

**Doc Type:** Response to RIIO-2 Framework Consultation 2018

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## **RIIO Consultation**

### **Comments - Electricity Market Services (B Murray)**

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**General** – The Ofgem paper recognises the sector is in transition without identifying in more detail the implications in terms of funding needs and associated risks. Given the increasing number of players, with their own agenda, and limited overall control of end user developments the risks associated with system investments will be higher.

**Q1 Challenge Proposals** – More emphasis needs to be placed on collating the views of system users on their future needs to establish a consensus in advance of planning rather than just enabling plans to be challenged after the event.

**Q2 Review Period** – Given the expected changes in the sector a 5 year review period seems more appropriate. It needs to be recognised that to keep pace with changing requirements the network companies will need to make investments in advance of need particularly in control infrastructure.

**Q3 Whole System Outcome** – There are currently distortions in network use of system charging that impact on generation location that need to be resolved to establish a longer term view of future system needs. The decarbonisation of heat and transport will potentially have a massive impact on distribution networks, transmission and generation needs. The distribution network operators need funding to establish a monitoring and control infrastructure to meet the emerging needs of an increasingly active network.

**Q4 Review Start Date** – There is advantage in distribution company review dates being in advance of transmission so that the impact of expected can be embraced in the transmission plans.

**Q5 RIIO Focus** – It is essential that the RIIO process recognises the potential impact of transformation in the sector and the pace of change and establishes a forward view. Distribution network monitoring and control development is likely to become a constraint on the ambitions of system users and some advance spending should be enabled.

**Q6 SO/Transmission interface** – There are trade-offs between network reinforcement and advanced demand and system control schemes. This will be particularly important in managing the increased demand expected from decarbonisation of transport and heat. The SO should have the option to review network development plans and be incentivised to propose options that could enable deferral of investments.

**Q7 Electricity SO Remuneration** – Where the SO applies advanced control techniques to better use assets, reduce losses or delay system reinforcement then it should benefit from receipt of a proportion of the realised savings. It should also bear risks when savings are not realised.

**Q8 Gas SO Remuneration** – It equally applies that as well as meeting expected standards of supply innovation should be incentivised with direct returns.

**Q9 Stranded Asset Avoidance** – This is most likely to be realised by a robust planning process coupled with risk assessment. The application of demand control to delay investment decisions is an option where there is a high level of uncertainty.

**Q10 End use Efficiency** – It is not the role of network owners to encourage user energy efficiency. This should result from energy pricing policies. The network operators should focus on encouraging patterns of utilisation that make best use of their assets through their use of system charging tariffs and minimising network losses in operation.