

Ofgem
10 South Colonnade
Canary Wharf
LONDON
E14 4PU

By email only to: fwp@ofgem.gov.uk

21 February 2020

Dear Sir/Madam,

Draft Forward Work Programme 2020-22

Thank you for the opportunity to comment on Ofgem's draft Forward Work Programme for the period 2020-22. This letter should be treated as a consolidated response on behalf of UK Power Networks' three licensed distribution companies: Eastern Power Networks plc, London Power Networks plc, and South Eastern Power Networks plc. It is not confidential and may be published on Ofgem's website.

We are supportive of the programme's focus on the three key strategic objectives set out in Ofgem's Strategic Narrative: enabling competition and innovation, protecting consumers, and decarbonising at lowest cost. These objectives will be instrumental in delivering fair and positive outcomes for energy consumers.

We have provided observations on the Forward Work Programme in the appendix to this letter and hope that you will find them helpful. We look forward to working and sharing further ideas with Ofgem in the coming year.

If you have any questions, please do not hesitate to contact me.

Yours faithfully,



James Hope
Head of Regulation & Regulatory Finance
UK Power Networks

Copy: Paul Measday, Regulatory Returns & Compliance Manager, UK Power Networks
Gemma Cox, Regulation Analyst, UK Power Networks

Appendix

Draft Forward Work Programme 2020-22

Firstly, we would like to express our support for a number of planned activities in the draft Forward Work Programme which are relevant to ongoing UK Power Networks initiatives or projects, our strategic planning and stakeholder engagement work. These are:

- Ensuring innovation is more targeted at genuine research and development challenges in the energy transition and better coordinated with government innovation funding for inventors and disruptors (page 7)
- Taking steps to better understand the issues faced by microbusiness consumers so that they are able to access a competitive retail market and secure adequate levels of consumer protection (page 12)
- Placing incentives on electricity suppliers, under Ofgem's market-wide settlement reform, to develop new tariffs and services which will help customers move their consumption to times when electricity is cheaper to generate or transport (page 19) – however, we believe that this should recognise the need for close coordination with the electricity distribution companies
- Following the Access and Forward-Looking Charges Significant Code Review and the Targeted Charging Review, consulting on a proposed methodology for electricity distribution as part of the development of the RIIO-2 framework in order to create a more flexible and dynamic electricity network by 2023 (page 20)
- Involving consumers in the roadmap to decarbonisation (page 23)

We would be pleased to share insights and learnings from our work to inform Ofgem's approach in these areas.

In addition, we have commented in more detail on four aspects of the draft Forward Work Programme, as set out below.

1. Enabling competition and innovation

'Electricity Networks', NAO (30 January 2020)

Ofgem's consultation document on the draft Forward Work Programme was issued prior to the publication of NAO's report on the electricity transmission and distribution network price controls. As a number of Ofgem's RIIO-2 developments already address points raised by the NAO, we would be keen to understand whether Ofgem envisages any further refinements are required as part of its planned activities for the 2020-22 period.

2. Protecting consumers

We welcome the continued focus on consumer protection and are committed to working with Ofgem and the industry to develop solutions to emerging issues. For example, we are working with Ofgem's Electricity Distribution team to identify a means for energy companies to share data from their priority services registers with water companies, so that customers in vulnerable circumstances benefit from assistance and support during network and water supply incidents.

3. Decarbonising at lowest cost

UK Power Networks provides electricity to 8.3 million homes and businesses and will have a key role in facilitating decarbonisation; we are therefore keenly interested in Ofgem's planned work in this area. We have two particular observations on this section, as set out below.

- Decarbonising heat and transport

We note that, as part of its approach to supporting decarbonisation, Ofgem plans to work with a wide range of stakeholders to understand the impact of changes to the gas network, and to help BEIS develop its thinking on heat network regulation and related consumer protection. We would be pleased to work with Ofgem and BEIS to ensure that the best outcomes for society are trialled and evidenced.

- Ofgem's Decarbonisation Programme action plan and Review of GB System Operation

We believe that it is appropriate to comment on these areas in our response. While we are greatly encouraged by the scope and intent of the work, it is currently unclear how it will be embedded into the Forward Work Programme and how any additional milestones will be factored into the timeline for RIIO-ED2 such that network companies have adequate time to respond. We would welcome clarification from Ofgem on these points.

- Smart metering

We are supportive of Ofgem's proposal to continue monitoring the activities of the Data Communications Company (DCC) as part of its oversight work. We believe that it would be greatly enhanced if the DCC's activities were subject to a customer service incentive, similar to the Broad Measure of Customer Service (BMoCS) incentive which is applied to distribution companies in the gas and electricity sectors.

4. Reducing burdens

We have the following observations:

- Improved forward visibility of one-off pieces of work and engagement with industry on timing would facilitate a smoother, more efficient way of working and keep regulatory burdens to a minimum.
- It would be helpful for Ofgem to track and publish the numbers of Information Requests issued to electricity distribution companies each year, both under standard condition 6 (Provision of Information to the Authority) of the Distribution Licence and as informal data requests, to ensure volumes are maintained at a manageable level.

- Consulting on important topics prior to making decisions will ensure good regulatory practice is followed and enable all stakeholders to provide feedback and evidence for Ofgem's consideration. For example, in the last few months Ofgem has signalled that two major reopeners could feature in RIIO-ED2, covering Decarbonisation and DSO. It is imperative that stakeholders are provided the opportunity to comment on and inform these arrangements as part of Ofgem's forthcoming consultation on RIIO-ED2.

Additionally, to avoid possible delays, it would be helpful if Ofgem could ensure that formal and informal Information Requests are not issued solely to one individual. In the case of UK Power Networks, appropriate contacts are Paul Measday and myself. We would suggest that Ofgem requests similar contact details (i.e. the regulation manager and their alternate) from the other electricity distribution companies.