

RIIO-ED2 Methodology Consultation: Response by Extinction Rebellion Nottingham

General Comments

This is an extremely complex and mostly technical consultation with many questions beyond our competence to give an answer. Where we feel we have a view or an important point to make, a response has been made, otherwise the question has been greyed out.

We begin with more general points about our general views on decarbonisation of the network, a number of which will cut across assumptions made in the Consultation.

1. There is a need for rapid and radical decarbonisation (and demand reduction) in the UK grid if Britain is to meet the Paris climate targets.
2. To do so, Ofgem must set (reducing) annual carbon budgets for both generators and distributors (DNOs).
3. Most DNOs are seriously underspent on their local grid 'resilience strengthening' programmes. This is where huge amounts of carbon reduction (and renewable generation) can be delivered. Ofgem should make it a rule that dividends can only be paid where carbon (and demand) reduction targets are met.
4. Energy storage innovation programmes need to become part of tomorrow's resilient local grids. Ofgem should incentivise this, not least by removing the absurdity of double charging for electricity when it both goes into forms of storage and when it comes out.
5. The charging regimes for access to system need to be revised in favour of local generation, storage and use. Balancing obligations need to be focussed, regionally, on DNOs rather than on local generators.
6. Ofgem should be looking at setting deadlines for the delivery of an entirely clean UK energy grid well in advance of the Government's 2050 target to allow for the slippage that takes place with these kinds of endeavours.
7. The role of interconnectors should revert to the original concept as the safety net part of Britain's 'strategic reserve'. As such, these need to be financed separately by the government on a not-for-profit basis (or at least on a nil cost to domestic consumers).
8. Ofgem should introduce higher grid connection charges for new high-energy-using developments that fail to incorporate renewable energy generation and/or storage.

More specifically in relation to our experience in Nottingham with dealing with the DNO.

1. We have found the DNO unprepared for the introduction of domestic battery technology requiring them to learn 'on the job' for our Horizon 20-20 Sensible Project.
2. Large institutions have complained of the excessive connection charges for new developments, leading in one case to a development moving over to gas fired CHP.
3. We understand that one large generator has had problems agreeing access to the grid because of capacity issues.
4. The attempts by the DNO to engage the community over energy have seemed very much a cross between a PR campaign and an engineering lecture. They need to be easily assimilable for non- experts and concerned with the issues that the communities have. They should perhaps start by finding out what those are.

Responses to the Consultation Questions:

Overview Document Interlinkages and CMA Appeals in RIIO-2

o you have any views on our proposal to include a statement of policy in Final Determinations that in appropriate circumstances, we will carry out a post appeals review and potentially revisit wider aspects of RIIO-2 in the event of a successful appeal to the CMA that had material knock on consequences for the price control settlement

OVQ2 Do you have any views on the proposed pre-action correspondence, including on the proposed timing for sending such to Ofgem?

Once the Price Controls are agreed it is important that they are not subject to being undermined by spurious appeal or attempts to weaken their impact. The ability to deal with such appeals before issues become entrenched is important.

Net Zero and Innovation.

OVQ3 Do you agree with our proposed approach to a Net Zero re-opener?

Given the arbitrary nature of the government's target of net zero by 2050 and the growing evidence that the move to net zero or indeed negative carbon will need to be accelerated it is extremely likely that there will be a requirement for faster and greater investment in both upgrading and innovating energy networks.

It is noted, and welcomed, that the period to be covered by R110-ED2 is, at 5 years, shorter than that for ED1. However it is important given both the uncertainties implicit in climate predictions and the likelihood of emerging but as yet unforeseen technical solutions that there is considerable scope for a call for higher levels of investment even within this period.

It is clear that the path to Net Zero will not be straightforward and there will be many unforeseen developments, both positive and negative along the way. The Net Zero reopener understands this and is a contribution to the necessary flexible and contingent approach.

OVQ4 In what circumstances, would a centralised approach to setting forecasted outputs be appropriate? What form should this take?

There is clearly a need for the total level of investment to deliver the targets identified as national policy on decarbonisation and there are clear benefits to be had from the adoption of Whole System Solutions. This could suggest that a centralised approach is most appropriate.

However as noted in 4.29 there are various pathways to Net Zero and considerable uncertainty exists not only as to which technologies might prevail but also how outside investment in distributed generation and LCT, which are sensitive to both government policy and to the confidence offered by the (actual and apparent) availability of the electrical network capacity, will influence infrastructure requirements.

These uncertainties are further compounded by the geographical variation in the suitability of different renewable generation solutions and by variations in demand profiles (such as between urban and rural and residential and domestic areas). There is a particular disconnect between the local grid capacity and predominance of available wind energy in rural / coastal / remote areas that has significantly hampered the take up of distributed wind energy. Similarly there has been resistance from DNO's in urban areas to the adoption of even small scale PV generation.

Different regions and cities vary greatly in how quickly they are aiming to reach Net Zero with some cities (such as Nottingham with an ambitious 2028 target for net zero) already frustrated in their efforts by inadequate grid capacity and recalcitrant DNO responses.

In summary it is felt that national coordination of forecasting will be necessary in order to ensure the necessary overall reduction curves are met. But in the first instance the targets should be proposed regionally to assess ambition, ability and consider shortfalls/overreach and then the level of incentives policy can be assessed and applied regionally but monitored at a national level.

Whichever approach is adopted, there should be recognition that the national targets are likely to need to be amended in light of emerging evidence of accelerating climate damage and following COP26.

OVQ5 What would be the factors we should take into account that would give us high certainty in a centralised approach to setting outputs?

See above

OVQ6 Alternatively, in what circumstances would it be more appropriate to take a decentralised approach to determining forecasts?

A decentralised approach with national monitoring and adjustment would appear to be the only realistic solution given the issues identified in OVQ4 above and the manner in which the grid will need to evolve to accommodate low carbon generation, the shift from gas fuelled heating systems, the differences in urban & rural transport requirements, the non-uniform coverage of the gas network, the variation in the availability of renewable energy opportunities and resources and differences in local load profiles and energy sector mixes.

OVQ7 What would be the factors that we should take into account that would give us high certainty in forecasted outputs derived through a decentralised approach?

Generally as identified in OVQ4 and OVQ6 above but more specifically should include:

- *Opportunities for uptake of LCT and embedded generation*
- *Opportunities for (or barriers against) local load matching of low carbon generation with loads*
- *Consideration of potential to the optimise investment by balancing costs of storage with cost of grid upgrades*
- *Recognition of and support for locally set targets for earliest possible decarbonisation. More specifically there should be a requirement that at no point should the decarbonisation ambitions adopted by local or regional be constrained by deficiencies in the electrical network or access to it.*
- *Overriding option to increase investment requirements in the event of a shift in national policy, likely to occur as part of COP 26 and in light of emerging evidence of accelerating climate breakdown. Note that it is also essential that all top level decarbonisation targets are based on consideration of a 'Total remaining Carbon Budget' rather than simple target dates for achieving set levels of decarbonisation.*
- *Consideration should be given to rising marginal cost due to slow progress on decarbonisation and the benefits of soonest possible adoption of low carbon solutions.*

OVQ8 Do you consider that the LAEP Best Practice guidance produced by the Centre for Sustainable Energy and the Energy Systems Catapult provides adequate checks and balances to ensure that local or regional energy plans are robust, unbiased and have broad support?

Yes. LAEP Best Practice guidance is comprehensive and provides for an appropriate level of relevance and detail in the technical assessment as well as due consideration of social factors.

OVQ9 Which of the uncertainty mechanisms and incentives in Appendix 3 will be most effective in enabling efficient strategic investment?

OVQ10 Do you agree with our proposals to increase levels of BAU innovation?

Given that DNO's are fully aware of the decarbonisation targets it is reasonable and correct that they be expected to cover the costs of innovation as part of BAU.

The inclusion of mechanisms by which companies' innovation strategies can be challenged by CEG's is necessary and welcome and should involve an ongoing process of monitoring and adjustment to match changing local plans and circumstances and decarbonisation targets.

It should be accepted that it is not reasonable to expect CEG's to be in a position to determine required innovation for the duration of R110-ED2 in advance of its adoption. Rather there will need to be opportunities to challenge DNO's on an ongoing basis as deemed necessary in light of evolving local plans, targets and developments.

OVQ11 Do you agree with our proposed methodology in relation to the RIIO-2 Strategic Innovation Fund?

Yes. The stated intention to guide the innovation process to ensure relevant strategic focus that is coordinated with the Net Zero Innovation Board appears to be a logical approach.

Flexibility in the proportion of project funding available on a case by case basis allows the most appropriate organisations to be selected irrespective of their size and financial capability. The selection of the expert evaluation panel is critical.

The proposed funding requirement of £450m appears low in light of the challenges to be addressed and the urgency due to the rising marginal damage cost of CO2 emissions.

OVQ12 Do you agree we should adopt a consistent NIA framework for DNOs, and other network companies and the ESO?

Yes. Due to the nature of that part of NIA funding which relates to the common aim of protecting vulnerable customers there would appear to be some advantages in adopting a consistent approach across sectors.

OVQ13 What are your thoughts on our proposals to strengthen the RIIO-ED2 NIA framework?

They seem eminently sensible. As much support for energy system transition, vulnerability and the whole system approach as possible is welcomed as is the proposal to aim for consistency across the sector. Moreover there is a need for funding to support relatively low cost (<£5m) projects that lead to innovation or trial implementation of novel solutions that have relevance to the network as a whole. This funding should be accessible and flexible in order to encourage rapid progress in establishing best practice for the roll out and implementation of proven but innovative technologies that may otherwise deter developers and contractors.

OVQ14 Do you have any additional suggestions for quality assurance measures that we could introduce to ensure the robustness of RIIO-2 NIA projects?

OVQ15 Do you agree with our proposed approach for setting individual levels of NIA funding?

Yes, these need to be set according to local/regional contexts referred to in answer to QVQ4. Given the urgency with which decarbonisation must occur it is important that funding for smaller projects

should be rapidly and easily accessible without the imposition of overly onerous conditions. It is hoped that NIA funding will encourage this approach, whilst retaining robust evaluation processes to ensure relevant outcomes and value for money.

There is also likely to be an increased requirement to support vulnerable consumers who may be adversely affected by decarbonisation. It is not clear therefore why there is no proposed increase in total NIA funding.

Modernising Energy Data

OVQ16 Do you agree with our approach to regulating digitalisation and better use of data through the introduction of cross-sector licence obligations?

Yes

DSO transition

OVQ17 Do you agree with the proposals we have set out to support optionality for wider institutional change should we later decide to separate DSO functions from DNOs? How else could the methodology support optionality?

This issue seems to be a bit chicken and egg. Retaining the options for later separation of functions gives flexibility of response to changing circumstances and allows the performance and ambition of DNO's to be judged for their suitability and lack of conflict of interest. It is recognised that it is of prime importance that OFGEM should have the option to separate the DSO function from the DNO in order to ensure sufficiently progressive approaches from potentially recalcitrant DNO's. However There may be a considerable level of nervousness within the operation of the DNO's that could inhibit their innovation performance as a result. Presumably the decision on optionality might be weighed differently regionally? Separation of roles could presumably affect the ambition for a whole system approach.

OVQ18 Do you agree with our proposal to use the Business Plan Incentive to encourage companies to reveal standards of performance higher than our Consultation - RIIO-ED2 Methodology Consultation: Overview 112 Overview Document baseline expectations in their DSO strategies? Do you agree we should require, where appropriate, all DNOs adopt these revealed standards?

Yes

OVQ19 Do you agree with our proposal to invite companies to provide metrics and performance benchmarks in their DSO strategies?

Yes

OVQ20 Do you agree with our proposal to introduce a DSO ODI in which we would, via an ex post incentive, penalise or reward companies based on their delivery against baseline expectations and performance benchmarks? If so, what criteria and other considerations should we take into account in determining whether we should apply a reward or penalty?

Yes. The ex post evaluation should concentrate on performance within the price control period to incentivise constant improvements in DSO rather than being a retrospective penalty / reward.

OVQ21 Do you agree with our proposal to undertake that ex post inventive performance assessment in the middle and at the end of the price control? Do you think the assessment should be more or less regular?

The ex post evaluation should be regular and frequent to incentivise constant improvements in DSO rather than acting as a retrospective penalty / reward.

OVQ22 Do you have views on how we might set appropriate values for rewards and penalties associated with the DSO ODI?

In order to properly incentivise DNO's to improve DSO the rewards and penalties must be significantly higher than the costs / savings incurred

OVQ23 Do you agree with the DSO roles, principles and associated baseline expectations in Appendix 5? Does it provide sufficient clarity about the role of DNOs in RIIO-ED2? Do you think amendments or additional baseline expectations are required?

The principles align well with the requirements for balancing different regional needs and approaches and supporting a whole system approach. Monitoring, transparency and responsiveness across the system is essential. Efficiency is essential to keeping costs down for consumers

The Appendix provides sufficient clarity but we would expect some resistance from DNO's where they think their sharing of data might undermine their hold on licences. It is maybe not clear how a shared methodology and standards will be developed across the DNO's to contribute to the Whole System Approach as A5.18 seems to put the onus on the DNO to develop these.

It would have been helpful to us if there is a clear description of what DSO Ancillary Services are expected to be or could encompass and how others could potentially participate? The description in the Glossary is quite abstract – which may well be deliberate given the open nature of what could happen in the future.

A Whole system approach

OVQ24 Are there any electricity distribution specific barriers to whole system solutions, and if so, are there any sector specific price control mechanisms to address these?

No obvious barriers or disadvantages to whole system solutions.

OVQ25 Are there any electricity distribution specific issues you think should be accounted for in the Business Plan Incentive?

OVQ26 Do you agree that whole system solutions are relevant to the innovation stimulus?

Yes. Whole system solutions and in particular cross sector engagement will be essential to allow efficient and effective transition to zero carbon, most especially where the transfer between gas and electrical sectors is required. There is a strong case for the development of a joint electricity / gas / hydrogen strategy focussing on innovation stimulus and funding.

OVQ27 Do you agree with our key proposals for the CAM?

Yes, these fit with our view of how the abilities and ambitions of the different regions and DNO's should be managed. The CAM reduces the resistance to cross licensee cooperation that is otherwise implicit in privatised businesses and will deliver more logical solutions with greater efficiencies and commensurate benefits to consumers.

OVQ28 Do you consider that two application windows, or annual application windows, are more appropriate, and should these be in January or May?

Annual application windows offer greater flexibility, ease planning decisions and allow the quicker responses necessary to deliver rapid progress in fast changing circumstances with high uncertainty.

OVQ29 Do you consider that the current electricity distribution licences should be amended to include the CAM, or wait until in 2023 at the start of their next price control? Access SCR

Given the urgency to move rapidly to decarbonise and the reasonable presumption that DNO's should already be considering cooperation, current licences should be amended to include the CAM without delay.

OVQ30 Do you agree with the impacts of our potential Access SCR proposals that are identified in this Chapter? Are there additional impacts that are not identified?

OVQ31 Do you agree with the proposed Access SCR baselines for the RIIO-ED2 business plan submissions (i.e. that Draft RIIO-ED2 Business Plan submissions should use Access SCR Minded to Consultation as a baseline, and that Final Business Plan submissions should use Access SCR Final Decision as a baseline?)

OVQ32 How do DNOs propose to demonstrate the impact of our Access SCR reforms on RIIO-ED2 Business Plans?

OVQ33 What further guidance might be required from us to allow DNOs to identify the parts of their draft Business Plan submissions that could be impacted by our Final Decision of the Access SCR?

As we understand it this section - 8 (q31-33) relates to flexibility and to charges for new connections. Behind it sits the Access Significant Code Review which is looking at how distributed generators i.e. wind, PV & presumably storage are charged for access to the grid. We believe that encouragement of these technologies is fundamental to the future success of Net Zero and connection charges should be limited and used selectively to ensure strategic spread of renewable generation resources. Uncertainty over the availability and cost of grid access has been a major block to investment in distributed generation of all sizes. As suggested above, all steps should be taken to support and facilitate developers' renewable generation to invest in projects at the earliest possible date.

We believe that the cost of new connections for consumers, particularly commercial applicants should be carefully considered in the remaining current RIIO-ED1 period and the beginning of ED2 so that excessive connection charges do not lead to developments choosing a gas fired route for heating prior to the restrictions to be imposed in 2025. Note: In Nottingham there have been several instances where major non-commercial developing organisations have taken a wholly inappropriate gas fired CHP approach to avoid extortionate grid connection charges.

COVID-19

OVQ34 Do you think we need specific mechanisms in RIIO-ED2 to manage the potential longer-term impacts of COVID-19? If yes, what might these mechanisms be? Consultation - RIIO-ED2

Methodology Consultation:

Overview 113 Annex 1 - Delivering value for money services for consumers. Approach to setting outputs and incentives

OUTQ1 Do you agree with our proposal for setting upper and lower limits on the value of bespoke ODIs?

OUTQ2 Do you agree with our proposal for a minimum value for bespoke PCDs? Meet the needs of consumers and network users: Customer satisfaction

OUTQ3 Do you agree with the proposed scope and associated customer category weightings for the satisfaction survey?

OUTQ4 Do you agree with our proposed approach to target setting and calculating rewards and penalties in RIIO-ED2?

OUTQ5 Do you agree with our proposed approach to setting complaints metric targets in RIIO-ED2?

OUTQ6 Do you agree with our proposal to remove the Stakeholder Engagement and Consumer Vulnerability Incentive in RIIO-ED2? Meet the needs of consumers and network users: Connections

OUTQ7 Do you agree with our proposal to expand the connections element of the customer satisfaction survey?

Yes, the advice given and ease and cost of application for connections will be an important issue in encouraging progress towards domestic decarbonisation in particular.

OUTQ8 Do you consider that we have identified the relevant considerations to determine which customers should be captured in its scope?

If this question is referring to CEG's, then we are not sure that you have as the membership/reach of these is not specified. Does it include Community Energy England for instance?

OUTQ9 Do you agree with our proposal to retain the TTC incentive as a financial ODI in RIIO-ED2?

OUTQ10 Do you agree with our proposal to include a reopener which allows us to revisit targets, and potentially introduce penalties, in the period?

OUTQ11 Do you agree with the methodology we propose to use to set the new TTC targets?

OUTQ12 Do you have views on our proposed Connection Principles and associated standards (in Appendix 4) for RIIO-ED2? Do you disagree with any of the standards we have proposed? If so, why?

OUTQ13 Do you have views on our proposal to use the Business Plan Incentive to encourage companies to reveal higher baseline standards of performance and to apply this, where appropriate, to all DNOs?

OUTQ14 Do you agree with our proposal to use an ex post assessment to penalise/reward companies who fail to deliver their strategies in line with our guidance/exceed performance targets?

OUTQ15 Do you consider that an assessment of performance in the middle and at the end of the price control is a proportionate approach?

OUTQ16 Do you agree with our proposal to retain the Connections GSoPs for all connection customers in RIIO-ED2?

OUTQ17 Do you agree with our proposed approach to uplifting the Connections GSoP payment values in line with inflation, indexing payment levels to inflation, and rounding to the nearest £5?

OUTQ18 Do you agree with our proposal to remove the Incentive on Connections Engagement for RIIO-ED2? Meet the needs of consumers and network users: Consumer Vulnerability

OUTQ19 Do you agree with our proposed approach to ensuring consumers in vulnerable situations receive an appropriate range and level of support in RIIO-ED2? If not, what alternative approach should we consider?

Overview 1.12 and Appendix A4.28 explains the need to do this and a series of controls are suggested but remain at a fairly abstract level and is unclear on what the range and level of support might mean in practice. It certainly seems likely that the widespread introduction of new requirements and measures for decarbonisation are liable to lead to problems for certain vulnerable sectors of the population who may need assistance with upfront capital expenditure.

Consultation – RIIO-ED2 Methodology Consultation: Overview 114 Annex 1 - Delivering value for money services for consumers

OUTQ20 Do you have views on our proposed Vulnerability Principles and associated standards (in Appendix 5) for RIIO-ED2? Do you disagree with any of the standards we have proposed? If so, why?

OUTQ21 Do you agree with our proposal to use an ex post assessment to penalise/reward companies who fail to deliver their strategies in line with our guidance/exceed performance targets?

OUTQ22 Do you consider that an assessment of performance in the middle and at the end of the price control is a proportionate approach? Maintain a reliable network

OUTQ23 Do you agree with our proposed approach to retain the RIIO-ED1 methodology for setting unplanned interruptions targets?

OUTQ24 Do you have views on the alternative approaches to setting unplanned interruptions targets set out? Are there any other approaches that we have not considered?

OUTQ25 What are your views on revisiting unplanned interruptions targets within the price control period?

OUTQ26 Do you agree with our proposed position not to introduce further convergence of DNOs' targets over time?

OUTQ27 What are your views on retaining an incentive for planned interruptions performance, and the associated targets?

OUTQ28 What are your views on the potential amendments that could be made to the mechanism, including (but not limited to) the options presented in Tables 23 and 24?

OUTQ29 What are your views on how VoLL should be updated for RIIO-ED2?

OUTQ30 What are your views on the different methodologies for updating VoLL?

OUTQ31 Do you have a view on retaining alignment with VoLL figures used in other RIIO price controls and/or parts of the energy sector?

OUTQ32 Do you agree with our proposed approach to retain the RIIO-ED1 revenue cap for the IIS at 250 RoRE basis points?

OUTQ33 Do you agree with our proposal not to introduce an incentive on short interruptions in RIIO-ED2? If not, how should such an incentive be structured and developed?

OUTQ34 What are your views on a minimum standard for short interruptions for RIIOED2?

OUTQ35 What information should we be capturing in RIIO-ED1 and RIIO-ED2 to better understand short interruptions and how DNOs are performing?

OUTQ36 Do you agree with our proposal to retain the RIIO-ED1 SWEE mechanism?

OUTQ37 Do you agree with our proposal to remove the OEE mechanism? If not, what evidence is there to support its retention, and what changes should be made to the existing approach to improve it?

OUTQ38 What are your views on the threshold that should apply to either exceptional event mechanism?

OUTQ39 What performance do you think should be excluded under each mechanism?

OUTQ40 Do you agree with our proposal to retain the existing GSoPs? If not, what changes do you think are necessary and what are the reasons for them?

OUTQ41 Do you agree with our proposal to uplift payment values in line with inflation, indexing payment levels to inflation, and rounding to the nearest £5 for clarity for stakeholders?

OUTQ42 Do you agree with our proposal to retain some form of mechanism for WSC in RIIO-ED2?

OUTQ43 What are your views on the options presented for WSC? Are there other options that we should consider? Maintain a safe and resilient network

OUTQ44 Do you have any views on our proposed NARM framework?

OUTQ45 Do you agree with our proposal not to introduce outputs or incentives related to workforce resilience?

OUTQ46 Do you agree with our proposal that DNOs should submit a Cyber Resilience IT Plan and a Cyber Resilience OT plan?

OUTQ47 Are there further requirements of expectations that we should be considering for the DNOs?

OUTQ48 Do you agree with our proposal for the establishment of a 'climate resilience' taskforce or working group, to help DNOs develop strategies for managing the risks of climate change?

Absolutely. In our experience there is little imagination being applied to assess what risks might occur as serious Climate Change gets a grip

OUTQ49 How should DNO strategies inform best practice that is used across the industry? How can these be used to help DNOs develop longer term investment proposals to manage the risks of climate change?

There needs to be a forum for gaming risk and proposing solutions at which lessons can be learnt from across the world. There is a danger we become insular about this when other countries are going to have to learn and respond earlier than we do to oncoming risks and consequences and will have lots of expertise to share.

OUTQ50 Do you agree with our proposal to retain the RIIO-ED1 approach to flood resilience?

Yes. Flooding is one of the main early consequences of Climate Change we face and we need to be prepared to protect and alleviate.

OUTQ51 What are your views on how we/industry reports on progress against flood resilience plans?

OUTQ52 Do you agree with our proposal to retain the RIIO-ED1 approach to ensuring networks are resilient to trees?

Yes – DNO's need to realise that this risk will grow as the amount of tree planting increases to combat Climate Change

OUTQ53 Do you agree with our proposal to develop a wider resilience measure over the course of RIIO-ED2? If so, what should it cover?

OUTQ54 Do you agree with our proposed approach of retaining the existing arrangements for Black Start, physical security, and telecommunications resilience?

OUTQ55 Do you agree with our proposal to include a reopener for physical site security, with a window during the price control and a window at the end of the price control?

OUTQ56 Do you agree with our proposal to continue monitoring the development of telecommunications resilience and reviewing the arrangements as necessary? Delivering an environmentally sustainable network

OUTQ57 Do you think our proposed environmental framework will drive DNOs to deliver an environmentally sustainable network?

This is clearly important but we struggled to find the detail on which to comment.

OUTQ58 Do you consider that the proposed areas in scope of the Environmental Action Plan, and associated baseline standards, are appropriate? We particularly welcome views on any areas that should be omitted/included and if new areas should be included, what the baseline standard should be?

This is clearly important but we struggled to find the detail on which to comment.

OUTQ59 Do you agree that the annual reporting through the Environmental Impact Report will increase transparency of the DNOs' activities and the resulting impacts on the environment?

Clearly this ought to be the case but we could not find details of the current requirement so are not able to comment on whether it is sufficiently robust.

OUTQ60 Do you agree with our proposal to introduce a re-opener to accommodate environmental legislative change within the RIIO-ED2 period?

Yes, legislation is clearly going to change in ways that may not currently be able to be predicted so it seems inevitable that a reopener will be required.

OUTQ61 Do you agree with our proposed removal of the Losses Discretionary Reward?

OUTQ62 Do you agree with our proposal to retain the visual impact allowance for RIIOED2?
Consultation - RIIO-ED2 Methodology Consultation: Overview 116 Annex 1 - Delivering value for money services for consumers

OUTQ63 Do you agree with our proposed approach to setting a funding pot for the visual impact allowance for RIIO-ED2?

Annex 2: Keeping bills low for consumers Approach to Aggregated Econometric Analysis

COQ1: Do you agree with our proposal to include totex benchmarking in our toolbox for cost assessment in RIIO-ED2?

: What cost drivers do you consider appropriate for our proposed totex benchmarking? Why?

COQ3: What are your views on the use of both historical and forecast data in our modelling?

COQ4: At what level should we set the efficiency benchmark?

COQ5: Do you agree with the proposed criteria for developing cost pools for a middle-up approach?

COQ6: What cost drivers would be appropriate in a middle-up approach?

COQ7: What are your views on the CEPA developed totex and opex plus approach? What opex activities are there trade-offs that support the rationale for testing 'totex and opex plus' modelling?

COQ8: Do you believe it is appropriate to use bottom-up, activity-level, disaggregated modelling in RIIO-ED2?

COQ9: If we use a combination of aggregated and disaggregated modelling approaches, how should we determine the weight we apply to each, in combining our analysis?

COQ10: If we did not use disaggregated modelling approaches, what approach should we consider for disaggregating totex allowances for the setting of PCDs? Model Specification

COQ11: What model estimation options should be considered for our cost assessment and why?

COQ12: Do you agree with our proposal to continue using Cobb-Douglas functional form? Why?

COQ13: Do you have any views on our proposed model selection criteria? Regional and Company Specific Factors

COQ14: Do you agree with the proposed criteria for assessing regional and company specific cost factors that we have outlined?

COQ15: What are your views on our approaches to account for regional and company specific cost factors in our modelling? Real Price Effects and Ongoing Efficiency

COQ16: Do you agree with our proposed approach to index RPEs, rather than setting an ex-ante allowance based on forecasts?

COQ17: Do you agree with our proposal to have a high materiality threshold for RPEs? What are your views on the materiality level for RPE submissions, and the criteria we use to select input price indices?

COQ18: Do you agree with the suggested common input and expenditure categories for structuring RPEs in ED2?

COQ19: Do you agree with our proposed approach, and its scope, to set an ongoing efficiency assumption for RIIO-ED2? Consultation - RIIO-ED2 Methodology Consultation: Overview 117 Annex 2: Keeping bills low for consumers

COQ20: Do you agree with our proposal to use a growth accounting approach as our primary source of evidence to set an ongoing efficiency assumption? What parameters would best support this approach? Disaggregated Cost Assessment

COQ21: Do you agree with our proposed approach on forecasting options for RIIOED2

COQ22: What are your views on our proposal for establishing network impacts and assessing LRE requirements for RIIO-ED2?

COQ23: Do you agree with our proposal to compare flexibility solutions and network based solutions evenly in our cost assessment?

COQ24: How should we treat the fixed costs of procuring flexibility when considering flexibility solutions as an alternative to reinforcement?

COQ25: What are your views on the use of LIs as outputs in RIIO-ED2?

COQ26: What are your views on the treatment of incremental costs in RIIO-ED2?

COQ27: Do you agree with our proposal to maintain the RIIO-ED1 approach to assessing Non-op capex costs in RIIO-ED2?

COQ28: Do you agree with our proposal to maintain the RIIO-ED1 approach to assessing NLRE in RIIO-ED2?

COQ29: Do you agree with our proposal to maintain the RIIO-ED1 approach to assessing NOCs in RIIO-ED2?

COQ30: Do you agree with our proposal to maintain the RIIO-ED1 approach for assessing CAIs in RIIO-ED2?

COQ31: What are your views on the different approaches presented for the treatment of BSCs in RIIO-ED2? Cost Benefit Analysis

COQ32: Do you agree with our proposed application of CBA in the appraisal of investment options for RIIO-ED2? Engineering Justification Papers COQ33: Do you agree with our proposals to retain the requirement for DNOs to produce Engineering Justification Papers?

COQ34: Do you agree with our proposal to retain the assessment framework for EJPS developed as part of the RIIO2 process?

COQ35: Do you agree with our proposal to adopt the principles outlined above to guide the production of EJPS and focus the engineering submission? Data Assurance and Compliance

COQ36: What specific activities and methods should be adopted to ensure the Data, Data Assurance and Compliance processes of the RIIO-ED2 price control are run as effectively as possible? Uncertainty Mechanisms

COQ37: Do you agree with our proposed uncertainty mechanisms and their design? COQ38: Are there any other uncertainty mechanisms that we should consider? If so, how should these be designed?

COQ39: Do you agree with our proposed removal of the above uncertainty mechanisms for RIIO-ED2?

COQ40: Do you agree with our proposed common approach for re-openers being applied to RIIO-ED2? Increasing Competition Consultation - RIIO-ED2 Methodology Consultation: Overview 118
Annex 2: Keeping bills low for consumers

COQ41: Do you agree that our flexibility proposals are sufficient to incentivise DNOs' native competition?

COQ42: Do you believe there are similarities between DNOs running early competitions and the roles and activities that may be related to electricity DSO functions?

COQ43: Do you agree with our proposed approach on early competition?

COQ44: Do you have any views on our draft RIIO-ED2 Late Competition Impact Assessment?

COQ45: What are your initial views on the three models of late competition (CATO/CADO, SPV and CPM) in the context of electricity distribution? If there would need to be differences from the other sectors, can you please explain what these should be, and why.

COQ46: Do you agree that the late competition models proposed could deliver benefits in RIIO-ED2?

COQ47: Do you agree that our proposed criteria for identifying projects suitable for late model competition are applicable in the context of electricity distribution?

COQ48: What are your views on the best ways to identify a suitable project pipeline for late competition in electricity distribution (eg our proposal to require flagging of projects that meet the high-value, new, and separable criteria)?

COQ49: Do you agree with the proposed range of options available for repackaging projects in RIIO-ED2 in order to maximise consumer benefit?

COQ50: What relevant factors do you think we should consider in deciding how these repackaging proposals are specifically applied in electricity distribution? Incentivising Business Plans and their Delivery

COQ51: Do you agree with our proposed approach to implementing the CDIR method in setting the TIM efficiency incentive rate?

COQ52: Do you agree with our proposed design of the BPI for RIIO-ED2?

COQ53: What are your views on our suggestion to use proposals contained in draft business plans in the setting of baseline standards in a number of areas (as discussed in paragraphs 13.28 and 13.29)?

COQ54: Do you agree with our proposal to cap the number and value of CVP proposals that can be included within business plans?

COQ55: Is there any further detail on the proposed content of the Business Plans that you think should be set out in the Business Plan Guidance?

COQ56: Is there other information that we should be requesting in the Business Plan Guidance in order to assess a network company's Business Plan?

COQ57: Do you agree with the proposed set of minimum requirements for Stage 1 of the BPI that are set out in the draft Business Plan Guidance?

COQ58: Do you agree with the approach for assessing companies' CVP proposals that is set out in the draft Business Plan Guidance?

COQ59: We anticipate that DNOs are investing in improving / creating data dictionaries and business information models that describe the data-driven aspects of DNOs overall business architecture. We anticipate there may be opportunities to take advantage of these investments to support the process of cross-referencing data used within RIIO-ED2 Business Plans. What are your views on this?

Consultation - RIIO-ED2 Methodology Consultation: Overview 119 Annex 3: Finance Allowed return on debt

FQ1 Do you agree with our proposal to use the iBoxx Utilities 10yr+ index rather than the indices used in RIIO-1?

FQ2 With reference to paragraph 2.8, do you have a view on what debt allowance calibration should be used for business plan working assumption purposes, and why?

FQ3 Do you have any evidence to suggest ED networks should or should not have a debt allowance that has a different calibration to GD&T networks?

FQ4 Do you have any views on our analysis of additional costs of borrowing that may not be captured by an index of bond yields?

FQ5 Do you agree with our proposal to use the longest term OBR forecast for CPI to deflate nominal index yields to a real CPIH allowance and to switch to using OBR CPIH forecasts if these become available?

Allowed return on equity

FQ6 In light of the equity methodology we set out in Draft Determinations for GD&T, do you have a view on how implementation could best be applied to the ED sector?

FQ7 Do you have suggestions on how we could estimate systematic risk for ED2 or any evidence to support a difference between ED and the other RIIO sectors, GD&T?

Financeability

FQ8 Do you agree with our proposal to align the RIIO-ED2 financeability approach with the approach we have taken for GD&T?

FQ9 Are there any reasons why this approach should differ for RIIO-ED2?

FQ10 Do you have a view, supported by evidence, regarding the appropriateness of different measures to address any financeability constraints?

FQ11 Do you have any views on the proposed scenarios to be run for stress testing?

Financial resilience

FQ12 Do you agree with our proposal to place additional requirements on licensees in RIIO-ED2 to provide Ofgem with a) published ratings reports, and b) a financial resilience report if their issuer credit rating falls below specified levels?

Corporation tax

FQ13 Do you agree with our proposal to align the RIIO-ED2 tax approach with RIIO GD&T including; to pursue Option A; the approach to additional protections; the approach to capital allowances; and not to pursue the Fair Tax Mark certification as a requirement for RIIO-2?

FQ14 Are there any reasons why this approach should differ for RIIO-ED2? Indexation of the RAV and allowed return

FQ15 Do you agree with our proposal to implement CPIH inflation?

FQ16 Are there any reasons why this approach should differ for RIIO-ED2?

Regulatory depreciation

FQ17 Do you have any specific views or evidence relating to useful economic lives of ED network assets that may impact the assessment of appropriate depreciation rates?

FQ18 During RIIO-ED1, the assumed asset life is being increased. Do you consider another change is required in RIIO-ED2 to reflect the expected economic Consultation - RIIO-ED2 Methodology Finance asset life? If so, do you have supporting evidence and proposals, at this stage?

Capitalisation rate

FQ19 Do stakeholders support licensee specific rates for the ED sector?

FQ20 For one or more aggregations of totex, should we update rates ex-post to reflect reported outturn proportions for capex and opex?

Directly remunerated services

FQ21 Are there any reasons why the RIIO-ED2 approach to directly remunerated services should differ from RIIO-ED1?

Disposal of assets

FQ22 Do you support our proposal to continue the RIIO-ED1 approach to disposal of assets for RIIO-ED2?

Dividend policy

FQ23 Do you agree that additional reporting on executive pay/remuneration and dividend policies will help to improve the legitimacy and transparency of a company's performance under the price control?

Return adjustment mechanism

FQ24 Do you agree with our proposal to introduce a symmetrical RAMs mechanism?

FQ25 Do you agree with our proposal to introduce a single RAM threshold level of 300 basis points either side of the baseline allowed return on equity? FQ26 Do you have any other comments on our proposals for RAMs in RIIO-ED2?