

Forward Work Programme Team
Ofgem
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Dear Team,

Forward Work Programme (FWP) 2020-22 and Decarbonisation Action Plan

Thank you for the opportunity to comment on Ofgem's work plan and priorities as set out in the FWP 2020-22 and Ofgem's decarbonisation action plan. This response is submitted on behalf of ScottishPower. Our networks business, SP Energy Networks is responding separately from its perspective as a transmission and distribution network licensee.

Forward Work Programme (FWP) 2020-22

On the whole, we believe the three strategic objectives¹ outlined are consistent with Ofgem's new Strategic Narrative and reflect appropriate areas of focus for Ofgem over the next 2 years. We also broadly agree with the areas of work proposed, but would offer the following comments on specific items:

- Future retail market design: In July 2019, BEIS and Ofgem consulted on a proposed vision for the future of the energy retail market², the key challenges and the outcomes that BEIS and Ofgem want to see the energy retail market deliver. In FWP 2019-21, Ofgem had plans to recommend reforms by March 2020. However, there is limited information in the current FWP on when a response to the consultation phase can be expected from BEIS and/or Ofgem. We agree that this should be a priority but it would be helpful to have more details on next steps in this policy area or an explanation of how the milestone identified in last year's FWP has changed.
- Conditions for effective competition: The FWP confirms that Ofgem will in 2020 conduct a first review of whether conditions are in place for effective competition in domestic supply contracts. The policy decision document³ provides a broad timeline of between April and July for the first review and a commitment to be transparent about reasons for any recommendation Ofgem plans to make. We would strongly

¹ Enabling competition and innovation, decarbonising at lowest cost and protecting consumers.

² Flexible and responsive energy retail markets <https://www.ofgem.gov.uk/publications-and-updates/flexible-and-responsive-energy-retail-markets>

³ Framework on conditions for effective competition in domestic supply contracts <https://www.ofgem.gov.uk/publications-and-updates/framework-conditions-effective-competition-domestic-supply-contracts>

encourage Ofgem to consult on its proposed recommendation and associated methodology ahead of finalising its recommendation.

- Price cap successor regime: The FWP also states that Ofgem will develop a successor regime (including conducting engagement trials) in the same period. We welcome Ofgem's commitment to continue working on this and agree that it should be one of Ofgem's priorities within the FWP.
- Supplier licensing review: We strongly support Ofgem's 'Phase 2' supplier licensing review and in particular the intention to provide greater protections for credit balances and scheme liabilities. This should remain a high priority for 2020.
- Ensuring System Stability and Security. The FWP says Ofgem will continue to play an active role in regulating Black Start. We encourage Ofgem to work with the ESO and BEIS so that low carbon technologies can also actively participate in the Black Start process to ensure that the right level of protection and the best value for money is provided for GB consumers. There are areas of the GB network, particularly in Scotland, where low carbon technologies have a significant share in the generation mix (which will continue to increase). We believe these technologies should be integrated in the restoration process as soon as possible to facilitate low carbon transition – whilst recognising the need to retain adequate levels of inertia (or equivalent). We note that while the SO has progressed the publication of papers that appear to address the necessity of including new technologies into the restoration strategy, the requirements of Black Start (service availability, short circuit level contribution and inertia) are not flexible enough to allow such new providers to enter the market without incurring significant additional investment.
- Energy Systems Operation. We welcome the launch of a strategic system operation review and would encourage Ofgem to consider that zero carbon services should be provided alongside zero carbon technologies to align with decarbonisation targets. (Connecting renewables and then having to support the system with conventional generation due to a lack of appropriate products and services is counter-productive.) We believe there is headroom for optimising renewable technologies when balancing the network that could add value and save money to consumers. The implementation of the Power Available signal is a valuable starting point that will help unlock the potential of renewables to provide balancing services. The system operator will need to keep building on this foundation and to closely review the way these technologies can be utilised to ensure the system is balanced, secured and resilient.
- Data, Digital and Technology (DDaT) And Cyber Security: The FWP provides helpful background on Ofgem's DDaT and cyber security strategy, including plans for a consultation on this strategy in early 2020. Given the wide-ranging impact of this strategy (which aims to set out how Ofgem can modernise energy data), we would welcome more granularity on milestones and next steps.

We fully support Ofgem's continued focus in the FWP on reducing regulatory burdens and being transparent over achieved outcomes. We also welcome the greater level of granularity on milestones for the work streams captured in the 2020-22 FWP compared to the 2019-21 FWP which will help us in planning and managing resources more effectively.

As the Government's White Paper on energy is due to be released in the Spring (and possibly after the final FWP is published), we suggest it may be helpful for stakeholders if

Ofgem were to publish a “White Paper update” explaining what (if any) adjustments to the FWP and/or plans for RIIO-2 it considers necessary in light of the White Paper.

Decarbonisation Programme – Action Plan

We welcome the publication of Ofgem’s Decarbonisation Programme Action Plan. By playing a pivotal role in the drive to Net Zero and making sure this delivers in a fair way for all communities, Ofgem is setting out a bold, constructive and exciting agenda for change.

At ScottishPower, we are determined to lead on the journey to Net Zero, investing and innovating across our 100% Green generation, our networks and our retail businesses. We therefore welcome the ambition, the emphasis on innovation, and the commitment to work with industry, government, including our devolved administrations and city authorities, in a new partnership that delivers fairly for all consumers and communities across the UK.

We would offer the following detailed comments on the plan:

- Designing cost effective networks for net zero (Point 1): We welcome the new openness that Ofgem is signalling towards considering strategic and anticipatory investment to support EV uptake, including the plan to ask the new Net Zero Advisory Group to advise on the case for bringing forward anticipatory investment.

From the perspective of our renewables business, anticipatory investment in infrastructure is essential to facilitate growth (ScottishPower Renewables is targeting an additional 6GW by 2030 which, on its own, would dwarf baseline proposals). We would also encourage Ofgem to incentivise delivery of infrastructure on a short-term basis (e.g. within 3 years) in order to help meet investor expectations (eg for Corporate PPAs) which, in many cases, require access to renewable capacity on very short timescales.

- Long-term planning and innovation (Point 2): Ofgem suggests that it will be willing to take some carefully measured risks, on issues such as technology lock-in or stranded assets, where local action and commitment is clearly demonstrable, and linked to national plans. We welcome Ofgem’s recognition of role for local authorities and communities in developing local plans (and providing democratic accountability).
- More effective coordination to deliver low cost offshore networks (Point 3): Ofgem commits to explore with government and industry options for a more coordinated offshore transmission system to connect offshore wind generation, to achieve a rapid and economic expansion of the offshore network. We very much welcome this commitment. A new approach to offshore transmission will be important to achieving planned offshore deployment in the longer term. We do, however, believe that it is very important that any new approach does not adversely affect or delay the development and implementation of existing pipeline projects, and that any transition period does not, in fact, impede the development of low carbon generation in the shorter term. We note that BEIS has already signalled its intent to consider how best to manage the process.
- Supporting flexibility (Point 6) We welcome Ofgem’s commitment to ensuring markets adequately reward flexibility, including through the network access and forward-looking charges review. In that context we would encourage Ofgem to consider the

options for capacity trading that might alleviate queuing problems and/or ensure the more efficient use of contracted capacity.

- Opening up retail innovation (point 8) Ofgem says it will undertake work to ensure that consumers are not misled by 'greenwashing', where the environmental impact of a tariff or supplier is overstated. With the growing public concern over climate change it is vital that consumers are well informed on the relative merits of different 'green' products and we very much welcome this initiative.
- Adapting the organisation (Point 9): We welcome the intention to develop toolkits for decision making under uncertainty and more detailed guidance on assessing policy options' contribution to net zero. One area where this will be particularly important is in assessing policy options for network charging reform under the TCR and AFLC SCRs, and we would encourage Ofgem to prioritise these workstreams so that their output is available in time to inform these important assessments. This may help inform the industry's concerns around the uncertainty created and address the current direction of travel that risks creating a barrier to renewable deployment through cost increases.

Please do not hesitate to contact me or James Soundraraju (Tel 0141 614 2421, jsoundraraju@scottishpower.com) if you have any questions arising from this response.

Yours sincerely,



Richard Sweet
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