

Consultation Response

8th January 2016

EUA response to the Ofgem consultation on a potential RIIO-T1 and GD1 mid-period review

Energy and Utilities Alliance welcome the opportunity to comment on the potential RIIO-T1 and GD1 mid-period review (MPR).

The Energy and Utilities Alliance (EUA) is a not for profit trade association that provides a leading industry voice to help shape the future policy direction within the energy and utilities sector. Our association comprises 5 divisions: Utility Networks, the Heating and Hotwater Industry Council, the Hot Water Association, the Manufacturers Association of Radiators and Convectors and the Industrial & Commercial Energy Association (ICOM).

As part of our Utility Networks division, we represent the gas distribution supply chain.

We understand the need to meet the energy trilemma and support the role that RIIO-T1 and GD1 play in achieving this. It is vital that energy costs are affordable and that transmission and distribution are efficient and cost effective. We also strongly support the role RIIO has played in reducing fuel poverty and in spearheading innovation.

However, EUA strongly opposes the introduction of an MPR. We believe there is already sufficient scope to review and amend identified issues without adding the uncertainty of a formal review.

Introducing an MPR could lead to unnecessary additional bureaucracy and potentially lead to short termism which would reduce the current effective running of RIIO. It would also add uncertainty within the supply chain.

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The consultation itself outlines on a number occasions when modifications to delivery have already occurred within the existing mechanism. For the Gas Distribution Networks, the evidence in the consultation is clear that the current system is working with reviews being conducted when needed.

The progress reports demonstrate that the critical outputs are being delivered and the future outputs are on target to be delivered. In particular, the targets to assist those in fuel poverty and in innovation are being met. This is an extremely positive development that shows how successful the current arrangements are. The current government has set a clear policy to reduce energy bill costs, help those in fuel poverty and increase innovation within the energy sector. The current mechanism is aiding all these in an effective and efficient manner. We are not aware of any policy decisions that have been made that would necessitate an MPR, and this forms the basis of the consultation's ask.

EUA and our members actively engage with the GDN's on developing innovation, including holding industry-wide events to showcase technological and system innovation directly to the network companies.

RIIO has also led to greater stakeholder engagement across the supply chain. EUA regularly provides views to the Gas Distribution Networks (GDNs) as part of their ongoing stakeholder engagement process, proving the system is working. EUA also hosts industry stakeholder meetings that collect supply chain feedback which is then communicated back to the GDNs. This feedback loop has ensured that our members are happy with the RIIO mechanism. When we asked them for their responses to this consultation they unanimously rejected the need for an MPR.

We would be happy to discuss any of these points further with Ofgem.

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