the energy transition challenges

We agree with the broad principle that funds should support critical issues associated with energy transition challenges that networks are likely to face, including those outlined in the framework document such as dealing with larger volumes of consumer data, and managing the growth of electric vehicles, but also transitioning towards whole system energy planning and forecasting, and managing shifting power generation

¹⁴ Ofgem (2016), [‘The network innovation review: our consultation proposals’](#)

¹⁵ UKERC (2016), [‘A review and synthesis of the outcomes from Low Carbon Networks Fund Projects’](#)

¹⁶ Ofgem (2017), [‘The network innovation review: our policy decision’](#)

sources. However, Ofgem should detail the scope of critical issues associated with energy transition challenges, and whether these are restricted to technical issues or encompass a wider approach towards behavioural factors and psychological or financial constraints which could impact on the uptake and/or willingness of consumers to use new technologies and energy efficiency measures. These issues have been noted to date in the areas of smart meter systems and electric vehicle trials. We would encourage a wider approach which accounts for these factors, identifying current energy behaviours and those that need to be changed, and which also design and test interventions to change behaviour and public acceptability.

Additionally, there have been issues with previous projects conducted as part of the LCNF, in terms of the representativeness of trial populations, the impacts to consumers of required network development and management strategies (e.g costs) and consumer preferences. This was notable in trials ran by several network companies on assessing the impacts and management of EVs¹⁷. Therefore further alignment of funding should be contingent on ensuring that some of the limitations of these studies are addressed and encompass a more rigorous assessment of the likely impact on consumers in order to ensure wider value for money from the trials.

We are pleased that consideration to identifying consumers in vulnerable situations is seen as one of the key challenges. As highlighted through research conducted by Sustainability First¹⁸, although network companies have started to improve their work in addressing the needs of vulnerable consumers, there is still more that they could be doing to improve products and services for these consumers. In addition, they noted how network strategies around stakeholder engagement can help to provide the required stronger evidence base necessary to inform where innovation is most and needed and where investment would generate value for money. Electricity Networks have also highlighted¹⁹ how out of all projects to date, the least number were conducted with a customer and stakeholder focus.

Networks are currently encouraged to meet consumer vulnerability outcomes through social obligation incentives. However, we have previously highlighted how the level of the incentive may not be sufficient to drive outcomes relating to consumer vulnerability²⁰. We propose that Ofgem should consider within the sector specific proposals how best to meet the needs of vulnerable consumers within the price control framework and would argue that network companies be required to demonstrate within their innovation applications how they are meeting consumer outcomes.

¹⁷ My Electric Avenue (2015c), '[An assessment of the public acceptance of demand side response of EV charging using Esprit](#)'

¹⁸ Sustainability First (2017), '[Energy for all- Innovate for all](#)'

¹⁹ Energy Networks Association (2018), '[Energy Network Innovation Strategy](#)'

²⁰ Citizens Advice (2016), '[Networks' good intentions: a report on how energy networks' social obligations are delivered](#)'

ii) greater coordination with wider public sector innovation funding and support

We agree that there should be greater coordination with wider public sector innovation funding to reduce duplication with schemes where tax-payers are already funding related investment and research. Networks should also be working in closer collaborations with other bodies that are working on innovations research such as the Energy Systems Catapult who are leading on research in relation to whole system frameworks and infrastructures. Research from previous LCNF projects²¹ highlighted that although there had been more effective collaboration between DNO, third parties and stakeholders in delivering projects, there was opportunity for improvement to achieve best practice.

In addition, in order to reduce duplication, Ofgem should look at range of funding sources that are currently available and assess where there are gaps within the life cycle stages of innovation to most effectively target innovation funding in the price control. However there are questions as to how this fits in with and/or differs from the innovation strategies/roadmaps which companies are already required to produce. Care must be taken therefore to reduce risk of additional costs being passed on to consumers through additional administrative burdens. Network companies should also demonstrate in their applications if they are working with the right stakeholders, demonstrating that they have considered where research has already been done in the area.

iii) increased third party engagement (including potentially exploring direct access to RIIO innovation funding)?

We agree with the principles of allowing increased third party engagement and the opportunity for third parties to directly access RIIO innovation funding. The introduction of competition could enable better outcomes for consumers, either through reduced costs, stimulating energy network companies to develop better proposals, or through the additional expertise that could be offered by specialist companies in particular areas. However, as noted previously²² further evidence is required to demonstrate that the arrangements would be desirable to third parties and could be expected to enhance the benefits of funding schemes for consumers.

In addition, for such engagement to work, there needs to be effective cross-collaboration and communication between the network company and the third party. We are concerned that wider non licensed bodies are not subject to the same regulations as network companies and the lack of reporting means we have little

²¹ Pöyry (2016), '[An independent evaluation of the LCNF](#)',

²² Ofgem (2016) *ibid*.

knowledge or evidence of how they are delivering for consumers. Ofgem should therefore require that applications for funding should specify network companies as a partner so that appropriate contractual arrangements can be developed, although this should not rule out the opportunity for original innovative projects.

Q13. What are the key issues we will need to consider in exploring these options for reform at the sector-specific methodology stage, including:

(i) What the critical issues may be in each sector and how we can mitigate the bias towards certain types of innovation through focusing on these issues?

Innovation funding should assess how projects and trials address inclusion across as wide a population as possible, and reduce bias towards high-income participants. An evaluation of the LCNF programme²³ for example, highlighted the fact that some of the innovation projects did not adequately assess or design the trials to encompass across as wide a range of consumers as possible. For instance, some consumers were not benefitting from the trials, particularly where there were barriers present as in the case of smart-system solutions, and projects also lacked comparable demographic data to assess the impacts on different segments of society. The innovation framework should therefore place greater focus on assessing projects by how they have delivered innovation that address wider societal groups and reducing bias towards high-income participants.

ii) How we can better coordinate any dedicated RIIO innovation funding with wider public sector funding and support (including Ofgem initiatives such as the Innovation Link and the Regulatory Sandbox)?

Not answered

(iii) How we can enable increased third-party engagement and what could be the potential additional benefits and challenges of providing direct access to third parties in light of the future sources of transformative and disruptive innovation?

It is generally recognised that one of the barriers to third parties providing services to networks are the restrictions in meeting technical specifications that are set out by network companies. This has been particularly apparent with regards to companies providing demand side solutions for System Operators. Such specifications can help to reduce the risk of projects going wrong, but can also preclude the development of unconventional and original innovative solutions which could reduce project costs, and ultimately the costs that are passed down to consumers. Ofgem should look to ensure that company permissions are flexible enough to allow for the development of contracts

²³ Se2 (2015), '[Capturing the findings on consumer impacts from Low Carbon Networks Fund projects](#)'

between parties where appropriate solutions are provided for the network, but do not necessarily align to all required specifications.

Q14. What form could the innovation funding take. What would be the advantages and disadvantages of various approaches?

We agree with the overarching principle that funds should align to critical issues associated with energy transition challenges. Possible amendments to the funding framework could include changing the cost-benefit component of the Innovation Roll-out mechanism funding to have a wider, more strategic approach which aligns with the objectives to meet future energy challenges (and government targets), for example through the stipulation that this will form part of the assessment as part of the cost-benefit component. Alternatively, the Network Innovation Competition could include stipulations that applications will be assessed by wider strategic goals or whole system benefits. Focussing on the latter may also help to foster continued or additional collaboration between network companies in a tighter price control framework.

We also agree with the principle that innovation funding should be limited to innovation projects that can demonstrate long-term value to consumers. We have previously argued that funding such as the Innovation Roll-Out Mechanism should only be applied in cases where without it the innovation would not in future be realised²⁴. However, removing the distinction between funding which differentiates between small scale-trials and larger more complex projects as currently exists through the current tripartite system, might miss useful innovations that could be achieved through for example internal company processes which would have knock on efficiency effects.

Ofgem should provide further clarity on its expectations with regards to the budget level for innovation funding, the evidence for providing funding at these levels, and where the most value can be derived from in terms of critical energy transitions, distinguishing between transmission and distribution network operators.

In addition, as mentioned, Ofgem should also look to reduce the level of duplication and limit funding to those projects where research and trials are not already taking place.

Q15. How can we further encourage the transition of innovation to BAU in the RIIO-2 period? How can we develop our approach to the monitoring and reporting of benefits arising from innovation?

²⁴ Citizens Advice Bureau (2015) '[Response to the consultation on the assessment of benefits from the roll-out of proven innovations through the Innovation Roll-out Mechanism](#)'

We believe that a move towards instilling innovation as business-as-usual could be fostered through phasing innovation during the course of the price control period. The highest level of funding could be distributed in the early years of the control period, with incrementally decreasing amounts distributed throughout the remainder of the period. This would require network companies to have to embed innovation plans and strategies within their operations from the start of the price control to accommodate for the reduction in funding in latter years.

We also agree with the recommendations set out by other commentators²⁵ who have highlighted that through requirements for investment in, and greater transparency over improved data analysis structures, network companies can generate an internal feedback loop which will be beneficial in understanding where problems are arising in networks, allowing them to more effectively target necessary innovations.

In addition, we believe that added value could be provided by requiring network companies to make publicly available clear outputs detailing innovation projects. As we have argued previously, where possible, networks should be quantifying the costs and benefits (financial and non-financial) of interventions to consumers²⁶. Publication of innovation outputs vary between network companies, with some providing detailed studies of innovation projects, whilst others do not make publicly available any form of innovation report. In addition timeframes of publication vary between operators making it difficult for wider stakeholders to analyse the evidence and benefits deriving from innovation projects. Findings from LCNF projects demonstrate that there was a lack of comparable demographic data from trials which limited the ability to compare and understand the impacts on different sections of society²⁷. The projects also lacked information on complaints and consumer satisfaction data. Ofgem should ensure that networks are required to demonstrate that they are capturing and utilising such data within RIIO projects.

Competition

Q16. Do you agree with our proposal to extend the role of competition across the sectors (electricity and gas, transmission and distribution)?

- **What are the trade-offs that will need to be considered in designing the most efficient competitions?**

We consider that extending the scope of competition under the RIIO framework has the potential to deliver benefits for consumers and to progress the energy transition. To this

²⁵ Cornwall Insight, (19th March 2018) '[Inventing the future: innovation in RIIO2](#)'

²⁶ Citizens Advice (2016), *ibid*.

²⁷ SE2 (2015) *ibid*.

end, we support Ofgem's intention that in all cases the competition criteria should reflect circumstances where better value for consumers can be delivered.

Q17. Do you consider there are any reasons why our new, separable and high value criteria might not be applicable across all four sectors?

- **If so, what alternative criteria might be suitable?**

Currently a high value threshold, of £100m of expected capital expenditure of a project, has been set as one of the criteria used to identify projects suitable for competition in electricity transmission. It would be helpful to have this figure justified, including an overview of the potential impacts had this been set at a lower threshold (which may have increased competition). This would help to ensure that applying this nominal threshold across all the network sectors (electricity and gas, transmission and distribution) is the most suitable approach in the interest of consumers. Furthermore, an assessment of the relative costs of transmission vs other project capex is encouraged if the same threshold is being considered for sectors beyond the former.

Q18. What could the potential models be for early stage competitions (for design or technical solutions)?

- **What are the key challenges in the implementation of such models, and how might we overcome them?**

Not answered

Chapter 6 - Simplifying the price controls

Our approach to setting outputs

Q19. What views do you have on our proposed approach to specifying outputs and setting incentives?

Regarding the IQI and fast-tracking, it would be sensible for Ofgem to run an analysis of the benefits to consumers of this process under RII01 compared to the cost paid for it by consumers. Ofgem state that it believes financial rewards for high quality plans have the potential to drive down costs in the distribution sector. If Ofgem intends to continue this approach in RII02 then a full assessment of the costs and benefits of this under RII01 should be produced, so that any continuation of this policy can be guided by sound evidence of value for money.

In terms of how Ofgem can improve the process and form of Annual Reports, Citizens Advice do not advocate wholesale repetition of information across different reporting systems, including the upcoming changes to Regulatory Accounts and existing Statutory Accounts. However, it is essential that where information and figures are referenced across reporting systems - which will be necessary in some cases - that this is always done in a clear and accurate fashion.

For the output categories to be used in RII02 (see para 6.12), Citizens Advice encourage Ofgem to include outages, safety and social obligations in the minimum service standards. Companies should not be incentivised to deliver baseline services that are expected of them, whilst rewards should be reserved for companies that go beyond basic services that they are required to deliver.

On para 6.17, if there is a significant time delay between when the original measure was supposed to have been implemented, and when the “more inexpensive solution” is delivered, then Ofgem should consider compensation for consumers that reflects the difference in lost value. If Ofgem find that they have “good reason to consider that the deliverable was never necessary in the first place,” and if it can be proven beyond reasonable doubt that the company should have been aware of that reasoning when making the case for the given deliverable, then Ofgem should consider penalties in order to discourage unnecessary deliverables. In setting out in the framework measures to ensure companies refund consumers, Ofgem should ensure that this action happens promptly and in full (i.e. without a sharing factor).

On the output delivery incentives (see para 6.18), Ofgem need to clearly define what constitutes “an efficient level” in this context, and how it can be measured.

When might relative or absolute targets for output delivery incentives be appropriate?

We recognise the importance of applying relative and absolute targets in the right circumstances, as both are not always appropriate. Relative targets are well suited to output deliverables associated with stakeholder incentives and customer satisfaction. However, Ofgem need to give thought to the metrics used in order to ensure that associated data is truly comparable across companies.

What impact would automatically resetting targets for output delivery incentives during a price control have? Which outputs might best suit this approach

We think it is important that incentives are banked and do not become incentivised twice.

Our approach to setting cost allowances

Q20. What views do you have on our general approach to setting cost allowances?

Only limited detail is given on the proposed approach, but it appears reasonable. What is recommended appears to be the development of a package of 'in-flight' adjusters that would allow any deviation in expected volumes, revenues or costs from those that were originally anticipated to automatically flow through to revised targets that remove the risk of windfall gains or losses that would otherwise result from sticking with the ex ante forecast.

This could provide protection to consumers, and should not create regulatory risk for the networks provided the criteria for adjustments are clearly established up front.

Converting these principles in to practical rules may not be wholly straightforward, which could impact upon their effectiveness, so while we can provide conditional support for this approach now, we would expect to see Ofgem set out greater detail on how these adjusters will work as it gets closer to final proposals.

Ofgem intends to avoid situations where companies defer more expensive work funded for delivery in one price control, only to seek new funding allowances for the same work in the next period (see para 6.31). Where this does occur, Ofgem must ensure that the value of any unspent funding for infrastructure projects is returned to consumers *promptly* and *in full* (i.e. not using a sharing factor). Through their bills, consumers are paying for significant infrastructure investment. However, if energy network companies defer these projects or decide not to undertake them (without adequate proof of efficiency gains), they are sometimes able to keep a portion of that funding. This can

drive up costs for consumers. Such returns to consumers should not be left to the discretion of companies themselves.

As noted in CEPA's review of the RIIO framework²⁸, it is possible that GDNs were double-rewarded in RIIO1 as iron mains replacement programme (REPEX) funded activities may have directly improved performance against the shrinkage and environmental emissions incentives. Ofgem must ensure that such double-rewards are mitigated against in RIIO2, and that suitable mechanisms are built into the price control framework that allow Ofgem to revisit allowances in light of new information during RIIO2.

Q21. What views do you have on our intention to index RPEs?

We support this proposal.

Our recent report, *Consumers Missing Billions*²⁹, highlighted the significant potential for windfall gains that accrued to networks as a result of the ex ante estimates of RPEs embedded in the RIIO1 settlement materially deviating from actual costs. It would not be sustainable for the same approach to be adopted for RIIO2.

We recommend that Ofgem develops a custom inflation measure for industry specific costs, as it considered doing for the electricity distribution price control.

Q22. What impact would resetting cost allowances based on actual cost performance (eg benchmarked to the average, upper quartile or best performer) during a price control have? Which cost categories might best suit this approach?

In theory, this approach could create continuous incentives on networks to improve their performance in the league table for that cost category, provided the appropriate financial incentives are in place to back it. It could also provide the basis for establishing an appropriate cost index for some RPEs. There may be limits to how effective it could be in practice however, particularly for transmission, given how few comparator companies there are. Incentives should be achievable, but stretching, which would suggest that adopting an upper quartile approach may be most appropriate.

Information-revealing devices

Q23. Do you agree with our assessment of IQI?

²⁸ CEPA (2018), '[Review of the RIIO framework and RIIO-1 performance](#)'

²⁹ Citizens Advice, (July 2017) '[Energy Consumers' Missing Billions](#)'

The assessment of IQI sets out a clear picture that it is not working in an optimal fashion, however it is less clear that it is wholly understood why this is. It is also hard to gauge the counterfactual of what might have happened had it not been in place. In the round, this leaves the reader with a clear picture of the need for reform, but less clarity on whether that reform should take the form of incremental improvements to the IQI (and if so, what improvements), or its replacement with a wholly new scheme.

Q24. Do you agree with our assessment of fast-tracking?

Yes, it is reasonable.

Q25. What are your views on the options we have described?

- **How might these apply in the different sectors?**
- **Should we retain the IQI, amend it or replace it entirely?**

The IQI has been in place since DPCR4 (2005-10), so should be well understood by networks by now. Despite this, the evidence you put forward suggests that it has not been wholly effective, with networks continuing to over-estimate costs and failing to achieve the optimal revenues possible from the interaction of the TIM and IQI. Because we do not know what the counterfactual of a world without the IQI would have looked like, it is not possible to conclude that it has had no positive effect however.

Given the fundamental information asymmetries that sit between networks and the regulator, we think it would be prudent to retain some form of 'honesty' incentive in the RIIO2 settlement in order to mitigate incentives to inflate costs that would otherwise exist.

But based on the information presented, we cannot reach a view at this time on whether it would be preferable to reform the IQI (option 1) or to scrap it in favour of an overarching single business plan incentive (option 3). This is because of both a lack of clarity on the extent to which the IQI is incentivising network behaviour (eg while it is certain it is not driving perfect outcomes, we cannot be certain that it is not driving much better outcomes than no incentive would), and a lack of detail on exactly how the new single business plan incentive would work.

Regarding fast-tracking (option 2), we agree with your view that it should only be applied to distribution network operators (see our answer to question 29 for more detail on this), although we have some reservations that this could reduce the scrutiny given to their business plans. You note (para 6.79) that the removal of the fast tracking route would mean that transmission companies only needed to submit their business plans to Ofgem once. While it is likely to have added to the resource intensity of the process for

both networks and regulator, we perceive that the iterative process of two rounds of business plan submissions that fast tracking drove under RII01 did have some consumer value, as it is likely to help with the process of information disclosure and challenge. We do not think you should rule out the possibility of allowing for an iteration of transmission business plans even if the fast-track route is being scrapped for that sector.

Q26. What factors should we take into account when assessing plans for example, under fast-tracking (option 2) or a single business plan incentive (option 3)?

Not answered

Q27. Do you have any views on the factors we should take into account when deciding how to differentiate efficiency incentives for companies if we do not use the IQI?

Not answered

Q28. Is an explicit upfront financial reward required to incentivise companies to submit high quality business plans, in addition to differential incentive rates or sharing factors?

Not answered

Q29. Do you have any views on our proposal to remove fast-tracking for transmission?

We support this proposal.

The theoretical benefits of fast-tracking are essentially two-fold: that it may encourage businesses to come forward with a better, leaner, business plan; and that in doing so it will aid the scrutiny of (and value achieved from) the other networks business plans.

These benefits come with a price tag attached - eg in RII01 the regulator (and consumers in any affected regions) paid a premium on the cost of equity, and higher cost allowances - so for them to be worthwhile they need to have broad application.

Both sets of benefits are much easier to achieve for distribution companies than for transmission companies, because there are very few of the latter, and the size and geographical challenges of the electricity transmission companies is very different. There may still be benefits from the fast-tracked company providing a better initial plan, but its wider application in aiding the scrutiny of other networks of that type may be

very limited (nil in the case of gas transmission). On balance, we agree that there is a stronger case for retaining fast-tracking in distribution than in transmission.

Q30. Do you have any views on how we propose to incentivise better business plans from transmission companies, including removing the prospect of an upfront financial or procedural reward and placing greater reliance on user and consumer engagement and scrutiny?

Not answered

Annual reports/reporting

Q31. How can we best improve the suite of annual reporting requirements to be as efficient and useful as possible?

In line with our answer to Question 19, in improving the process and form of reporting we are not in favour of absolute repetition of information across different reporting systems (e.g. Annual Reports, RIIO Accounts and Statutory Accounts). We are supportive of referencing information across different reports in order to improve efficiency, however this must be done to the highest degree of accuracy and clarity so that information and figures are fully reconciled.

If Ofgem intend to simplify annual reporting then this should not be at the expense of the reported content itself through reductions in information. In line with this, Ofgem should clarify its ambition to “only request data which is eventually utilised” (see para 6.85). For example, it may well be helpful to the regulator and other stakeholders - in future price controls - to access relevant and useful information reported in previous price controls, even if it has not been *utilised* previously.

Q32. How can we make the annual reports easier for stakeholders to understand and more meaningful to use?

We support Ofgem’s intention to establish a working group to work collaboratively in the improvement of the reporting process, and would be happy to be involved in this working group. This is not a straightforward task, and one where any mistakes will directly hinder the ability of future efforts to determine the performance of the price control itself or companies operating under it.

There are various comparisons to be made between rationalising Annual Reports and the ongoing work to move from the current Regulatory Accounts to RIIO Accounts, with many of the same issues arising. In the interests of avoiding duplications in requested

data and ensuring true comparability across the sector, we encourage Ofgem's respective teams to work closely on these projects.

Chapter 7 – Fair returns and financeability

Cost of debt

Q33. What are your views on the policy objectives that we have defined with respect to the cost of debt?

Companies should be incentivised to raise finance in the most efficient manner possible, whilst remaining fair. In line with this, we consider there to be a missing element in the policy objectives outlined by Ofgem. As with other mechanisms to incentivise company efficiency, Ofgem should consider allowing consumers to share with investors the benefits of financial outperformance associated with the costs of debt. This approach could be achieved in a way whereby if a company underperforms in this area, consumers are insulated from those actions and pay no more than Ofgem's notionally efficient cost of debt.

Q34. Which option might help to ensure that the approach to updating the cost of debt methodology delivers best value to consumers and why?

Broadly, the proposals set out to further analyse debt issues seem sensible. It would be helpful to have more information on how Ofgem intends to carry out this work and what timelines it is working to, as the outcomes from these further analyses would be helpful in assessing the most appropriate method of indexation for the cost of debt. Until the outcomes from the further analyses is available, including that set out in the options themselves, it is difficult to have a firm position on which option is optimal.

For Option A, we are supportive of the proposal set out in para 7.17 and it seems like a pragmatic process to go through. We would like the outputs from this to explicitly assess the cost implications for consumers. In line with this, we strongly support Ofgem's intention outlined in para 7.19.

On Option B, we do have concerns as outlined in para 7.24, and look forward to seeing the content of Ofgem's considerations on this.

We consider Option C to be inherently risky for consumers, and are further deterred from supporting it as it removes some incentives on companies to raise finance in the most efficient manner possible. The difficulties outlined in paras 7.27-28 could be partly alleviated if Ofgem were to ask for more financial information from companies through the upcoming implementation of RIIO Accounts. The Regulatory Accounts don't currently provide a complete picture of firm performance under the RIIO framework. RIIO Accounts should change this by including the impact of capital structures, financial outperformance, derivative portfolios and how returns differ from the regulator's

assumptions. Increasing transparency in monopolised essential services will help to ensure that consumers are getting value for money.

Cost of equity

Q35. Do you agree with our proposed methodology to estimate the cost of equity?

We are supportive of the views of some of the UKRN report authors, that previously used equity beta figures have been too high. This has resulted in excess profits being earned by companies, at the continued expense of consumers. As set out in para 7.49, network companies represent remarkably low risk investments, and this should be reflected in the framework set by Ofgem.

The CEPA range for the cost of equity represents a move in the right direction. But we would like to see Ofgem commission a review of the differences in beta between the methods outlined in the UKRN report. The report suggests that if using the the Generalised Auto-Regressive Conditional Heteroskedasticity (GARCH) model then an equity beta of 0.3-0.5 may become econometrically defensible. This has significant materiality for consumers. For RII01, every change of 0.1 in beta was is equivalent to about £1bn of revenue. For RII02 assuming a 5 year price control, the difference between 0.3 and 0.8 could drive £3-4bn in revenue.

Q36. Do you agree it would be desirable to index the cost of equity?

- **Do you have views on our proposal for indexation?**

As we have stated in previous consultations and in our report Energy Consumers' Missing Billions³⁰, we are supportive of the move to index the risk-free rate and TMR. In general, we consider indexing to be an improvement and look forward to further details from Ofgem regarding how this could be implemented.

Financeability

Q37. Do you consider there is merit in removing the indexation of the RAV and adopting a nominal return model in RII0-2?

- **What would be the benefits and drawbacks**

We would like to see more evidence from Ofgem regarding the risks and benefits associated with this option, including the cost impacts that would be shouldered by consumers.

³⁰ Citizens Advice (July 2017) *ibid*.

Q38. Should the onus for ensuring financeability lie with the network operating companies in whole, or in part?

We think the onus should be on network companies to be responsible for ensuring their financeability, so of the three options outlined we are most in favour of Option B. In recent years, companies have been able to rely on historically low interest rates to increase their gearing. Relatively, this has benefited equity shareholders, potentially at the expense of ensuring sound financeability. Ofgem should clarify its financial resilience criteria, including its position on the actual level of gearing achieved by companies and the extent to which it expects companies to control their gearing in order to manage cash flows.

Q39. Do you consider the introduction of a revenue floor, to protect the ability of companies to service debt, to have merit?

We are very cautious of this approach, as it removes some responsibility from companies to manage their accounts effectively. In addition to providing financial rewards for good performance, companies' capital should be placed at risk where they underperform. There are other options available to companies, to improve their creditworthiness and reduce debt servicing costs, that don't rely on consumers acting as a default backstop lender for poor company management. Any move to introduce a consumer-protected revenue floor should specifically outline how the corresponding further risk reduction for companies is reflected in allowed rates of return. Furthermore, if consumers' money is to be used to provide cash injections to poorly performing companies, then Ofgem should at least consider the practicalities of mandating equity benefits for consumers in these extremely unlikely situations. There are some important lessons on this to learn from similar actions taken by the government in recent years. Ultimately, the recovery of this additionally needed revenue cannot - in real terms - be allowed to simply benefit companies at the expense of consumers.

Corporation tax

Q40. Do you agree that Ofgem should review the causes of any variances between tax allowances and taxes actually paid to HMRC (including the treatment of group tax relief)?

- **Which of the options described in this consultation may be worth investigating further to address any material variances?**

Ofgem's proposal to review existing tax allowance arrangements is sensible. Mismatches between tax allowed and tax paid by companies can represent a material windfall gain

for companies, at the direct expense of consumers. Ofgem hold the responsibility to ensure that this should not occur, and that if it does this money is subject to claw backs. As such, we are supportive of Option A.

Other finance issues

Q41. Do you agree that we should move away from RPI for RIIO-2 (including for the indexation of the RAV if retained as a feature)?

Yes we are in support of a move away from RPI for RIIO2, in line with the index used by the Office for National Statistics. RPI and its derivatives do not meet the required standard for designation as national statistics³¹.

If yes, which of the two potential indices – CPI or CPIH – might be most suitable?

It would be helpful if Ofgem were to provide an analysis of the relative effects on both consumer costs and firm behaviour associated with both indices. This would help to ensure that the choice of index is suitably informed. The Office for National Statistics use CPIH as their lead inflation index as they consider it to be the most comprehensive measure of inflation because it includes housing costs of owner occupiers' as well as Council Tax, which are excluded from the CPI. However, given that CPI is used in government targets for inflation and is produced to international standards (in line with European regulations), this may be more appropriate for use in the sector.

Is a phased transition between RPI and the chosen successor index necessary or Desirable?

A strong and robust case would have to be made, in favour of phasing the transition, if Citizens Advice were to support such an approach. This case should include a full explanation of the relative implications for consumers of phasing the transition, as well as the impact (positive or negative) for companies.

Q42. In the light of our proposal not to amend, at a price control framework level, our policies for depreciation and asset lives set in RIIO-1 do you have any views or suggestions that you wish to put forward?

Not answered

Q43. We propose to review the fast/slow money split at the business plan submission stage, do you have views that you wish to put forward at this stage?

³¹ ONS (2017), [‘Methodology: Consumer Price Inflation’](#)

We support Ofgem's proposal to review its assumptions for the fast/slow money split, as outlined in para 7.101, and look forward to receiving further information on this review.

Q44. Do you think existing mechanisms for providing allowed revenue to compensate for the raising of notional equity are appropriate in principle and in practice?

Not answered

Ensuring fair returns

Q45. What are your views on each of the options to ensure fair returns we have described in this consultation?

We have been critical of the high returns that network companies are due to make in RIIO1, as detailed in our report *Energy Consumers' Missing Billions*³². In our view it is critical that RIIO2 ensures returns are fair. Primarily we think this should be achieved through a tighter and optimised price control, but we also support Ofgem's proposal to introduce failsafe measures in the event of exceptional circumstances.

Failsafe measures

In terms of the options identified by Ofgem in order to guard against higher than expected returns, we wish to make clear that these should be viewed as instruments for exceptional circumstances only and not business as usual. It is much better to get the overall package right, than to rely on what amount to less efficient methods of ensuring a fairly functioning price control. That said, in the undesirable cases in which the price control has been inadequately designed and we need to rely on failsafe measures, we recognise that some may be more suitable than others. We have provided some comments below on each of the options outlined by Ofgem, however in general we would like to see an assessment of these carried out to provide more detail before the sectoral proposals.

On Option 1 - A hard cap and floor - Ofgem's proposal on this is remarkably light, which limits the extent to which meaningful and relevant feedback can be given. In general, despite the effect this would have on minimising the costs to consumers we are cautious of setting an absolute cap on returns, unless Ofgem can provide a persuasive case for a clearly identifiable level over which companies should not earn returns. We are even more cautious of any move to set a floor. In line with our answer to Question 39, this

³² Citizens Advice (July 2017) *ibid*.

approach would strip significant responsibility from companies to manage their businesses effectively.

Furthermore, consumers would effectively pay for poor performance, without being awarded for their incurred costs. Cash injections of this nature might normally be met by equity shares to the creditors, in this case consumers, and Ofgem should consider this if a hard floor were to be implemented. Furthermore, by reducing this ability to fail, the overall risk faced by investors in the sector would drop significantly, requiring a relative reduction in the cost of capital estimated by Ofgem.

On Option 2 - Discretionary adjustment - we are generally wary of measures that introduce uncertainty into the price control. However given that these options would only be used in the case of wider failures in the setting of the price control, reducing company revenues to account for variations between forecasts and actual expenditure/output performance could be appropriate in such cases. For example, companies should provide strong evidence that any underspend is achieved through genuine efficiency improvements, and such a measure should be considered in cases where companies fail to do so. There may also be situations whereby Ofgem deem it necessary to recover incentive payments for output targets that were set too low. However it would be helpful if Ofgem were to outline, ahead of the sector specific consultations, the areas where they feel such situations are most likely to occur and why (as well as the conditions for application), in order to provide some certainty around their potential use. For any reopeners, we would like to see Ofgem's assessment of the quantified impacts of this such proposals, including consumer cost implications, firm behaviour and investor risk. The extent to what a reopener can cover needs to be clearly defined as early as possible.

On Option 3 - Constraining totex and output incentives - we see the sculpting option as representing an incremental improvement that, in principle, we support. We would like to see Ofgem's proposed method and rationale for establish the sculpting rate. Beyond this, we would like to see Ofgem revisit the existing sharing factors to give consumers a greater benefit, or else provide justification for keeping the existing methodology for their determination. A relative impact assessment of any change would be appropriate. Finally, there is an issue regarding the sculpting limit, beyond which companies may not be incentivised to make further savings. This could be partially navigated by indicating the potential sculpting rate range ex ante but only finalising the rate ex post, however we recognise the benefit of prior certainty over the sculpting rate. On both the 'zero sum' and 'fixed pot' incentive options, we would like to see a model of what this would look like in practice (as well as the impacts on investors and company behaviour), as alluded to in para 7.135.

On Option 4 - RoRE sharing factor - given the degree of variability amongst companies in how they would like to see the RORE devised, we would need to see more detail from Ofgem about how it would manage such existing problems. This option is a strong deviation from current practice and therefore a more detailed explanation from Ofgem, covering possible impacts, is desirable. Additionally, given that this approach would lean heavily on a determination of the quality of the business plan submitted by companies, Ofgem would need to provide much more information on the methods intended for use in this determination and how that process will be managed.

On Option 5 - Anchoring returns - we would like to see Ofgem's methodology for the proposed anchoring mechanism, with clarity on the apparent intent of shifting from returns based on outright performance to being based on relative performance. In general, we view this approach as being more suited to measures such as customer performance, and that it poses problems in terms of certainty and fairness if used as a wider clawback mechanism. We would like to see Ofgem's assessment of the effect of the proposed anchoring mechanism on consumer returns and sector innovation, including if anchoring were only applied to companies who exceeded a cap on returns. We have concerns that if this is not managed properly then it may incentivise companies - collectively - to not push as hard as they might otherwise.

Unspent allowances

As outlined in para 7.108, some underspend in RIIO1 cannot be attributed to genuine efficiency and innovation, and is instead due to re-profiled expenditure with some works being dropped or deferred to future periods. Currently, there is no requirement for companies to return funding for such projects, which result in consumers overpaying for works if they are deferred to later price controls, or simply paying for goods that are not delivered at all. In line with the few companies who have returned such funding to consumers in RIIO1, Ofgem must ensure that this loophole is removed in RIIO2 so that the value of all truly unspent or deferred funding is returned to consumers promptly and in full. Previous mistakes by Ofgem on this have allowed companies to engineer windfall profits at the direct expense of consumers, and this must not be repeated in RIIO2. Ofgem should set out in detail how it plans to remove this problem in RIIO2 as soon as possible, so that relevant views on the proposed method can be sought from interested parties.

Consumer bodies powers to request a review.

We also believe that consumer bodies should be given more power to request a review of a price control when financial returns are excessive. Network companies currently have the power to request a review at any time during the price control (eg take up of electric vehicles), but consumers do not. We would like to work with Ofgem to develop a

suitable mechanism for ensuring that any request from consumer bodies to review the price control had appropriate parameters which would ensure it would minimise any risk of regulatory uncertainty.

Q46. Is RoRE a suitable metric to base return adjustments on?

- **Are there other metrics that we should consider, and if so why?**

We are conscious of the limitations of the current RORE metric, however we are not currently aware of any improvement via an updated or different metric that would both serve the same purpose and be accepted by all the energy network companies. We look forward to reading other stakeholders' comments on this proposal.

Chapter 8 – Next Steps

Q47. Do you have any views on the interlinkages and interactions outlined in this consultation and those that we will need to consider as we develop our sector-specific proposals?

As outlined in our answer to Question 32, there is some work to be done around rationalising the various reporting mechanisms used by Ofgem (e.g. across RIGs, Statutory Accounts and future RIIO Accounts) and ensuring they are fit for purpose. We will be providing more information in the coming months relating to our position on the provision of information under RIIO Accounts. In order to promote true and meaningful comparability across the sector, we encourage Ofgem's respective teams to work closely with each other on these matters.

Q48. Do you have any views on the issues highlighted that we will consider as we develop our sector-specific proposals?

We strongly welcome the announcement to review the Guaranteed Standards of Performance of Gas Distribution Networks. In comparison to the Guaranteed Standards for electricity networks (2015), the gas standards are quite out of date with the Act having been passed in 2005 and the last amendments made 10 years ago. Our recent research into the Guaranteed Standards³³ identified shortcomings in the regulation, including:

- the performance reporting that networks have to undertake against the Standards is patchy so that we don't know whether all customers receive guaranteed services or the compensation they are entitled to;
- there is no clawback on unspent compensation money for gas networks as it exists for electricity networks.

The review of the Standards will be an important opportunity to check what customer expectations look like 13 years after the Act was passed, what service provisions should be guaranteed and what appropriate compensation levels might be.

Q49. Are there any sector-specific issues or policy areas that we should ensure we review and consider as we develop our sector-specific proposals?

Consumers in vulnerable circumstances

The whole RIIO-2 consultation document made hardly any reference to consumers in vulnerable circumstances. Those consumers are most at risk of suffering during supply

³³ Citizens Advice (Oct 2017), '[Living up to the Standards? Energy networks' performance against the Guaranteed Standards of Performance in 2015-16](#)'

interruptions, likely to have higher energy bills, and to be left behind in the move towards a smart and flexible energy system. In the sector-specific proposals we would like to see more concrete thoughts on what the role of electricity and gas distribution networks is in relation to serving those consumers. Energy networks and suppliers have made great improvements in this area³⁴, likely helped by specific incentives like the Stakeholder Engagement and Consumer Vulnerability for DNOs and the Discretionary Reward Scheme for GDNs. But there are still barriers to networks serving consumers in vulnerable circumstances well, including that vulnerability projects are more complex and harder to deliver, that vulnerability innovation is higher risk, and that it lacks senior leadership support (according to findings from Project Inspire). We therefore would like to see specific incentives for networks to overcome these barriers.

We have previously highlighted some of the limitations with the consumer vulnerability elements of the social obligation incentives. For example, we have previously argued for the need for parity in the split between stakeholder engagement and consumer vulnerability elements of the ED1 Stakeholder Engagement and Consumer Vulnerability Incentive (SECV), and also updating the stakeholder engagement incentive of the GD1 Discretionary Reward Scheme (DRS) to include consumer vulnerability requirements as per the ED1 incentive³⁵ in order to enhance the incentive elements associated with addressing vulnerable consumers. Networks are currently encouraged to meet consumer vulnerability outcomes through social obligation incentives. However, we have previously highlighted how the level of the incentive may not be sufficient to drive outcomes relating to consumer vulnerability³⁶.

Electric vehicles

Given the Government's targets to phase out internal combustion engine vehicles, the sale of electric vehicles and installation of charging infrastructure has to pick up in the run up to the 2040 deadline. Both DNOs and electricity transmission operators have described this as a great challenge as well as a big opportunity for their networks to assume responsibilities over new assets (i.e. EV batteries) and have access to additional revenue streams. When developing the sector-specific policies, Ofgem should consider the impact of EVs on the networks and what role electricity networks should play in facilitating the spread of electric vehicles. New kinds of outputs and targets, but also consumer protection and standards, are required if DNOs start to manage the levels of charge of EV as proposed by SSEN³⁷. The answers to these questions cannot be determined by Ofgem alone but should be sought in collaboration with the Department for Business, Energy and Industrial Strategy, the Department for Transport and the

³⁴Sustainability First (2017), '[Energy for all - Innovate for all](#)'

³⁵Citizens Advice (2016), *ibid*.

³⁶*ibid*.

³⁷EA Technology (March 2018), '[SSEN seeks views on managed charging solutions to aid smooth EV transition](#)',

Office for Low Emission Vehicles given that EVs have implications for transport, the environment and the energy system.

DSO transition

Ofgem should consider how the development of Distribution System Operator responsibilities, as developed by the ENA's Open Networks project, will impact on the operations, finances and interactions with customers of electricity distribution and transmission networks.

Q50. Do you have any views on our high-level proposals for timing of RIIO-2 implementation, and on our proposals for engagement going forward?

It is a challenging timetable considering the multiple layers of engagement that are being added in. Groups have just over one year to be set up, trained, and challenge companies on their business plans. It would be helpful for Ofgem to clarify what the engagement between companies and the RIIO-2 Challenge Group will look like and how it will be sequenced. This will allow companies to plan how and on what they engage with their CEGs and User Groups.

Annex - Our five principles

A price control for consumers

Citizens Advice helps people find a way forward.

We advocate for our clients and consumers on the issues that matter to them.

- As the statutory consumer advocate for energy, we see far too many people struggling with their energy bills. We provide assistance to over 4,000 energy consumers a day.
- Under the current price control, energy network companies are set to make £7.5 billion in excess profits. Consumers are footing this bill. It's crucial that the next price control does not allow this to happen again.
- Energy networks run the pipes and wires that deliver energy to our homes. Because we only need one set of pipes and wires these monopoly businesses are able to exploit their position.
- To try and prevent consumers overpaying for these monopoly services, the energy regulator - Ofgem - caps the price these companies can charge households. This is known as setting a price control. The current one lasts for 8 years.
- The regulator is consulting on the next price control. Ofgem must get it right to ensure a functioning energy market both for network companies and for consumers.
- Our 5 pledges set the standard for the outcomes consumers should expect see in the next price control to make sure that past mistakes aren't repeated.

1. **Profits are lower than the previous price control, to more accurately reflect the relative low risk for investors in this sector.** The energy regulator Ofgem has allowed energy network companies to earn excessive profits, costing consumers billions of pounds. These companies are attractive to investors because of the low risk nature of essential service monopolies. Future profit levels should be set at a level that more accurately reflects that low level of risk.
2. **The value of any unspent funding for infrastructure projects is returned to consumers promptly and in full.** Through their bills, consumers are paying for significant infrastructure investment. However, if energy network companies defer these projects or decide not to undertake them, they are sometimes able to keep a portion of that funding. This can drive up costs for consumers.
3. **Industry business plans and regulatory decisions are directly informed by consumer (including future consumer) feedback and research.** Because energy is an essential service it's crucial that consumers' views are properly reflected in the networks that they pay for.

4. **Companies are required to publish complete information on their performance, financial structures, gearing and ownership.** Increasing transparency in a monopoly essential service will help to ensure that consumers are getting value for money. At present, Regulatory Accounts don't provide a complete picture of how firms are operating under the RII framework. These should change to include the impact of different capital structures, financial outperformance, derivative portfolios and how returns differ from the regulator's assumptions.
 5. **Innovation funding and incentives support consumers in the transition to a low-carbon future, particularly those consumers in vulnerable circumstances.** Future demands on the energy system are hard to predict. For example, smart homes, electric vehicles and the need for increased energy efficiency will put different demands on energy networks. It's important that the needs of consumers - particularly those in vulnerable circumstances - are reflected when decisions about the future of the energy networks are made.
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Our pledges have the support of:

Vernon Coaker MP, *Gedling*

Dr David Drew MP, *Stroud*

Stephen Kinnock MP, *Aberavon*

Sandy Martin MP, *Ipswich*

Caroline Lucas MP, *Brighton, Pavilion*

John Grogan MP, *Keighley*

Mr Roger Godsiff MP, *Birmingham, Hall Green*

Jim Fitzpatrick MP, *Poplar and Limehouse*

Rt Hon Tom Brake MP, *Carshalton and Wallington*

Ben Lake MP, *Ceredigion*

Daniel Zeichner MP, *Cambridge*

Sir David Amess MP, *Southend West*

Darren Jones MP, *Bristol North West*

Yvonne Fovargue MP, *Makerfield*

Ruth George MP, *High Peak*

Neil Parish MP, *Tiverton and Honiton*

Ms Karen Buck MP, *Westminster North*

Jared O'Mara MP, *Sheffield, Hallam*

Gareth Thomas MP, *Harrow West*

James Frith MP, *Bury North*