

Consultation

Hinkley - Seabank: Consultation on our updated delivery model minded-to position

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This consultation opens on 15/10/2019 and we welcome views from people with an interest in the delivery model for the Hinkley-Seabank electricity transmission project by 26/11/2019. We particularly welcome responses from consumer groups, stakeholders impacted by the project, stakeholders with an interest in the costs of electricity transmission infrastructure and the transmission owners. We also welcome responses from other stakeholders and the public.

This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at [Ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

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Executive summary

This consultation sets out our minded-to position to fund delivery of the Hinkley-Seabank (HSB) electricity transmission project through the Strategic Wider Works (SWW) mechanism under our electricity transmission price control framework (RIIO), rather than through the Competition Proxy Model (CPM) as previously intended. This is because, having updated our analysis, we no longer consider that there is sufficient certainty that the CPM will deliver a consumer benefit relative to funding HSB through RIIO.

The CPM is a regulatory model that seeks to replicate the benefits of competition. It does this by setting allowed financing costs of projects at the level expected to be produced by a competitive tender. A key source of benchmarks for the CPM is our Offshore Transmission Owner (OFTO) regime, through which we have been awarding licences following competition since 2009. As the CPM does not involve third party delivery, it does not provide the full range of potential cost savings and innovation we expect competition to deliver.

This consultation should be read in conjunction with our separate consultation (also published today) "Consultation on our assessment of capital costs for the Hinkley-Seabank electricity transmission project", where we set out the proposed capital cost allowances for delivery of HSB on the basis that it is funded through the SWW mechanism under RIIO.

Previous decision

In July 2018, we decided that the CPM would be the regulatory model applied to the HSB electricity transmission project. The analysis that underpinned our decision indicated that the CPM would be likely to deliver a significant level of savings to consumers in the delivery of these projects compared to the SWW regulatory model under our RIIO price control. This analysis focused on comparing indicative allowed financing costs under the CPM to our estimate of future allowed financing costs under RIIO.

Updated analysis

We have revisited the analysis which underpinned our decision to apply the CPM to HSB. Our updated analysis suggests that the overall consumer savings range referred to in our July 2018 decision has reduced as a result of a combination of factors.

Our updated analysis reflects the following changes that have occurred since the decision to apply the CPM to HSB in July 2018:

1. Increase in the allowed cost of debt applicable under the CPM
2. Increase in the allowed cost of equity applicable under the CPM
3. Decrease in the expected allowed cost of equity for the next set of network price controls, RIIO-2 (using assumptions ahead of the finalisation of the financing arrangements for RIIO-2 in 2021)

We have also further developed our analysis by using a detailed CPM Financial model to generate the revenue allowance for HSB under the CPM.

Based on the updated analysis, we consider that if the RIIO equity allowance is in the range of 4.3% to 4.8%¹, as expected for RIIO-2, there is insufficient certainty that the CPM will deliver a benefit relative to funding HSB through RIIO. We are therefore minded not to fund HSB through the CPM.

Summary of results

The table below sets out a summary of the results of our updated analysis on applying the CPM to the HSB project.

Table 1: Updated consumer saving analysis (£m 2017/18 NPV)

	July 2018 Decision		Updated analysis for this consultation	
	RIIO Low	RIIO High	Updated RIIO Low (4.3%)	Updated RIIO High (4.8%)
July 2018 CPM Central Scenario	£53m	£102m		
Updated CPM Central scenario			-£10m	£3m

¹ As referenced in the RIIO-2 Sector-specific methodology decision of May 2019 (figures are presented in real terms relative to an assumed CPIH of 2% annually)

Use of the CPM for future projects, including during RIIO-2

We continue to consider that the CPM can replicate the following key benefits of a fully competitive approach:

- The locking in of debt and equity rates that reflect current market rates, which remain low historically;
- Making use of market revealed project-specific benchmarks where appropriate (such as using observed OFTO rates for the operational period);
- Enabling a higher gearing during the operational period, through a project-specific risk allocation, resulting in lower overall financing costs.

We said in our May 2019 RIIO-2 Sector Specific Methodology Decision² that we consider it is in the interest of consumers to be able to apply the CPM to projects in the electricity transmission and gas sectors that qualify as new, separable and high value. We will consider the consumer savings position, based on the information and analysis available to us at the time, along with all other considerations relevant to the projects concerned, in considering whether to apply the CPM to the delivery of projects.

The final allowed cost of equity under the RIIO-2 price control settlement can be expected to impact on the application of the CPM during RIIO-2. We will continue to monitor changes in macro-economic circumstances and forecasts as these are likely to impact on the analysis that informs future decisions on whether to apply the CPM to projects during RIIO-2, or relevant qualifying projects within RIIO-T1. Having developed the CPM in advance of RIIO-2 in the absence of alternative competitive models, and as an integral element of the RIIO-2 price control framework, we may in future decide to apply the CPM in cases where the consumer savings appear finely balanced in order to achieve the hard to monetise benefits set out above.

Next steps

Following consideration of responses to this consultation, we expect to finalise our decision on the regulatory model for funding HSB in early 2020.

² <https://www.ofgem.gov.uk/publications-and-updates/riio-2-sector-specific-methodology-decision>

1. Introduction

What are we consulting on?

1.1. We are consulting on our minded-to position not to apply the Competition Proxy Model (CPM) to fund the Hinkley-Seabank (HSB) electricity transmission project and instead fund delivery of HSB under the Strategic Wider Works (SWW) mechanism under the RIIO price control framework. We welcome feedback on all aspects of our minded-to position. This includes any views on our updated consumer savings analysis (which is summarised in this consultation), and whether you agree with our findings. We also welcome views on whether there are any other issues that you consider we should take into account in coming to our decision.

1.2. This consultation falls under Ofgem's Forward Work Programme 2019-21, which makes reference to the delivery model for the HSB project³.

1.3. Chapter 2 summarises the background of the HSB project and the CPM.

1.4. Chapter 3 summarises how we have revisited the analysis underpinning our July 2018 decision, which assessed whether the CPM was likely to deliver a saving to consumers for the HSB project relative to the RIIO counterfactual. Chapter 3 also explains our minded-to decision not to apply the CPM to the HSB project.

1.5. Chapter 4 briefly summarises the expected next steps for decisions on the HSB project. It also sets out the next steps for the CPM, including how we expect the CPM to feature within the RIIO-2 arrangements.

Context

1.6. The GB onshore electricity transmission network is currently planned, constructed, owned and operated by three transmission owners (TOs): National Grid Electricity Transmission (NGET) in England and Wales, SP Transmission in the south of Scotland, and Scottish Hydro Electric Transmission in the north of Scotland. We regulate these TOs through

³ Page 15 of this document:

https://www.ofgem.gov.uk/system/files/docs/2019/03/ofg1132_fwp_2019_21_programme_post_consultation_web.pdf

the RIIO (Revenue = Incentives + Innovation + Outputs) price control framework. For offshore transmission, we appoint offshore transmission owners (OFTOs) using competitive tenders.

1.7. The incumbent onshore TOs are currently regulated under the RIIO-T1 price control, which runs for eight years until 2021. Under this price control, we developed a mechanism for assessing the need for, and efficient cost of, large and uncertain electricity transmission reinforcement projects. This mechanism is called 'Strategic Wider Works' (SWW). The incumbent TOs are funded to complete pre-construction works through the RIIO-T1 baseline allowance. Once the need for and costs of projects have become more certain, the TOs bring forward construction proposals and seek funding for them. As part of our decision on the RIIO-T1 price control, we set out that projects brought to us under the SWW regime could be subject to competition.

1.8. Following our decision on the RIIO-T1 price control, we undertook the Integrated Transmission Planning and Regulation (ITPR) project, which reviewed the arrangements for planning and delivery of the onshore, offshore and cross-border electricity transmission networks in GB. Through this project we decided, among other decisions, to increase the role of competition where it could bring value to consumers.

1.9. Following the ITPR project, we set up the Extending Competition in Transmission (ECIT) project in early 2015 to introduce additional competition in the delivery of new, separable and high value onshore electricity transmission investment. We have published a series of ECIT policy consultation and decision documents, which are available on our website.

1.10. In June 2017 we published an update on our plans to introduce competition to onshore electricity transmission, stating that we were deferring further development of the Competitively Appointed Transmission Owner (CATO) regime until the timing of the necessary legislation was more certain. We reiterated that we continued to consider that there were significant benefits to consumers in introducing competition into the delivery of new, separable and high value onshore electricity transmission projects.

1.11. Our August 2017 consultation on the Hinkley – Seabank project outlined two potential delivery models which we considered could deliver a significant proportion of the benefits of a CATO tender; the CPM and Special Purpose Vehicle (SPV) model. Having reviewed the responses to that consultation, and completed further analysis, we set out in January 2018 that, of the two models identified in our August 2017 consultation, we were minded-to implement the CPM for the Hinkley – Seabank project. We explained why we thought this

would deliver savings relative to the status quo SWW approach and set out indicative cost of capital ranges that we would allow.

1.12. In July 2018, following consultation, we determined that the CPM would be the regulatory model applied to the HSB electricity transmission project. This was because our analysis indicated that the CPM would be likely to deliver a significant level of saving to consumers in the delivery of these projects compared to the SWW regulatory model under our RIIO price control. This analysis focused on comparing the indicative financing costs allowed under the CPM to what was, at the time, our best estimate of future RIIO allowed rates of return.

1.13. This consultation is on our minded-to position to revert back to using SWW under RIIO as the regulatory model that will be applied to the HSB electricity transmission project. This is because our updated analysis indicates that we can no longer be certain that applying the CPM to HSB would be in the interests of consumers.

Related publications

Update on the Competition Proxy delivery model, September 2018

https://www.ofgem.gov.uk/system/files/docs/2018/09/cpm_update_2018_final.pdf

Hinkley - Seabank: Decision on delivery model, July 2018

https://www.ofgem.gov.uk/system/files/docs/2018/07/hinkley_seabank_project_decision_on_delivery_model.pdf

Update on competition in onshore electricity transmission, January 2018

<https://www.ofgem.gov.uk/publications-and-updates/update-competition-onshore-electricity-transmission>

Hinkley - Seabank: Decision on the Needs Case, January 2018

<https://www.ofgem.gov.uk/publications-and-updates/hinkley-seabank-decision-needs-case>

Hinkley - Seabank: Minded-to consultation on delivery model, January 2018

<https://www.ofgem.gov.uk/publications-and-updates/hinkley-seabank-minded-consultation-delivery-model>

Hinkley - Seabank: Consultation on Final Needs Case and potential delivery models, August 2017

<https://www.ofgem.gov.uk/publications-and-updates/hinkley-seabank-consultation-final-needs-case-and-potential-delivery-models>

Update on Extending Competition in Transmission, June 2017

<https://www.ofgem.gov.uk/publications-and-updates/update-extending-competition-transmission>

Extending competition in electricity transmission: arrangements to introduce onshore tenders, October 2015

<https://www.ofgem.gov.uk/publications-and-updates/extending-competition-electricity-transmission-proposed-arrangements-introduce-onshore-tenders>

Criteria for onshore transmission competitive tendering, May 2015

<https://www.ofgem.gov.uk/publications-and-updates/criteria-onshore-transmission-competitive-tendering>

Integrated Transmission Planning and Regulation project: Final Conclusions, March 2015

<https://www.ofgem.gov.uk/publications-and-updates/integrated-transmission-planning-and-regulation-itpr-project-final-conclusions>

Strategic Wider Works Guidance, June 2013 (updated November 2017)

<https://www.ofgem.gov.uk/publications-and-updates/guidance-strategic-wider-works-arrangements-electricity-transmission-price-control-riio-t1-0>

How to respond

1.14. We want to hear from anyone interested in this consultation. Please send your response to the person and email address named on this document's front page.

1.15. We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

1.16. We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

Your response, data and confidentiality

1.17. You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

1.18. If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.

1.19. If the information you give in your response contains personal data under the General Data Protection Regulation 2016/379 (GDPR) and domestic legislation on data protection, the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.

1.20. If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

General feedback

1.21. We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. Any further comments?


Please send any general feedback comments to stakeholders@ofgem.gov.uk

How to track the progress of the consultation

You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website.

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2. Background on the HSB project and on the CPM

Section summary

This section provides summary background information on both NGET's Hinkley-Seabank project (HSB) and the Competition Proxy Model (CPM)

Background on HSB

2.1. HSB is an SWW project. HSB is NGET's technical solution for connecting EDF's Hinkley Point C (HPC) nuclear power station to the GB transmission network. NGET is contracted to connect the first HPC reactor by late 2024 ahead of EDF beginning commercial operation of the power station in 2025⁴. It will be one of the largest extensions of the transmission network in recent decades. As proposed by NGET, it comprises:

- 49km of 400kV overhead lines – mostly using the new 'T-Pylons' design rather than standard lattice pylons;
- 8.5km of underground cabling through the Mendip Hills Area of Outstanding Natural Beauty (AONB);
- a new substation and two reconfigured substations; and
- a reconfigured local 132kV network.

2.2. Our understanding is that NGET is currently on schedule to meet its first contracted connection date at HPC of December 2024.

2.3. We published our decision to approve the 'Final Needs Case' for HSB in January 2018, following a consultation process.⁵ That decision outlined that:

2.3.1. There is a clear technical need for the reinforcement. Without HSB, HPC would not be able to safely connect to the National Electricity Transmission System due to the lack of transmission capacity in the local area.

⁴ NGET is contracted to connect the second reactor by late 2025. EDF has recently announced updates to its delivery plans for HPC; however, these have not impacted on the contracted delivery dates for HSB.

⁵ <https://www.ofgem.gov.uk/publications-and-updates/hinkley-seabank-decision-needs-case>

2.3.2. There is a clear economic need for the reinforcement. If HPC were unable to safely connect to the grid this could represent a significant cost to consumers. Overall, the proposed solution is likely to be in the interests of existing and future consumers.

2.4. In July 2018, based on our consumer savings analysis at the time, we decided to apply the CPM to the HSB project⁶ due to the likely consumer savings it was expected to deliver on the project.

2.5. NGET submitted its Project Assessment submission to us in November 2018. The Project Assessment stage is where we determine cost allowances for delivering a project. We have considered this submission in detail, comparing costs to relevant benchmarks where appropriate, and engaged with NGET to resolve any queries that have arisen.

2.6. The findings from our assessment of NGET's HSB Project Assessment submission are published on our website today for consultation. Following consideration of consultation responses, we intend to conclude our assessment of the costs of the HSB project with a decision in early 2020.

Background on the CPM

2.7. The CPM is a regulatory model that seeks to replicate the benefits of competition in the delivery of electricity transmission projects. It was developed in the absence of Competitively Appointed Transmission Owner (CATO) legislation which provides for the competitive tendering of qualifying onshore electricity transmission projects. The CPM works by benchmarking the allowed financing costs of electricity transmission projects at the level expected from an equivalent project subject to a competitive tender. A key source of benchmarks is our Offshore Transmission Owner (OFTO) regime, through which we have been awarding licences following competition since 2009.

2.8. Under the CPM we set a largely project-specific set of regulatory arrangements to cover the construction period and a 25-year operational period. This 25-year operational period is designed to reflect the length at which debt is likely to be available at favourable rates in the bank and bond markets. The financing costs element of the revenue would not be

⁶ <https://www.ofgem.gov.uk/publications-and-updates/hinkley-seabank-decision-delivery-model>

subject to further review; there would be no adjustment for changes to prevailing market rates for cost of debt or equity once these have been set.

2.9. Our decision to apply the CPM to HSB came ahead of receiving NGET's Project Assessment submission for the project. The Project Assessment stage is when we receive the final cost estimates for the project. It is only at this point that we set the final financing costs for the project, based on a full assessment of how risk should be allocated on the project.

3. Updates to our consumer savings analysis for applying the CPM to HSB

Section summary

This section summarises how we have revisited the analysis carried out in July 2018 designed to capture whether the CPM is likely to deliver a saving to consumers for the HSB project relative to the RIIO counterfactual. It explains how we have reached our minded-to decision not to apply the CPM to the HSB project.

Questions

Question 1: Do you agree with the findings of our analysis?

Question 2: Are there any additional factors that we should consider as part of our analysis and/or decision on whether to apply the CPM or SWW as the delivery model for HSB?

3.1. The analysis underpinning our July 2018 decision to apply the CPM to the HSB project indicated that the CPM would likely deliver significant savings to consumers.

3.2. In this section we set out how we have revisited and updated the analysis underpinning our July 2018 decision. We also explain why, on balance, we now consider that, in light of significant changes to the inputs into our analysis since our decision, we no longer intend to apply the CPM to HSB.

Summary analysis underpinning our July 2018 decision

3.3. As referenced in paragraph 2.7, the CPM relies on the benchmarking of the allowed financing costs of qualifying projects at the level expected from an equivalent project subject to a competitive tender. To do this, we contracted Cambridge Economic Policy Associates (CEPA) in 2017 to develop a benchmarking methodology to set a feasible range of the allowed financing costs for the HSB project. As referenced in the July 2018 decision, we cross-checked the output of this methodology against evidence from a range of equivalent infrastructure projects that are subject to a full competitive tender process.

3.4. Alongside the decision published in July 2018, we published the cost of capital methodology for the CPM, which was developed by CEPA. That document set out the methodology for determining the allowed financing costs for HSB and other new electricity transmission projects regulated by Ofgem.

3.5. The analysis that informed our July 2018 decision compared the indicative revenue for HSB derived from funding the project through the CPM, via the cost of capital methodology for the CPM developed by CEPA, to the indicative revenue under a counterfactual RIIO approach, the 'RIIO counterfactual'. Our analysis compared the middle point in the range of potential financing costs under the CPM to what was, at that time, the equivalent high and low end of the financing costs under the RIIO counterfactual.

3.6. As explained in our July 2018 decision, the RIIO counterfactual reflected our latest published expectation of the range of the allowed financing costs for RIIO-2, which was consulted on in March 2018 as part of the RIIO-2 framework consultation. The RIIO-2 price control for Transmission Owners will run from April 2021 to March 2026. As we get closer to the start of the RIIO-2 period, this financing cost range has been updated to reflect the further analysis that has been taking place as part of the RIIO-2 programme.

3.7. If funded through RIIO, the costs associated with HSB would be recovered over a 45 year period. It is impossible to know the exact level of revenue until the end of this 45 year period. This is because the allowed cost of debt and equity under RIIO will be set through the future price control reviews that will cover the 45 years. At each review these financing costs will be determined based on contemporary market and macro economic evidence. It is difficult to capture this uncertainty in our analysis and it is unlikely that the final rates set for RIIO-2 will remain unchanged for 45 years. We set in paragraphs 3.29 - 3.31 how we have factored in this uncertainty in our analysis and minded-to position. Further detail is also covered in Appendix 3 of this decision (updated Impact Assessment) in the section covering "Hard to Monetise" benefits.

3.8. Below we set out the factors that have changed since our decision, and the impact of these on the benefit case for applying the CPM to HSB.

Updated Cost of Debt inputs into the CPM cost of capital methodology

3.9. The cost of capital methodology for the CPM includes the benchmarking of cost of debt derived from the iBoxx bond market indices. The allowed cost of debt during the construction period is benchmarked against a combination of the spot yield and one-year average rate of

the iBoxx non-financial corporate debt, with the debt tenor aligned with the length of the construction period. The cost of debt under the CPM for the HSB construction period is set in line with the BBB-rated 5-7 year non-financial corporate debt yield.

3.10. The allowed cost of debt during the CPM operational period is benchmarked from the spot yield and one-year average rate of iBoxx non-financial corporate debt indices with the debt tenor aligned with the length of the operational period. For HSB, the A-rated 10+ year index yield was specified as the top of the range, and BBB-rated 10+ year index yield as the bottom of the range.

3.11. We set out in our September 2018 publication 'Update on the Competition Proxy delivery model'⁷ that the relevant values for the construction period, and indicative values for the operational period would be determined for any project subject to the CPM at the same time we set the final cost allowances for the project, through the "Project Assessment". It was always our intention to refresh the cost of capital methodology for the CPM for each project at the time of our Project Assessment with contemporary input data. As we are consulting on our findings on the cost allowances for the HSB project today, this is also the point at which the cost of debt values have been updated with contemporary input data, rather than using the values in our July 2018 decision.

3.12. The values used for the consumer savings analysis underpinning our July 2018 decision were based on input data from September 2017.

3.13. We have used input data from January 2019 for our updated consumer savings analysis for HSB. This draws on our work to update the inputs into the allowed Interest During Construction (IDC)⁸ to be applied during 2019/20 to offshore electricity transmission projects and electricity interconnectors granted the cap and floor regime.

3.14. The market yield for cost of debt benchmarked by the relevant iBoxx index for January 2019 is significantly higher than the equivalent yield derived from the same methodology

⁷ https://www.ofgem.gov.uk/system/files/docs/2018/09/cpm_update_2018_final.pdf

⁸ Decision on Interest During Construction (IDC) rates to be applied during 2019-20 to offshore transmission projects and electricity interconnectors granted the cap and floor regime: https://www.ofgem.gov.uk/system/files/docs/2019/05/2019-20_idc_decision_letter.pdf

using the September 2017 data owing to increases in the market-wide cost of debt. Such increase in the cost of debt would increase the cost of funding a project under the CPM.

3.15. Although the allowed cost of debt under RIIO is also benchmarked from iBoxx index data, it is set based on a trailing 10-year average. This means that immediate increases in the market-wide cost of debt flow through to the allowed cost of debt under RIIO more gradually than they do to the allowed cost of debt under the CPM. As a result, the increase in the market yield for debt in January 2019 relative to September 2017 has reduced the consumer savings range for the CPM which we identified in our July 2018 decision.

3.16. It should be noted that since January 2019, the market has observed a downward trend in the output of the relevant iBoxx indices used to set cost fo debt under the CPM. We have tried to capture this through a sensitivity to our analysis. To do this we have captured what the cost of debt under the CPM would be if it was set using the same methodology, but with input data from July 2019 rather than January 2019. This shows that by changing this data alone, a notable increase in the saving relative to the RIIO counterfactual would theoretically be achieved. We have included this to demonstrate the impact that changes in prevailing debt yield can have on the benefit case for the CPM relative to the RIIO counterfactual. We are not relying on this cost of debt sensitivity for the purposes of our minded-to position. This is because the use of January 2019 cost of debt evidence aligns with the published IDC decision for 2019/20, which uses the same data sources. Therefore the January 2019 data represents a full update of the output of the cost of capital methodology for the CPM, that is aligned with the data used to set IDC for 2019/20. It is also better aligned with the data used to set the updated RIIO couterfactual referenced in paragraphs 3.24 – 3.31.

Updated Cost of Equity input into the CPM cost of capital methodology

3.17. In the construction period under both the CPM and the SWW mechanism under RIIO, the allowed cost of equity is built up from the following inputs:

- **Total Market Return (TMR)** – the measure of the typical return on equity observed in the market as a whole.
- **Risk free rate** – the indicative rate of return for a hypothetical investment that is risk-free. Under both the CPM and RIIO this is benchmarked against UK gilts.
- **Equity beta** – the indicative ratio of riskiness (measured in terms of volatility) of the assets in question relative to the average risk faced by the market as a whole.

3.18. These inputs are combined to estimate the cost of equity, as follows:

$$\text{Cost of Equity} = \text{Risk free rate} + \text{Equity Beta} \times (\text{TMR} - \text{Risk free rate})$$

3.19. Our July 2018 decision determined that the TMR range for the CPM should be slightly lower than the TMR range for RIIO-2. In line with CEPA's methodology, this reflected the view that the shorter investment horizon and one-off nature of the sorts of assets potentially delivered under the CPM provided grounds for assigning greater weight to short-term market expectations and forward-looking approaches than to long-run trends.

3.20. However, as referenced in our decision on the IDC for 2019/20, published in May 2019⁹, we recognise that capturing market expectations robustly is challenging.

3.21. To inform our policy decisions for the RIIO-2 price controls for regulated networks, we undertook a thorough review of TMR and published our proposed methodology and range in May 2019, as part of the Finance Annex to the RIIO-2 Sector Specific Methodology. This range was determined using a wide pool of evidence, including both historical averages and forward-looking measures, and following an extensive consultation exercise. The findings of this review were not available to us when we set the cost of capital methodology for the CPM in 2018.

3.22. Given the complexity in estimating TMR, and the significant work undertaken for RIIO-2, we have concluded that it is appropriate to align our approaches, and use the same TMR range to set the allowed cost of capital for regulated networks and the IDC rates applying to new assets. Therefore, we have decided that this range is the most appropriate to use to set TMR during the construction period of projects funded through the CPM.

3.23. The aligning of the TMR for the construction period under the CPM with the TMR for setting the allowed cost of capital for regulated networks and the IDC rates for new assets has effectively increased the financing cost of funding a project through the CPM. The RIIO counterfactual TMR has remained unchanged. As a result, the consumer savings range for the CPM which we identified in our July 2018 decision has reduced.

⁹ Decision on Interest During Construction (IDC) rates to be applied during 2019-20 to offshore transmission projects and electricity interconnectors granted the cap and floor regime:
https://www.ofgem.gov.uk/system/files/docs/2019/05/2019-20_idc_decision_letter.pdf

Updated RIIO counterfactual Cost of Equity

3.24. For the purposes of the consumer savings analysis underpinning our July 2018 decision, we used the RIIO-2 indicative cost of equity range, published in the RIIO-2 framework consultation on 7 March 2018, as the basis for the RIIO counterfactual. This included a high end of the potential RIIO range of 6% (CPI-real). Since our July 2018 decision, the Finance Annex of the RIIO-2 Sector Specific Methodology Decision published on 24 May 2019 identified 4.8% as our expectation for the return on equity during the RIIO-2 period. We also identified evidence of the potential for systematic outperformance within the price control and estimated that this could be worth up to 0.5% in equity returns. We therefore used, as a working assumption, a 'baseline' return on equity of 4.3% (4.8% minus the 0.5% relating to outperformance).

3.25. Our updated analysis compares the expected financing costs under the CPM to two versions of the RIIO counterfactual.

3.25.1. The first, referred to in this document as "RIIO Low", uses the baseline RIIO-2 equity return of 4.3%. This represents an estimation of the baseline return to equity investors during RIIO-2 excluding the outperformance of RIIO-2 financial incentives.

3.25.2. The second, referred to as "RIIO High" in this document, uses the expected RIIO-2 equity return of 4.8%. This represents an estimation of the total return to equity investors during RIIO-2 including the outperformance of RIIO-2 financial incentives.

3.26. We recognise that ultimately under both of these counterfactuals, the expected return that would be funded by consumers would be 4.8%. However, just using 4.8% within the counterfactual would not appropriately capture circumstances under which an equivalent level of outperformance can also be achieved within the CPM. Under these circumstances, a direct comparison between the baseline returns, rather than the expected returns, is appropriate.

3.27. As the CPM represents a new regulatory model, we do not consider it appropriate to make an assumption around the likely level of equity return outperformance relative to under a RIIO price control at this time. However, as the CPM shares certain key incentives properties of the RIIO price control, including the sharing with consumers of cost efficiencies and protections from cost over-runs, we do not consider it appropriate to rule out such a level of outperformance being possible.

3.28. The updated RIIO High counterfactual effectively means that the high end of the RIIO counterfactual range within our updated analysis has reduced from 6% in our July 2018 analysis, to 4.8% now. This has the effect of reducing the maximum cost of funding projects under the RIIO counterfactual. As a result the consumer savings range for the CPM which we identified in our July 2018 decision has reduced.

3.29. We remain of the view that relying on the RIIO-2 cost of equity range to set the RIIO counterfactual for future RIIO price controls (RIIO-2, RIIO-3, and beyond) could be considered a conservatively low counterfactual. Whilst it is difficult to forecast how rates may change in the future, historical evidence suggests that it is unlikely that the return on equity will consistently stay as low as 4.8% across the next 45 to 50 years.

3.30. Using a counterfactual cost of equity which reflects current low rates without anticipating future increases may understate one of the key benefits of the CPM, which is the ability to lock in the current financing rates (despite recent rises, current rates remain low historically, against uncertain future rates under RIIO). However, based on the current available evidence it is difficult to identify an alternative quantitative estimate of future RIIO cost of equity ranges on which to base our counterfactual.

3.31. One useful source of evidence is the long-term forecast of UK gilts, which can be used to derive a long-term forecast of the risk-free rate over time. This evidence has allowed us to include a long-term forecast of the risk-free rate to capture a forecast of future movements in the cost of equity within the RIIO counterfactuals beyond the end of the RIIO-2 period. However, there is a limit to how reliable this is as a long-term measure of the future UK risk free rate. In recent times, the market has observed falls in forecast UK Gilt returns which appear to reflect investors seeking to use gilts to hedge against broader market uncertainty in the short term, rather than a longer-term expectation that returns on UK gilts will necessarily remain low.

Use of the detailed CPM Financial Model in our analysis to identify costs of project finance

3.32. Our July 2018 decision referenced that we used a financial model developed by our consultants, Amberside, to cross check whether the financing costs, combined with assumptions around capital and operational costs based on data provided by NGET, can deliver a viable investment that meets the required ratios that are expected in project finance. We also specified that we would use this financial model to ensure that the annual revenue allowance would be the most efficient for consumers, if NGET confirmed that it intended to fund HSB through a project finance approach.

3.33. Since our July 2018 decision, we have worked with the Transmission Owners (TOs) to develop the licence drafting to implement the CPM into their electricity transmission licenses. We worked on drafting which would use a financial model to capture the detailed financing structure of the project. In the absence of alternative models proposed by the TOs, we concluded that the model developed by Amberside should be the model that is used to set project revenues under the CPM for HSB. The capturing of the detailed financing structure of the project within the Amberside model provides a more accurate quantification of the likely costs to consumers of pursuing a project finance type approach. Therefore, we have used the Amberside model to generate the revenue under the CPM that feeds into our updated consumer saving analysis set out in this consultation.

Normalising adjustments and assumptions

3.34. In order to incorporate the revenue generated by the Amberside model into our analysis we have had to make some normalising adjustments and assumptions to ensure the output of the Amberside model is appropriately comparable to the output of the RAV-based RIIO model. These normalisations include capturing the differences in how tax allowances would be set under the CPM and RIIO. We have also had to make some assumptions around how our proposed adjustments to NGET's requested costs for HSB, are profiled within both models.

Effect on consumer savings of using the Amberside model

3.35. Our analysis suggests that the use of the Amberside model as the source of the CPM project revenue drives an increase in the cost of delivering the project under the CPM relative to the modelling underpinning our July 2018 decision. This is because the Amberside model provides a more detailed representation of the timing of project costs and incomes, whilst also capturing the present value cost of securing an investment grade credit rating. The additional costs for this include costs for the securing of certain reserve accounts and meeting certain financial metrics, such as an annual debt service coverage ratio of 1.2, which are critical to ensuring that the benchmarked cost of debt and equity under the CPM can be achieved. The capital and operational cost inputs have also been updated relative to the information available at the time we made our July 2018 decision. As a result, the consumer savings range for the CPM which we identified in our July 2018 decision has reduced.

Results of consumer savings analysis

3.36. Overall the consumer savings range has reduced as a combined result of each of the factors listed in this section.

3.37. In the table below we summarise the updated results of our consumer savings analysis covering the application of the CPM to the HSB project. We also set out in Figure 1 how the individual factors in our updated analysis (referred to in the sections above) have contributed to the overall change in the benefit case analysis.

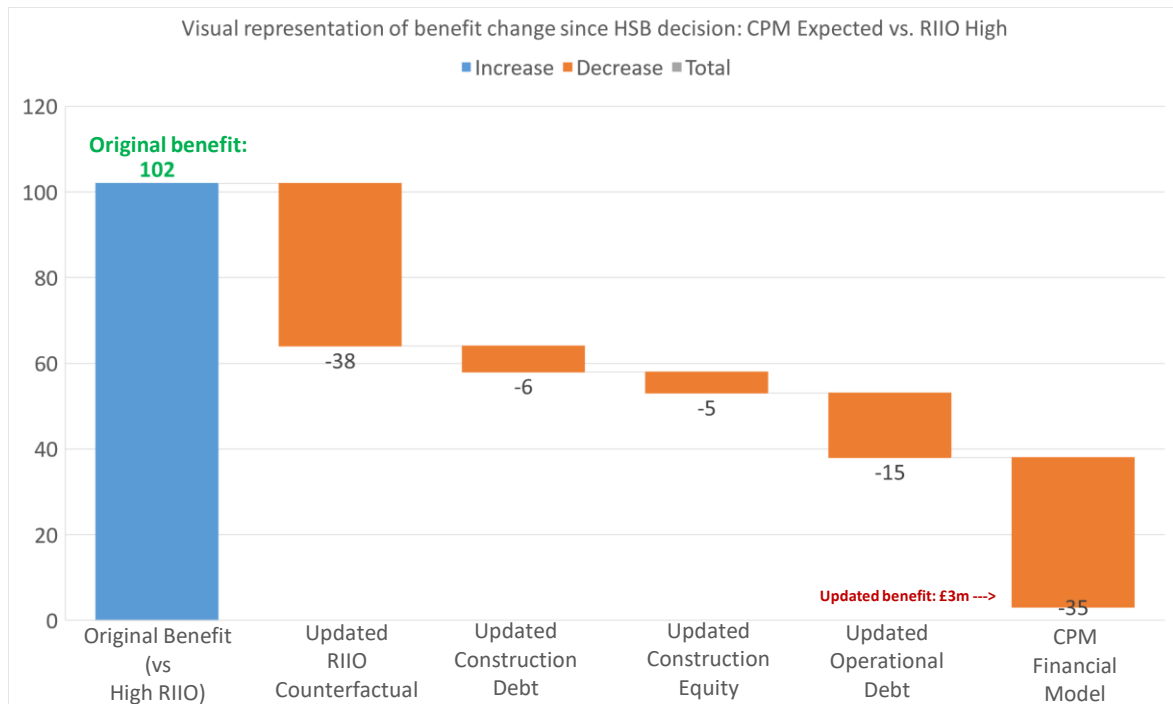
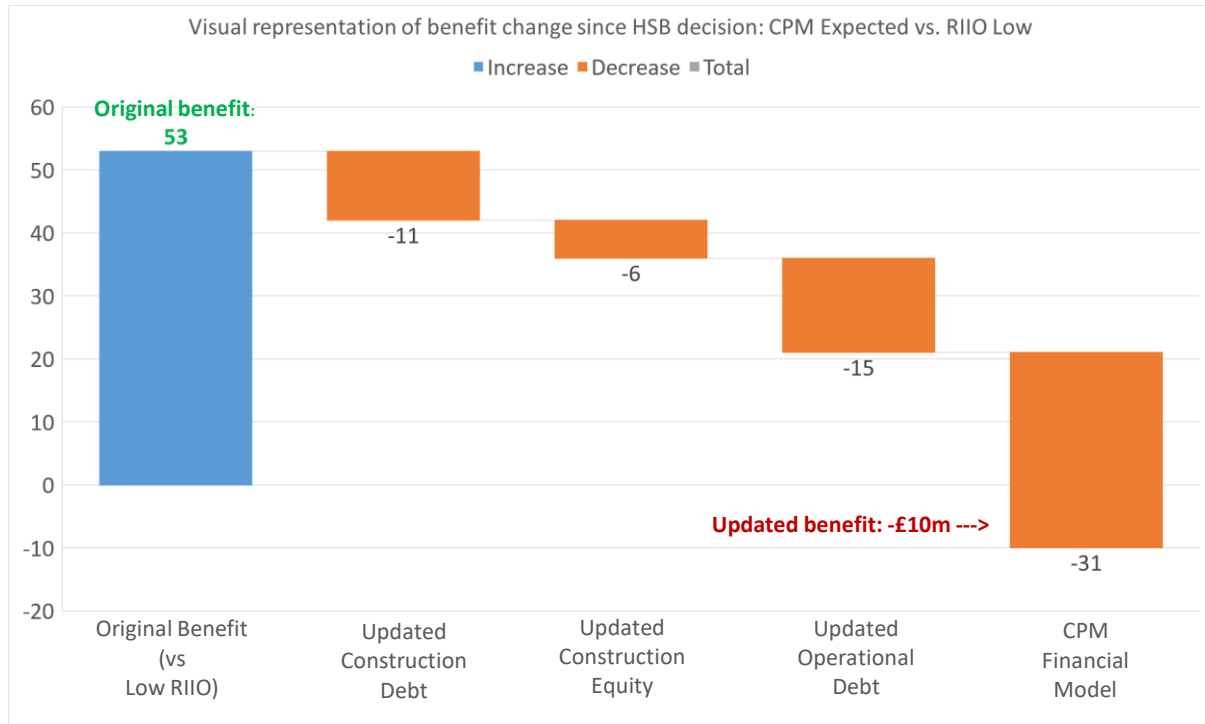
3.38. The updated range for the CPM financing costs that has fed into this analysis is provided in Appendix 1 of this document alongside the equivalent rates underpinning our decision to apply the CPM in July 2018.

Table 2: Updated results of benefit case analysis for HSB project

	Consumer savings presented in July 2018 Decision		Updated consumer savings	
	2018 RIIO Low	2018 RIIO High	Updated RIIO Low (4.3%)	Updated RIIO High (4.8%)
July 2018 CPM Central Scenario ¹⁰	£53m	£102m		
Updated CPM Central scenario (Cost of Debt as per 31 Jan 19)			-£10m	£3m
Sensitivity: Updated CPM with Cost of Debt as per 31 July 19			£1m	£14m

¹⁰ See page 49 here: https://www.ofgem.gov.uk/system/files/docs/2018/07/hinkley_seabank_project_decision_on_delivery_model.pdf#page=49

Figure 1: Changes in benefit case analysis: CPM vs. RIIO Low and RIIO High by contributing factor



Our minded-to position

3.39. Having considered the updated consumer savings results, based on the information and analysis currently available to us, and all other relevant considerations, we consider this

decision to be finely balanced. However, we do not consider that there is clear evidence in this case that applying the CPM (and therefore departing from the existing SWW arrangements under RIIO) is in the interest of consumers.

3.40. We are therefore consulting on a minded-to position not to apply the CPM to the HSB project.

3.41. As summarised in section 4, we consider that there may be very real benefits in using the CPM. We may apply the model to projects that are new, separable and high-value during the remainder of RIIO-T1 and during RIIO-2 depending on the circumstances of those projects and the information available to us at the time. As referred to in section 4, within the RIIO-2 period in particular the CPM will be an integral element of the price control framework.

4. Next steps

Section summary

This section briefly summarises the expected next steps for decisions on the HSB project. It also sets out the expected next steps for the CPM.

Next steps for HSB

4.1. Following consideration of responses to this consultation, we intend to publish our decision in early 2020. It is our intention to publish the final cost allowances, via our Project Assessment decision on HSB at the same time.

4.2. If we decide not to apply the CPM to HSB, the project will be funded through the SWW process. Under the SWW process, NGET's licence would be amended to insert the annual cost allowance for the project into the SWW licence condition along with the required output of the project and the required delivery date. Both the delivery date of the project and several years of expenditure will fall within the RIIO-T2 period. The RIIO-T2 arrangements, including the allowed cost of equity, financial treatment and wider arrangements set out in the sector-specific methodology decision (and the future development of these arrangements into the final RIIO-T2 settlement) will be applicable from 1 April 2021, including when the project is delivered.

Next steps for the CPM

4.3. We continue to consider that the CPM can replicate the following key benefits of a fully competitive approach:

- The locking in of debt and equity rates that reflect current market rates, which remain low historically;
- Making use of market revealed project-specific benchmarks where appropriate (such as using observed OFTO rates for the operational period);
- Enabling a higher gearing during the operational period, through a project-specific risk allocation, resulting in lower overall financing costs.

4.4. We said in our May 2019 RIIO-2 Sector Specific Methodology Decision that we consider it is in the interest of consumers to be able to apply the CPM to projects in the electricity transmission and gas sectors that qualify as new, separable and high value. We will consider

the consumer savings position, based on the information and analysis available to us at the time, along with all other considerations relevant to the projects concerned, in considering whether to apply the CPM to the delivery of projects.

4.5. The final allowed cost of equity under the RIIO-2 price control settlement can be expected to impact on the application of the CPM during RIIO-2. We will continue to monitor changes in macro-economic circumstances and forecasts as these are likely to impact on the analysis that informs future decisions on whether to apply the CPM to projects during RIIO-2, or relevant qualifying projects within RIIO-T1. Having developed the CPM in advance of RIIO-2 in the absence of alternative competitive models, and as an integral element of the RIIO-2 price control framework, we may in future decide to apply the CPM in cases where the consumer savings appear finely balanced in order to achieve the hard to monetise benefits set out above.

Appendices

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Appendix 1 – Updated Cost of Capital ranges under CPM

Updated Cost of Capital ranges under CPM - Construction

1.1. The table below shows Cost of Capital ranges for the 5-7 year HSB construction period, as calculated using the CPM cost of capital methodology. It shows the ranges generated by the methodology for our July 2018 decision and the ranges generated following the updates to inputs referred to in the main document. They are shown in CPIH real terms for comparison to the RIIO counterfactual which will be set on a CPIH basis.

Table A1: CPM Construction Cost of Capital inputs for HSB (Jan 2019 vs. Sept 2017)

Construction:	JULY 2018 Decision (rates from Sept 2017)		Updated rates for this consultation (rates from Jan 2019)	
	Low	High	Low	High
Gearing	37.50%	37.50%	37.50%	37.50%
Cost of Debt (CPIH real)	0.69%	0.78%	1.27%	1.37%
Post tax Cost of Equity (CPIH real) ¹¹	3.72%	6.68%	4.21%	7.05%
CPIH real WACC (vanilla)	2.58%	4.47%	3.11%	4.92%

Updated Cost of Capital ranges under CPM – Operational period

1.2. The table below shows the Cost of Capital ranges for HSB’s 25 year operational period under the CPM, as calculated using the CPM cost of capital methodology. The increase in observed debt rates, referenced in paragraph 3.14 of the main document, is reflected in a higher estimate for the Cost of Debt rate applicable to the operational period, as shown in the table below.

Table A2: CPM Operational Cost of Capital inputs for HSB (Jan 2019 vs. Sept 2017)

¹¹ This is comparable to the RIIO Counterfactual Equity allowance of 4.3% - 4.8%

Operations:	JULY 2018 Decision (rates from Sept 2017)		Updated rates for this consultation (rates from Jan 2019)	
	Low	High	Low	High
Gearing	85%	80%	85%	80%
Cost of Debt (CPIH real)	0.98%	1.23%	1.37%	1.50%
Post tax Cost of Equity (CPIH real)	4.90%	6.37%	4.90%	6.37%
CPIH real WACC (vanilla)	1.57%	2.25%	1.90%	2.47%

Appendix 2 – Overview: How HSB would be treated under RIIO

How RIIO works

1.1. RIIO is the regulatory model we use to set each TO's allowed revenue to allow it to make required investment and deliver its various licence obligations. Under the RIIO model each price control review sets TO revenue and obligations for a defined period of time. The current regulatory arrangements, RIIO-T1, were set in 2013 and cover the 8 year period to 31 March 2021. The next price control review, RIIO-T2, will set the regulatory arrangements for the 5 year period from 1 April 2021 to 31 March 2026.

1.2. Under RIIO, cost allowances are split between being treated as "slow money" and "fast money". The amount that is classified as "slow money" is added to the TO Regulated Asset Value (RAV). These RAV additions are depreciated over the specified asset's regulatory life, with the prevailing RIIO financing costs applied to each year's RAV value. The remaining "fast money" is recovered within the year it is spent.

1.3. Under the current RIIO-T1 arrangements, and for RIIO-2, the assumed regulatory asset life is 45 years, meaning that the full cost of building a new transmission line is not fully recovered from consumers until 45 years after construction has finished. Under the current RIIO-T1 arrangements 15% of expenditure is treated as "fast money" and the remaining 85% as "slow money".

Appendix 3

Impact Assessment

Updated Impact Assessment template

Division:	Wholesale Markets and Commercial	Type of measure:	Price control and Competition measures
Team:	New Transmission Investment team	Type of IA:	Qualified under Section 5A UA 2000
Associated documents:	N/A	Contact for enquiries:	NTImailbox@ofgem.gov.uk
Coverage:	Full coverage. This IA considers the full range of factors considered in our minded to position to fund the Hinkley-Seabank project (HSB) through the Strategic Wider Works mechanism within RIIO		

Summary: Intervention and Options

The Ofgem Impact Assessment (IA) template is used to present the information and analysis that underpins our decisions in a consistent format. It outlines the benefits and potential costs of retaining the HSB project within SWW under RIIO, relative to our previous decision to apply the CPM as the delivery model for the project.

As outlined in Chapter 3 of the main document, our analysis indicates that we can no longer be confident that applying the CPM to HSB will deliver greater consumer benefit than the status quo RIIO (SWW) arrangements.

What is the problem under consideration? Why is Ofgem intervention necessary?

In July 2018 we published our decision to apply the CPM as the delivery model for NGET's HSB project. This included the use of the Ofgem Impact Assessment (IA) template to present the information and analysis that underpinned that decision in a consistent format. As explained in the consultation document, due to factors that have changed since our decision, our analysis no longer supports the implementation of the CPM to the HSB project.

This IA outlines our updated analysis of the potential consumer savings from applying the CPM to the HSB project rather than retaining it within SWW under RIIO. We have deliberately carried it out in a consistent manner to the previous IA that formed part of the 2018 decision, but with updated inputs to reflect the aspects, identified in section 3 of the main document, that have changed since that decision.

This IA does not revisit the use of the SPV model, which was discounted for consideration for HSB in the July 2018 analysis.

What are the policy objectives and intended effects including the effect on Ofgem's Strategic Outcomes

Consistent with Ofgem's Strategic Outcomes and regulatory stances, the central consideration in our decision on whether to implement the CPM for HSB, or revert to SWW, is which approach is more likely to lead to lower bills for energy consumers. In light of the changes to market conditions identified in section 3 of the main document, and uncertainty around the impacts that are hard to monetise, we no longer consider that the available evidence at this time provides sufficient certainty that the CPM will reduce consumer bills relative to the project remaining under the RIIO SWW mechanism.

What are the policy options that have been considered, including any alternatives to regulation?

Option 1: SWW - This represents the 'status quo' or 'do nothing' option and would involve NGET receiving revenue for delivering HSB under the prevailing RIIO arrangements over 45 years.

Option 2: CPM - Ofgem utilises benchmarks from the OFTO and Interconnector regimes, alongside other market information, to set an HSB-specific cost of capital that we consider

could have been achieved through an efficient competition. Capital and operational costs are confirmed following a post construction review. These are combined to determine an allowed revenue for delivering HSB over the period of its construction and 25 years of operation.

On the basis of our updated analysis, we expect that applying the CPM delivery model to the HSB project, would not save consumers £53m to £102m as originally anticipated. Our updated analysis indicates that the outcome for consumers of applying the CPM to HSB ranges from a consumer saving of £3m, to an additional consumer cost of £10m. As a result of this, and our wider considerations, the preferred option is now Option 1.

Reassessment of Preferred Option for July 2018 decision to apply the CPM – Monetised Impacts (£M)

Business Impact Target Qualifying Provision	Non-qualifying (Competition)
Business Impact Target (EANDCB)	Not relevant
Net Benefit to GB Consumer	Updated analysis: Our updated analysis indicates that the outcome for consumers of applying the CPM to HSB ranges from a consumer saving of £3m, to an additional consumer cost of £10m.
Wider Benefits/Costs for Society	N/A
Explain how was the Net Benefit monetised, NPV or other	
We carried out updated NPV comparisons of the revenue allowances under the specified Option 1 and Option 2 using the Green Book specified 3.5% and 3% ¹² discount rates. NPV is calculated in 2017/18 prices covering the period 2017 – 2071. The base date for discounting was 2017/18.	

¹² Under the Treasury Greenbook, the annual discount rate reduces to 3% after 30 years

Hard to Monetise Considerations

There are potential benefits to applying the CPM to HSB that are difficult to capture within our analysis. Below we consider several key impacts of not applying the CPM to HSB that are difficult to monetise:

1- The benefits of locking in current rates

One of the key potential benefits of the CPM is that it allows for current rates, which despite recent fluctuations remain historically low, to be locked in for the length of the regulatory regime under the CPM (the length of construction and 25 years operation). In contrast, under the RIIO counterfactual, rates are set every 5 years based on prevailing market evidence and macro-economic factors over a 45 year depreciation period (with the last costs being recovered from consumers 45 years after the final expenditure on the project). Against the future uncertainty of this RIIO counterfactual, it is not possible to robustly monetise the benefit of locking in current rates.

It is possible that over the long-term, market rates will move back towards average historical levels, rather than remain at the current historically low rates. However, if rates do revert back towards average historical levels, it is almost impossible to forecast how long such a reversion might take, nor whether rates will reduce further first. In our updated analysis for this consultation we have modelled long-term expectations of the risk-free rate, which will be indexed under RIIO-2, in order to try and capture current evidence on how Cost of Equity might change over the long-term. To do this we have tracked long-term UK Gilt returns. There is a limit to how reliable this is as a measure of long-term risk free rate due to uncertainty over how other, short-term factors are contributing to the current historically low rates.

Ultimately, we think our analysis may undervalue the benefit of enabling rates to be locked in for the long term, but there is a severe limit to the range of useful evidence that can be relied upon to make long-term macro-economic predictions, and their impact on future allowed cost of equity under RIIO.

2- Making use of market-revealed project-specific benchmarks

The CPM uses market-derived evidence from the OFTO regime as a direct benchmark for the project's allowed cost of equity during the operational period. Establishing the use of such benchmarks, derived directly from competitive bids, in setting the financing costs of monopoly network company projects, could ensure that consumers ultimately pay less than they do from the administrated financing cost allowance calculated as part of each RIIO

price control. Again, it is not possible to credibly monetise this potential benefit. Both the financing costs under the CPM for future projects, and future RIIO price controls are uncertain, and the relationship between the two over time is likely to remain dynamic and difficult to estimate.

Key Assumptions/sensitivities/risks

Assumptions

Our analysis compares the revenue allowance derived from NGET’s proposed costs to deliver HSB under the CPM and the RIIO counterfactual. The RIIO counterfactual is modelled based on a 45-year depreciation (ie: assuming that the last costs being recovered from consumers 45 years after the final expenditure on the project) with the assumption that the future allowance for cost of equity remain based on the indicative RIIO-2 rates of 4.3% to 4.8% with the risk-free rate adjustment referenced in the hard to monetise impact section of this IA and paragraph 3.31 of the main consultation. In terms of modelling the project costs under the CPM, we have utilised the CPM Financial Model with the full costs recovered within the 25-year operational period (after completion of construction).

Sensitivities

As referenced in paragraph 3.16 of the main consultation, we have run an alternative version of our analysis with the Cost of Debt under the CPM updated to reflect the rates that would be applied if the CPM Cost of Capital methodology was updated with input data for the cost of debt set on 31 July 2019 rather than 31 January 2019. This references the level of impact that shifts in market rates can have on the benefit case over a relatively short timeframe.

Risks

As referenced in the section on hard to monetise impacts and section 3.24 to 3.31 of the main consultation, there is a clear risk that due to changes to the RIIO counterfactual over time, a decision to apply the CPM to the HSB project would have led to a significant saving for consumers.

Will the policy be reviewed? No	If applicable, set review date: month/Year
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Is this proposal in scope of the Public Sector Equality Duty?	No
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Summary table for all options

Table 1: Update results of benefit case analysis for HSB project

	July 2018 Decision		Updated analysis for this consultation	
	<i>2018 RIIO Low</i>	<i>2018 RIIO High</i>	<i>Updated RIIO Low</i>	<i>Updated RIIO High</i>
July 2018 CPM Central Scenario	£53m	£102m		
Updated CPM Central scenario (Cost of Debt as per 31 Jan 19)			-£10m	£3m
Sensitivity: <i>Updated CPM with Cost of Debt as per 31 July 19</i>			<i>£1m</i>	<i>£14m</i>

Appendix 4 – Privacy notice on consultations

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

3. With whom we will be sharing your personal data

N/A

4. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for 1 year

5. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data

- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

6. Your personal data will not be sent overseas

7. Your personal data will not be used for any automated decision making.

8. Your personal data will be stored in a secure government IT system.

9. More information For more information on how Ofgem processes your data, click on the link to our "[Ofgem privacy promise](#)".