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Dear Sir or Madam

Thank you for the opportunity to respond to the open letter consultation on setting RIIO-ED2. Please find below E.ON's response.

Executive summary

The next network price control will be pivotal in enabling industry and society to take the significant steps forward towards Net Zero. During 2023-2028, millions of electric vehicles (EVs) could need to be connected and charged such that the network continues to be safe and reliable. The CCC¹ and National Grid ESO² both believe that many GWs of distributed renewables and storage will be installed over the same timeframe. Underlying all of these changes will be the allowed revenues, incentives and objectives placed on DNOs through RIIO ED2.

One of the fundamental decisions that needs to be addressed before 2023 will be whether the Distribution Network Operators (DNOs) are best placed to provide balancing services for the distribution networks. These distribution system operator (DSO) services could be delivered by a third party. One of the DSO roles will be to ascertain which services provide the best long-term value for additional capacity at each point on the network. These services will include traditional reinforcement, a monopoly service run by the DNO. It is our belief that as the DNO has a vested interest in which service is selected, it is vital that this conflict is removed by separating the DNO and DSO role. We acknowledge the efforts by the ENA to mitigate these conflicts of interest by committing to its six steps to flexibility, but actions of some of its members in commercial markets lead us to believe the stronger approach of legal separation needs to be taken.

From a whole system perspective, we also believe that a more optimal solution is to combine the DSO roles with the ESO role to create a single system operator across all voltage levels. This will ensure that a single party is responsible for all balancing actions. This will prevent different parties not seeing the overall picture

¹ <https://www.theccc.org.uk/publication/net-zero-the-uks-contribution-to-stopping-global-warming/>

² <http://fes.nationalgrid.com/media/1409/fes-2019.pdf>

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when talking actions on their networks which have knock on implications for other networks. The Open Networks Project is looking to develop processes to facilitate whole system conversations happening between the DNOs and the ESO, but as actions may need to be taken in real time, we believe that this will be infeasible for multiple parties, even with the best of intentions.

As stated above, Net Zero and decarbonisation will form a large part of the activity undertaken by DNOs during the 2020s . Therefore, it is fundamental that Ofgem factors this ultimate goal into DNOs outcomes and incentives. However, this should recognise which aspects of Net Zero DNOs can control e.g. ensuring quick and easy connections for net zero technologies such as solar, storage and EVs and heat pumps. We believe that many of the DSO outcomes and incentives can mirror those of the ESO price control and because of this, as well as separating out the DSO role from DNOs, we would encourage Ofgem to consider having a separate price control for DSOs, based on the ESO price control.

Q1. Do you have any views on the proposed objective for RIIO-ED2?

We agree in broad terms with Ofgem's objective for RIIO-ED2 of "ensuring DNOs deliver the value for money services that both existing and future customers need" although it might be more helpful to clearly define what 'services' customers need as this could mean different things to different people. The accompanying outcomes of

- delivering a high quality and reliable service to all customers,
- maintaining a safe and resilient network and
- enabling the transition to a smart, flexible, low cost and low carbon energy system

give a better reflection of what Ofgem's objective for ED2 ought to be.

Q2. To what extent should we take into account outcomes linked to decarbonisation targets, and what outcomes might this involve?

We are fully in support of a price control mechanism that is more directly associated with outcomes linked to decarbonisation targets and would encourage Ofgem to make RIIO ED2 outcomes inextricably linked to Net Zero. In the past, the network companies' focus was broadly on maintaining the existing infrastructure and getting the most out of it. Today, the primary goal of Net Zero by 2050 means a fundamentally different network is needed which is much more flexible and bi-directional than in the past, capable of dealing with the electrification of transport and potentially heating (a potential 72% increase of electricity demand by 2050³). This extends not just to reinforcement of the existing network but the DSO (whose operation currently sit in the DNO, but which is under review⁴) will need a more clearly defined role in terms of balancing the distribution system (maximising distribution connected renewable generation, tackling demand peaks, dealing with local constraints). All of this will require a similar market structure at distribution level to that that currently exists at national level under the ESO.

In terms of outcomes that DNOs (and potentially DSOs separately) should have linked to their price control, there are a number of possibilities. These include (but are not limited to):

- % of applications of distribution connected renewable generation and storage connected
- % of applications of electric vehicle (EV) charging points connected
- Minimising curtailment of distribution connected renewable generation
- Forecasting of peak network demand/constraints
- Mature and liquid local flexibility markets by 2028

³ FES 2019 Net Zero sensitivity

⁴ Ofgem "Position paper on Distribution System Operation: our approach and regulatory priorities" Aug 2019

where % are commensurate with the latest CCC advice on the role that networks must play in facilitating Net Zero.

Q3. Are there activities that DNOs are best placed to carry out in order to achieve these outcomes? What are the alternatives? Why would it be appropriate for energy consumers to fund these activities?

As the monopoly owner of the network, any physical activities related to connections and traditional reinforcement would seem to be best delivered by the DNOs. In terms of long-term forecasting and strategic decision making about the need for reinforcement (or flexibility), this activity could sit with the DSO outside of the DNO. In fact, this would be a preferable alternative as it removes the issue of conflicting interests and would allow a more impartial view on the need for future upgrade of the networks. Other activities that would best sit with an independent DSO include short term operational balancing (running open and transparent markets to balance the local system in real time) and mid-term tendering for flexibility.

With regard to customers funding these activities, strategic reinforcement is already allowed at transmission level (the Western and Eastern Links were strategic decisions ahead of actual demand for them). As long as an open and transparent process is followed to make these decisions, there is no reason why the customer should not fund them as Net Zero is a whole society target.

Q4. How should we assess DNO funding requirements and measure DNO performance in these areas?

Any assessment in the area of decarbonisation should focus on 'cost per tonne of carbon avoided' such that it can easily be compared with alternative funding requests and external options (such as subsidies). This allows an optimised whole system approach.

Ofgem should also consider removing the requirement on DNOs to base reinforcement on a 'least cost' basis with no consideration for future demand. If the DNO is required to reinforce anyhow, the incremental cost of installing a significantly larger capacity is small enough to warrant consideration. In our opinion, system operators should look to support networks through cost effective flexibility first and foremost (reinforcement deferral), but when this no longer becomes a sensible long-term option, then traditional reinforcement that takes account of the long-term demand increase should be followed.

Q5. How should we incentivise DNO performance when the achievement of outcomes could be dependent on the actions of others?

DNO incentives should focus on the aspects of decarbonisation that they can control. Therefore, instead of incentivising on total renewable capacity connected to their network (which will depend on the renewable resources in each area and incentives on renewable developers), the DNO can be incentivised on the percentage of renewable generation connection applications that have been

timely delivered. EV charging points and storage can be incentivised in a similar manner.

Q6. 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?

As covered in Q3, we believe that decisions around the need for strategic investment in the networks is best undertaken outside of the DNOs in an open and transparent manner such that all interested parties can have a voice. DSOs should look to forecast local long-term needs, much as the DNOs are starting to do through Distribution Future Energy Scenarios and Long Term Development Statements (LTDS). In negotiation with the DNOs and other interested parties, strategic investment can be recommended to Ofgem and factored into the current RAV mechanisms, but with a higher rate of return for the DNO to recognise the higher risk associated with stranding. But by making the DSO independent to the DNO, this should ensure that only those strategic investments that are deemed cost effective when future demand is considered will be recommended. This would follow the similar approach that is taken at transmission level with an independent group of experts judging any options. DSOs should also be separately incentivised on the recommendations of these investments though not through the totex mechanism, but rather the incentive scheme (perhaps the degree of accuracy of their forecasts).

Q7. What, if any, changes to the framework are required to support strategic investment?

Ofgem should make full use of the framework used for strategic investment as relating to transmission operators (TOs) within RIIO-ET2.

Q8. How should we hold the companies to account for the delivery of strategic investment, and the outcomes that they are expected to deliver?

See Q6. DSOs should be incentivised/penalised for picking the correct strategic investments and DNOs should be incentivised to deliver these projects to time and cost through the usual channels, but with lower reward sharing.

Q9. Is there a need to separate out the revenues and outputs for 'traditional' DNO functions from DSO functions? How could this be achieved?

We believe that this is the fundamental question for RIIO-ED2 and it is our belief that the activities of the DSO are vital enough to warrant its own price control (like the ESO). Without a separate price control, the DNO will focus on activities that offer the potential for most return. As network replacement and reinforcement is the high capital part of the business and returns are made on finding cost savings, it is this part of the current DNO activity that a company under a single price control will focus on. Several DNOs are themselves seeing the necessity of

separating out the DNO and DSO aspects of their companies in order to be able to focus on the outcomes for each activity.

We believe separating out the revenues and outputs of the DSO from the DNO is a necessary first step and should be done as soon as possible (ideally before 2023). This allows Ofgem to be able to track performance far more clearly and ensure that neutral facilitation of system needs is being delivered at least cost. This then makes institutional change (if deemed necessary at a later date) a simpler process.

First steps towards the separating out of revenues and outputs for a DSO function is to follow the model set by the legal separation of the ESO from the TO over the last few years. It is important to start these first steps as soon as possible to ensure the correct incentives are put in place in time for the mass take up of EVs during the 2020s⁵.

It is our belief that the long-term best solution is to have a single system operator acting across all voltage levels. Under this option, the ESO and potential DSO price controls can then be rolled into a single price control

Q10. In the event of the DSO function being delivered by a separate party, how might we determine the revenues for DSO activities? What type of funding model would be appropriate to set DSO revenues? In this event, would changes also be required to DNO revenues and outputs?

DSO revenues would need to consider the component of DUoS charges that relate to balancing the local network i.e. costs associated with tackling constraints etc. Currently DNOs having been using non-firm access rights to curtail some generators when the system is stressed. These non-firm access rights lump all the cost of constraint management into an upfront payment to customer in terms of a cheaper and quicker connection agreement which is not open and transparent to the rest of the market. It is clear that to get a clear idea of revenues associated with network balancing will require flexibility markets, non-firm access rights and network use of system price signals (DUoS) to be brought together to create an overall 'cost' which the DSO has paid. The Access and Forward Looking Charges SCR is currently reviewing all of these aspects of network balancing costs.

DSO activities (like the ESO activities) are asset light and therefore the RAB model used for DNO/TO is unsuitable. The recent decision taken for the ESO (to fund a mix of fast money and slow money where fast money is costs attributed to the current year whilst slow money is similar to a fixed return paid on an asset) would appear to be a good template to follow for DSOs

Q11. Where a DNO is undertaking a DSO function, what type of outputs or outcomes are necessary to measure how efficiently they are performing this function? Over what time period could these be measured?

⁵ >6m EVs on UK roads by 2028 in Two Degrees/Community Renewables scenarios - FES 2018

Ofgem should look to use the same sort of outputs and outcomes that are used in the ESO price control to ascertain efficiency. The same time period of two years could also be used to measure these outputs and outcomes.

Q12. In what ways could the existing arrangements drive more innovation and competition?

Opening innovation money to third parties would appear to be a sensible way to drive more competition. However, Ofgem (or another party) may be better suited to setting the scope of each competition to ensure that non DNO bidders have a fair opportunity.

Q13. To what extent should we set (and incentivise performance against) baseline totex allowances for activities where flexible solutions could be provided?

It is our belief that unlike under RIIO-1, reinforcement of the networks should be considered a dynamic and ongoing process. One of the DSO activities will be to identify circuits which it believes will soon become overloaded for a few periods at the peak. Instead of traditionally reinforcing that circuit, the DSO should look to tender for flexibility to cover those few periods in order to defer the costly upgrade. Demand on that circuit may also outturn at a lower level than forecasted and hence the purchase of flexibility saves on traditional reinforcement being put in too early. As forecasted demand on the circuit becomes higher and higher, there will come a point at which the DSO believes that it is more cost effective to reinforce traditionally than to continually purchase more and more flexibility. Baseline totex allowances should be retained for networks where the final stage of traditional reinforcement has been agreed by the DSO. For the intermediate period where flexibility is able to prevent the circuit overloading, then the flexibility provider (who may be the DNO) should be paid the clearing price which should not be a part of the totex scheme. The cost of flexibility should be factored into the use of system charge directly.

Q14. Should we instead set allowances based on the costs revealed through the flexibility tendering process? How might this work?

See response to Q13

Q15. 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?

We are very supportive of the findings of the Energy Data Taskforce (EDTF) and believe that significant innovation and savings can be delivered for the whole system should the network companies provide available, transparent and interoperable data about the networks. Ofgem should make all efforts to

incorporate best practice data sharing into RIIO-ED2. The EDTF also had a number of measures that can be followed to ensure data remains secure through its data triage process (limiting the audience, anonymisation, redaction, aggregation and adding noise).

Q16. How should we structure RIIO-ED2 to encourage metadata to be made available, and for data to be presumed open? How should we measure DNO performance in this area, and on what basis should funding be set to deliver relevant outcomes?

Data openness, the provision of metadata and the other recommendations of the EDTF could be factored into RIIO-ED2 much as other resilient factors (physical security, workforce etc) are incorporated through the cost allowance methodology. Relevant outcomes that could be measured include available metadata, % of data opened up to public availability (following the recommendations of the EDTF on presumed open) etc.

Q17. Do you agree with the themes we plan to include in our guidance on data best practice?

The themes included in Ofgem's guidance on data best practice should mirror those of the EDTF.

Q18. We welcome views on our proposed position of a five-year price control for RIIO-ED2.

We believe that shortening the electricity distribution price control to five years is a sensible argument, given the levels of uncertainty in the industry and the difficulty of predicting these uncertainties over a large period of time. However, moving to a much shorter period will threaten the financeability of the DNOs. Investment decisions for the DNOs consider asset lifetimes broadly similar in length to the TOs. Therefore, the logic applied to derive the TOs five-year price control would appear to apply to DNOs as well. However, we recommend the creation of a separate DSO price control which could mirror the 2-year ESO price control.

Q19. Are there any elements of RIIO-ED2 price control that we should consider setting over a longer or shorter period? Please give reasons.

See the response to Q18.

Q20. We welcome views on whether these enhanced engagement arrangements are appropriate for RIIO-ED2.

We are fully supportive of the enhanced engagement arrangements and look forward to taking part in this challenge to DNO business plans on behalf of end consumers.

Q21. We welcome views on whether the proposed output categories and incentive arrangements are appropriate for RIIO-ED2.

As per our response to the RIIO Sector Specific Methodology consultation, we believe that making customer needs the top priority for DNOs is the correct decision and support putting this at the heart of the three overarching categories. However, we continue to urge Ofgem to be more explicit in their outcomes with regard to affordability. We believe that including affordability right at the front of the framework as a key output category shows customers the seriousness that Ofgem places on this output, meeting one of Ofgem's principal objectives of promoting value for money. We believe that this could be easily achieved by changing the definition of "Meet the needs of consumers and network users" to be "Network companies must deliver a high quality, **affordable** and reliable service to all network users and consumers, including those in vulnerable situations".

Q22. We are interested to hear if there are new elements of the services DNOs will need to deliver that should be included in the current output categories. Alternatively, we welcome views on whether these should be captured by a new output category. For these new elements, we are interested to hear how delivery of these services should be valued and measured.

We believe that all the new services that DNOs will need to deliver can be adequately captured in the output categories recommended. For example, ensuring the development of flexibility markets could be included in the affordability and reliability output category.

Q23. We welcome thoughts on how to ensure that we continue to protect the interests of vulnerable consumers, particularly in light of the energy system transition.

We believe that much of the protection needed for vulnerable customers regarding networks already exists or will be captured in the Access and Forward Looking Charges SCR. However, as an industry, we believe that existing mechanisms to support vulnerable customers can be improved (e.g. the Priority Services Register). Access to and maintenance of better-quality data between parties could be one aspect that could be incorporated into RIIO-ED2 (taking into account EDTF recommendations and GDPR limitations).

Q24. We welcome views on how DNOs should continue to ensure their networks are resilient, particularly in the context of the new or changing way assets are used.

No comment

Q25. We are interested to hear stakeholder views on how DNOs should ensure their networks are resilient to physical and/or virtual threats, as well as being able to withstand the effects of adverse weather and the impacts of climate change.

No comment

Q26. We would also like to hear how stakeholders believe climate change mitigation and adaptation may affect network maintenance and development in the short, medium, and long term.

No comment

Q27. We would like to hear views on how we ensure DNOs remain resilient to the challenges presented by an ageing and changing workforce.

No comment

Q28. We welcome views on how DNOs should work to minimise the impact of what they do on the environment and facilitate the transition to a low carbon energy system. We are particularly interested in the implications of the government's updated target of net-zero emissions by 2050.

The main impact that DNOs can have in delivering Net Zero is to support the quick and easy connection of any renewable or flexibility generation assets to their network. EV charging points and heat pump installations should also be easy to connect. DSOs can also support Net Zero by ensuring that as much renewable generation is exported onto the network and that curtailments are kept to an absolute minimum. Much as the ESO is looking to be able to run a net zero transmission network by 2025⁶, DSOs should also be looking to run net zero distribution networks in a similar timeframe (which is likely to require liquid and active flexibility markets).

Q29. We also welcome views on what this may mean for the type of activities networks undertake, how these may be funded, as well as the outputs and/or incentives they should be exposed to.

We believe that for DNO's contribution to Net Zero, the types of activities undertaken are not too dissimilar from today's activities (connections, maintenance etc) and therefore the funding and incentives should remain broadly similar to those recommended for the TOs under ET2. However, for DSOs, we believe that the development of local flexibility markets is key to delivering Net Zero and this should form the basis of a new DSO price control (modelled on the new ESO price control). Incentives to encourage consumers to participate in flexibility markets can be linked to actual MWs participating, % of prices set by cap (as opposed to market clearing) etc.

Q30. Finally, we are keen to understand how DNOs' performance should be measured, and how we should assess the value that consumers place on the provision of these services and activities.

⁶ <https://www.nationalgrideso.com/news/eso-riio-2-draft-business-plan-published>

As described in Q29, there is a difference in activities that should be performed by DNOs and DSOs. Outcomes that are relevant for DNOs will include ensuring barriers to connection are removed for renewable generation and electric vehicles and heating. Metrics could include % of connection applications granted and installed within a given period as well as absolute targets on renewable capacity/EV/heat pumps on each DNOs network.

As for DSOs, tracking the maturity of flexibility markets through MWs tendered for and won, % of prices competed for rather than set by caps and forecasts for network constraints can all be used.

Assessing the value of DNOs (and DSOs) helping to deliver Net Zero is more difficult. The value consumers place on connection is relatively simple in that there is currently a 'willingness to pay' argument although this may not persist post the Access and Forward Looking Charges SCR which is looking at the potential socialisation of new connection related reinforcement via the connection boundary. However, for DSO activities i.e. balancing the network there is no clear way to assess how customers value what many would see as a basic right i.e. that electricity is always available. The additional cost of balancing a more distributed system is unlikely to form part of a consumer's view on value for money. Any assessment could follow a similar model to that used for the ESO price control, but it is our belief that assessing the value customers place on the ESO services is equally problematic.

Q31. We welcome views on how RIIO-ED2 can best capture the benefit of whole systems solutions. We are also interested in views on how these benefits should be measured.

As per our response to Ofgem's Whole System Consultation⁷, we believe the benefits of whole system solutions are best captured by having a single system operator across all voltage levels. This ensures that all planning is done from the same perspective, that there are no issues around benefits being attributed to different participants to those that take the necessary, whole system action and that a clear incentive mechanism can be applied to the single system operator. With a single system operator, measuring whole system benefits will also be much easier as it will only require checking the actions taken by one party to ensure that the most optimal decision was taken (rather than having to compare across multiple parties' markets).

Q32. We further welcome stakeholders' opinions on whether the electricity distribution sector's approach to whole systems should be different from the other sectors and, if so, why.

⁷ <https://www.ofgem.gov.uk/publications-and-updates/consultation-licence-conditions-and-guidance-network-operators-support-efficient-coordinated-and-economical-whole-system>

We believe that with a single system operator, the division between the transmission network's approach and the distribution's network approach disappears, with only a single incentive mechanism and outcome tracking methodology needed.

Q33. We welcome views on how we should manage the uncertainty associated with forecasting allowances, and whether there are any mechanisms we could or should consider in helping to manage this uncertainty.

It is our belief that the main driver of uncertainty going forward will be the increase in future electrical demand, especially at the level of granularity needed for DNO investment decisions. Uncertainties in these types of variables cannot make use of indexation. Trying to forecast the EV take-up between 2023 and 2028 and basing network reinforcement on these highly uncertain demand forecasts will be very difficult. We would therefore recommend that business plans should initially look to make full use of flexibility markets as well as flexible access arrangements for parts of the network that are verging on needing reinforcement. As trends in uncertain variables such as EV uptake become more certain, then where flexibility is identified as not being cost effective as a long-term solution, then traditional reinforcement should be considered.

Q34. We seek views on the use of indexation, particularly on any adjustments for labour and construction cost inflation.

No comment

Q35. 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.

We agree with Ofgem's proposal regarding highly anticipatory investment once flexibility and flexible access have been taken into consideration. A significant proportion of the savings identified by Imperial College through their "An analysis of electricity flexibility for Great Britain"⁸ is attributed to distribution capex savings through network reinforcement deferment. Therefore, it is only sensible to consider traditional reinforcement anticipatory investment only once all flexibility options have been exhausted.

Q36. We welcome views on the type of issues that should be considered through an inter-institutional group.

See responses to Q33 and Q35.

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/568982/An_analysis_of_electricity_flexibility_for_Great_Britain.pdf

Q37. We invite stakeholders to advise what type of expenditure they believe should be subject to alternative arrangements for sharing risk, and what these arrangements may look like.

As per our responses to Q3, Q33 and Q35, we believe that once all cost effective flexibility options have been exhausted, anticipatory traditional reinforcement can be considered. If it is clear that should current trends persist, then this expenditure is the lowest long-term cost option, then we believe that customers should be exposed to the risks associated with the investment.

Q38. We welcome views on the proposed innovation stimulus. We are interested to hear views on the types of projects that should be funded through either the NIA funding or a new funding pot.

We are fully supportive of innovation funding. However, DNOs must be incentivised as part of the innovation funding to demonstrate how successful projects will be rolled into business as usual within the totex mechanism.

Q39. How can the benefits of the innovation stimulus be maximised by supporting schemes proposed by non-network parties?

No comment

Q40. We also welcome views on our proposals for the different competition models in RIIO-ED2, and what, if any, criteria should be set out for the use of early or late stage competition models.

We believe that competition should be extended in terms of the connection activity undertaken by DNOs with Ofgem looking to open more of the non-contestable works that DNOs currently have a monopoly over. By removing as much of the monopoly activity as possible, Ofgem should see the benefits of markets in new areas with associated benefits in terms of lower bills for customers.

Q41. We also seek input from stakeholders on how native competition obligations and best practices can be used to ensure the best outcomes for consumers and to drive changes in the role of the networks in a transforming energy system.

No comment

Q42. We welcome views on our approach to planning, forecasting and scenarios for RIIO-ED2. In particular, do stakeholders have other suggestions as to how we can best manage forecasting risk for consumers?

See responses to Q33 and Q35

Q43. We welcome views on our proposal to remove the early settlement process for RIIO-ED2, instead focusing on alternative mechanisms to receive high-quality and ambitious business plans.

We agree that Ofgem should focus on alternative mechanisms to the early settlement process to ensure high-quality and ambitious business plans.

Q44. We also welcome views on our proposals to use the Business Plan Incentive and the confidence-dependent incentive rate arrangements for RIIO-ED2. In line with this, we are interested to hear stakeholder views on the range that should be used for both of these.

We agree that a confidence dependent incentive rate approach should be used to set the totex rate. DNOs have seen significant returns (~10%) under ED1 in part due to totex benefits from the differences in outturn and forecasted spend. Customers need to have confidence that this underspend is due to higher efficiencies and not poor forecasts. Therefore, linking confidence in forecasts to DNO return would seem to deliver on Ofgem's objectives.

Q45. We welcome stakeholder views on our proposals to introduce measures to enable network companies to finance their activities whilst ensuring they receive a fair return.

At a fundamental level, we agree that Ofgem needs to balance DNO financeability with the level of returns they can make. However, Ofgem need to recognise that there are likely to be much larger changes to the electrical networks over the next few years in order to drive the pathway to Net Zero and this needs to be considered in relation to DNO's financeability.

Q46. We are interested to hear from stakeholders on how they believe we should set allowances for the cost of debt, particularly around the method of recalibrating the index.

No comment

Q47. We also welcome views on our proposed approach to setting allowances for the cost of equity, as well as our proposal to move away from RPI.

No comment

Q48. Finally, we would like to hear stakeholders' views on our proposed introduction of a 'sculpted sharing factor' in instances of high out- or under-performance, or whether an alternative mechanism could be more effective.

No comment