

Forward Work Programme Team
Ofgem
9 Milbank
London
SW1P 3GE

Date
16th February 2018
Contact / Extension
Stephanie Anderson
0141 614 1581

Dear colleague

Forward Work Programme 2018-19 – Consultation

This response is from SP Energy Networks. SP Energy Networks holds three electricity network licences. We own and operate the electricity distribution networks in the Central Belt and South of Scotland (SP Distribution) which serves 2 million customers, and Merseyside and North Wales (SP Manweb) which serves 1.5 million customers. We also own and maintain the electricity transmission network in the Central Belt and South of Scotland (SP Transmission).

SPEN is already fully engaged in preparing for the next RIIO Transmission price control. Our performance under RIIO-T1 has delivered for consumers in terms of cost, innovation and outputs; improving reliability, and delivering a low carbon electricity system.

SPEN welcomes the opportunity to respond to your ambitious work programme for 2018/19 and beyond. We recognise that this work programme attempts to follow the direction the energy market is travelling whilst ensuring this enhance consumers' interests and wish to make the following observations which we hope are constructive.

1. Facilitating Change in the Energy System

The work programme correctly recognises that networks are fundamentally changing from large scale power stations to smaller, multiple sources of disaggregated generation. SPEN are already responding to this for example by developing transmission infrastructure in the Dumfries and Galloway area supported by non-build commercial solutions to accommodate peaks in the 3000MW of renewable generation potentially connecting in this region. Our recent transmission derogation submission to Ofgem and the IRM award in 2017 for our DNO to develop active network management solutions in this region, demonstrate our whole system approach to facilitate the changing network needs.

The work programme is also right to highlight that Government policies will result in consumers using energy in new ways. SPEN has recently submitted evidence to BEIS' 'Developing the market and infrastructure inquiry'. Our response highlights that the growth and deployment of electric vehicles will have significant implications for the electricity networks. It is therefore our view, that electric vehicle impacts should be a focus as part of

SP House, 320 St Vincent Street, Glasgow. G2 5AD

Telephone: 0141 614 0008

www.spenergynetworks.co.uk

Ofgem's work in facilitating and accelerating the transition to a smarter, lower carbon and more flexible energy system.

2. RIIO-2 Price Control

Recent RIIO-2 timetable publications indicate that the RIIO-2 sector specific strategies will be published around May 2019¹. However, as business plan submissions are due in around August 2019, we believe this may not permit sufficient time for companies to performance effective governance and complete Ofgem's Data Assurance Guidance. Whilst we appreciate this is a matter for Ofgem's 2019-20 work plan, this may have an impact on this year's workplan, so we wished to use this opportunity to highlight this.

3. Ensuring network companies deliver for Consumers

i. Cost Benefit Analysis for new policy decisions

We note that one of Ofgem's key activities will be to develop alternative onshore competition models in 2018/19. Driving competition into parts of the network is viable where this delivers real value for consumers. To ensure that value is delivered, robust cost benefit analysis should be carried out when determining any future policy. As there are significant differences between the OFTO and onshore regime, it is vital that policy decisions are based on robust evidence and cost justifications to ensure that the GB consumer is protected. It is our recommendation that detailed Cost Benefit Analysis is carried out alongside this activity to ensure that no unintended policy consequences are realised.

ii. Competition in Connections

In December 2017, Citizen's Advice published its own Forward work plan³. Within its plan, it confirms that it will undertake research to assess IDNO performance against key consumer outcomes, identify good practice and areas for improvement, and shed light on the experiences of consumers across the UK. We believe it would be beneficial for Ofgem's connections team to work with Citizen's Advice to ensure that the best possible outcomes are reached. This may form part of Ofgem's work on introducing competition to networks.

iii. Stakeholder Engagement

There has been recent scrutiny of Network companies within various published reports. However, these reports have included significant errors but have subsequently been referenced by politicians in various fora. It is our view that both Ofgem and network companies should carry out a 'stakeholder friendly' educational piece of work on networks. Ofgem's RIIO regime has significantly benefitted customers, yet recent reports have painted an inaccurate picture due to a misunderstanding of the regime and its financial parameters (i.e. debt is raised over significant periods, so spot rates cannot be used as comparisons).

¹ Ofgem Fair Returns Workshop Presentation- 24th October 2017

³ https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Work%20plan%2018-19/Citizens%20Advice%2018_19%20Draft%20Work%20Plan%20-%20Google%20Docs.pdf

SPEN looks forward to working with Ofgem to support its activities and continuing to deliver benefits for consumers.

Yours sincerely



Stephanie Anderson
RIO-2 Policy and Economics Manager

SP House, 320 St Vincent Street, Glasgow. G2 5AD

Telephone: 0141 614 0008

www.spenergynetworks.co.uk