

RIIO-ED2 Overarching Working Group – Meeting 11

From: Ofgem RIIO-ED2 team

Date: 2 October 2020

Time: 10:30-13:00

Location: Teleconference

1. Present

James Veaney, Tom Wood, Vicky Low, Fiona Campbell, Edwin Tamas-Williams, Jamie Tang – Ofgem

Caroline Ainslie, George Young, Kendal Morris – SPEN

Jonathan Booth, Rebecca Hassall-Lees, Brian Hoy – ENWL

Andrzej Michalowski, Nigel Turvey, Alex Wilkes – WPD

Clothilde Cantegreil – SSE

Judith Ward, Maxine Frerk – Sustainability First

Matt Cullen – E.ON

David Wilkins – Northern Powergrid

Paul Jarman – University of Manchester

Ron Loveland, Heledd Cressey – Welsh Government

Anastasia Charalampidou – Scottish Government

Ross Thompson – UKPN

Catalina Rozo – Zenobe

Sam Hughes – Citizens Advice

1. Minutes of previous meeting

- 1.1. Ofgem invited attendees to provide any comments on the draft minutes of Meeting 10, either at the meeting or later in writing.

2. Consumer Value Proposition - Ofgem

- 2.1. Ofgem talked the group through a presentation on options for the use of the consumer value proposition element of the business plan incentive (BPI).
- 2.2. Sustainability First suggested that an 'in the round' assessment of the additional value of a DNO plan feels appropriate, but proposals could suggest that Ofgem is more interested in individual stand-out proposals.
- 2.3. SPEN commented that based on its experience of the CVP in the transmission sector, clarity and transparency in all areas is key and, in particular, on the evaluation process and on what is likely to be accepted.

- 2.4. ENWL queried whether there was a conflict in Ofgem suggesting that DNOs 'compete' for a CVP reward but collaborate on a common methodology for valuing CVP proposals. Ofgem said that it could not see an issue with DNOs working together to develop such a common methodology.
- 2.5. On the areas proposed to be covered by the CVP in ED2, UKPN said that the areas in scope do not have explicit reference to net zero although there could be projects that would deliver value in this area. The approach set out in the consultation, though understandable, may restrict the value that could be delivered to consumers in other areas. Ofgem said that it was open to ideas about areas that could be covered by the CVPs and would cover this in the sector methodology decision.
- 2.6. ENWL suggested that clarity over the assessment process would be necessary to ensure DNOs have the level of confidence needed to develop and put forward CVP proposals.
- 2.7. SSE suggested that, given that Ofgem has proposed caps on volume of proposals it may not need to additionally restrict the areas that can be covered by CVP proposals. Ofgem said that it would need to know what the baseline level of performance is in any other potential areas in order to be able to identify whether a proposal has exceeded these.
- 2.8. E.ON queried how Ofgem would handle proposals that may benefit future consumers but not necessarily current consumers. Similarly, asked whether impact of proposals on future consumers should also be taken into account. Ofgem said that it would need to assess on a case by case basis and understand what the cost is to current consumers and value to future consumers.
- 2.9. Citizens Advice said that in general it welcomed the proposals that CVPs would be focuses on certain key areas but not was it averse to the idea of additional areas being considered. Northern Powergrid said that it welcomes the proposal in this particular

regard and suggested that they could be further narrowed in order to ensure focus on the best projects.

- 2.10. WPD queried what would happen where a DNO includes a proposal in its CVP that then gets applied to all DNOs. Ofgem said that, under the proposal in the sector methodology consultation, the DNO making the CVP proposal could be rewarded where the proposal had led to the 'baseline standard' being lifted.
- 2.11. SSE queried where in the process stakeholder views would be taken into account (for example, if Ofgem was considering amending the 'baseline standards').
- 2.12. Northern Powergrid suggested that there may be a risk that the proposal to amend 'baseline standards' on the basis of the content of DNOs plans could be seen as undermining the draft determinations process (as DNOs plans may not for example reflect the costs and activities required to meet the amended set of standards). Ofgem said that it would need to keep in mind the potential scale of change in the baseline standards and if there is a knock-on impact on costs in such a scenario.
- 2.13. SPEN asked whether DNOs could be penalised for not meeting a revised 'baseline standards'.
- 2.14. Sustainability First commented that unless Ofgem also assesses decarbonization and net zero activity as part of strategy delivery incentive DNOs may place more focus on strategies for large connection customers, DSO and vulnerability.
- 2.15. UKPN suggested that limits on the number of CVP proposal should apply at BP licensee, rather than business plan, level.

3. Application of the BPI – SPEN

- 3.1. SPEN presented its view on areas of the BPI for further consideration and where additional clarity would be welcomed. Regarding comments on Stages 3 and 4 of the BPI, Ofgem said that these fell within the remit of the cost assessment team. Ofgem

said that it would ensure cost assessment colleagues were made aware of the issues raised.

4. Energy efficiency in RIIO-ED2

4.1. Ofgem invited members of the group to provide in writing views on the role of the DNOs in energy efficiency in RIIO-ED2.