

Northern Powergrid Customer Engagement Group Response to Ofgem's RIIO-2ED Sector Specific Methodology Consultation

As a Customer Engagement Group our core role is to ensure that Northern Powergrid's business plan meets the needs and priorities of their customers and local stakeholders by scrutinising their work. We are fully engaged in this work and will very soon be publishing a short interim report of our work so far.

We welcome Ofgem's Sector Specific Methodology consultation and the opportunity to respond. We do not think it is appropriate for us, as an independent CEG, to provide a detailed response on many of the issues raised but do want to bring to your attention two issues that we think could have a significant impact on the extent to which Northern Powergrid's customer and stakeholder needs are met during ED2. It is because of their potential impact on these groups that we are bringing these points to your attention. We are concerned that inadequate development of these points risks limiting the effectiveness of the RIIO process as an essential component of the nation's net zero challenge.

First, the consultation asks about the balance between a centralised approach and a regional approach to forecasting and planning. We recognise the tensions in play and the extent of the challenge posed by striking the right balance between centralised resourcing and local flexibility.

However, we want to emphasise the importance of supporting regions and cities that are looking to develop their own local plans to achieve net zero (often ahead of the 2050 national target). These plans represent significant local ambition and engagement, even where communities currently lack the skills and resources to provide firm evidence for their justification and deliverability. Failure to give serious consideration to these local plans would risk disengaging local stakeholders.

We also want to highlight the risks that the SSM's proposed approach may inadvertently result in the evidential bar for local plans being set higher than for the national one, and that by requiring a reopener for any plans not ready at the start of ED2, significant delays might be introduced to the implementation of local plans. The RIIO2 process needs to be flexible enough to take account of such evidence whenever it is available, even if it does not fit neatly with the start of the period. Such local plans will ultimately benefit all customers through the increased engagement of local stakeholders, the carbon savings they deliver, and the learning for others that they provide.

Second, we welcome the emphasis on uncertainty mechanisms in the proposals, in view of the uncertainties inherent in the transition to net zero. However, we want to emphasise the critical importance of implementing agile decision making mechanisms for considering proposals under them. This is essential to ensure that the incentives on and actions of Northern Powergrid are aligned and realigned as new information informing the routes to net zero emerges. In particular there should be as little delay as possible between good proposals, nationally or local, being developed and/or submitted and the associated customer benefits being realised. We believe this will have a significant impact on stakeholders' confidence in the

effectiveness of the ED2 process, as long delays can be a significant disincentive to many people engaging with the energy system.

We hope that you find these points helpful and that they will help in achieving Ofgem's objectives of supporting decarbonisation and delivering the high quality, reliable services that consumers expect at the same time as keeping bills low.