V1 generic

Email to: RIIO2@ofgem.gov.uk **DEADLINE for responses is 15 October 2019.**

To: Ofgem

Re: Lincolnshire County Council's response to ofgem's 'Open Letter Consultation on approach to setting the next electricity price control (RIIO-ED2)'

I am writing to set out Lincolnshire County Council's response to the above consultation.

In response to the following questions:-

Question 1 – Do you have views on the proposed objective for RIIO-ED2?

Response:-

Whilst we understand the desire to keep bills as low as possible, the current restrictions on DNOs forward funding infrastructure to support future growth need to be reviewed. We would request that the proposed objective for RIIO-ED2 needs to better acknowledge the role which DNOs should be playing in supporting future capacity requirements. Further to this we would ask that the DNO's would be required to engage more fully with their local stakeholders and local plans, in order to better determine investment targeting at a local level, not impeding growth and productivity.

Question 2 - To what extent should we take into account outcomes linked to decarbonisation targets, and what outcomes might this involve?

Response:-

We would expect a very clear link between the DNO and local stakeholders, in the delivery of decarbonisation targets. Whilst it might be a step too far to expect DNO's to be direct delivers of activity outside of their networks, they have an intrinsic role in making sure that their network is flexible enough to encourage and support local decarbonisation agenda's, not be an impediment to them. This will particularly important to rural areas, where energy options are not as plentiful as other areas in the country.

Question 6 - How do we ensure that network companies are best placed to undertake strategic investment and manage the associated risk? How should the risks of these investments be managed?

Response:-

We suggest that DNOs should be mandated to take a proactive approach in discussing future power demand with Local Authorities, all of whom have a statutory duty to plan for sustainable development in their districts through the Local Plan process. This has a direct connection to future power requirements. We would suggest that this would be a significant aid to DNO's planning for strategic investment and in managing associated risk. Further it would allow a process of formalising what is through of at present as 'speculative' requirements, which are not effectively supported through the regulated process at the current time, leading to lost investment and growth potential.

Question 7 – What, if any, changes to the framework are required to support strategic investment?

Response:-

As the consultation states, strategic investment can be an effective tool to ensure the network meets the needs of both existing and future consumers. We would suggest that changes to the framework are required to better meet the needs of future consumers. In many parts of the UK, land investment conditions are such that developers are unable to forward fund power infrastructure needed to support housing and employment growth. Our local DNO's takes the view that they are legally unable to fund infrastructure for future need. The result is that lack of power infrastructure has become a major barrier to much needed land development coming forward.

Government has recognised this to be an issue and funding, such as from Homes England, is being made available to help finance power upgrade schemes, however this has no direct involvement from the DNO as a strategic partner and is inherently slow and inefficient. We would suggest that ofgem needs to adopt a similar stance to Ofwat who now allow water companies to forward fund schemes to support future growth. This has transformed the water and sewerage landscape in a very positive way. We would urge ofgem to take a similar policy stance.

Question 8 - How should we hold the companies to account for the delivery of strategic investment, and the outcomes that they are expected to deliver?

Response:-

DNOs should have targets for the development of additional power delivery capability to support growth in the UK. The Government is setting great store in the new Industrial Strategy which it wants to drive forward the UK's economy and raise living standards. We would suggest that DNOs should be mandated to play a much greater role in this strategy, rather than being handicapped through a primary goal of lower consumer bills. Bill levels should be only one component in how value for money is measured. As we have discussed before local stakeholder engagement, local plan input, and the ability to co-design future energy transformations, will allow better targeted investment at the point of need.

Question12 - In what ways could the existing arrangements drive more innovation and competition?

Response:-

We would want to work more closely with DNO's to be able to develop big data environments that would allow transparent and accessible forms of data, and then develop a local market place to drive the innovation that will be needed with Net Zero. Supporting our own developments to determine energy demand curves for our local area, will allow the best of both worlds, without allowing organisations to be able to 'game' the system, leading to wrong long term decisions and investments being made.

Question 15 - To what degree should DNOs modernise their handling practices to adhere to data best practice, and therefore (among other things) provide available, transparent, and

interoperable data about their networks? What measures will be needed to ensure data remains secure?

Response:-

We would be looking to DNO's to take the learning from the Open Network activity, and then see how they can work with trusted local data repositories, to better inform future direction and investment to be made in real time, not based on a 'lag' that is currently present. Data will be crucial in the future determination of growth and productivity, and the ability to have both access, and the opportunity to interrogate will be vital as we try to tack energy transformation and Net Zero.

Question 18 - We welcome views on our proposed position of a five-year price control for RIIO-ED2.

Response:-

Providing there is better local stakeholder tie in, and that proper account is made of local plan proposals is taken within that 5 year period, there is no view either way on the price control length. Problems occur where this is not the case, and local growth and productivity opportunities are lost, because of the tie in to a 5 year period.

Question 20 - We welcome views on whether these enhanced engagement arrangements are appropriate for RIIO-ED2.

Response:-

In order for DNOs to show that they have properly reflected the requirements of local stakeholders, we would suggest that engagement with Local Authorities needs to be formalised and strengthened. Whilst Local Authority workshops take place occasionally, there is no formality in collecting evidence from LAs and no linkage to the LA Local Plan process.

Question 35 - We welcome views on our approach to highly anticipatory investment projects. We are interested to hear whether stakeholders would suggest additional processes or regimes for facilitating such investments that support the energy system transition whilst protecting consumers from potentially inefficient investments.

Response:-

We agree that it is no easy to predict future power investment requirements due to a range of factors. However we would suggest that there is currently too much emphasis on being able to maintain service of current levels of demand and too little attention given to planning for future demand.

Our suggestion that DNOs should be mandated to consult with Local Authorities, through the Local Plan process, would help assure that the risk of poor return from highly anticipatory investment projects can be much reduced. It is in no one’s interest to have significant additional capacity sitting unused but again we want to emphasise that lack of power capacity is now a substantial barrier to housing and employment growth. This is needs to be addressed in the current review.

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On behalf of Lincolnshire County Council

Andy Gutherson

Executive Director of Place