

RIIO Team
Ofgem
South Colonnade
Canary Wharf
London

14 March 2019

Dear Sir/Madam

RIIO-2 Sector Specific Methodology Consultation

Scottish Renewables is the voice of Scotland's renewable energy industry, working to grow the sector and sustain its position at the forefront of the global clean energy transition. We represent around 260 organisations across the full range of renewable energy technologies in Scotland and around the world, ranging from energy suppliers, operators and manufacturers to small developers, installers and community groups, as well as companies throughout the supply chain.

Fair and cost-reflective use of the electricity networks is fundamental to enabling our industry to deliver; to help meet both the UK and Scottish Government's objectives around clean growth and to meet our legally binding climate obligations. The RIIO-2 framework should strike a balance between driving efficiency and affordability whilst maintaining a stable investment climate that supports critical network upgrades, innovation and decarbonisation of the energy system.

Decarbonisation

We are concerned that RIIO-2 has been designed only to *enable* the transition to a low carbon, consumer-focused energy system, rather than actively deliver it. The best interests of the future consumer lie not just with reducing existing network costs for consumers, but with considering how to make the cost of energy and the networks as optimal as possible. By failing to encourage the development of cheap, clean low carbon energy generation, Ofgem could undermine significant future benefits to GB energy consumers.

Electricity System Operator

A two-year price control has been proposed for the electricity system operator (ESO) to allow for greater flexibility around the ESO's future roles and responsibilities. Whilst we appreciate the need to adapt to changing demands, we are concerned that it will be difficult for the ESO to innovate and see results in such a short timeframe. We would support further consultation with the ESO to determine the optimal timeframe delivering sustainable, resilient and affordable network services.

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Electricity Transmission

Network investments as part of the electricity transmission price control are fundamental to the delivery of UK energy policy and low carbon ambitions. Delivering key infrastructure, such as the east coast bootstrap and improving island connectivity, is essential to unlocking Scotland's rich renewable potential.

Increased renewable energy penetration, electric vehicles and low carbon heating are changing the way consumers interact with the energy system. In facilitating these changes, network companies are exposed to significant levels of risk. We are concerned the cost of equity range proposed in RIIO-T2 does not reflect this, jeopardising substantial benefits to the UK consumer¹.

RIIO-2 should also be cognisant of other areas of network reform^{2,3}. Ongoing changes to the network charging methodology is already having a significant impact on investor confidence. We are actively working with our members to fully understand the effects of these combined changes.

We look forward to engaging with you further as this work progresses.

Yours sincerely,



¹ ENA: [Cost of equity briefing note](#)

² Ofgem: [Targeted Charging Review - Minded to decision and draft impact assessment](#)

³ Ofgem: [Electricity Network Access and Forward-Looking Charging Review - Significant Code Review launch and wider decision](#)