

# RIIO ED-2 Business Plan Update

John Spurgeon, Head of Regulatory Policy, Energy Networks Association

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## Network Regulation

**Ofgem** regulate the level of revenue that network companies earn and what they need to deliver.

**Price controls:** Set by Ofgem to determine how much network companies can spend and what customers will receive as a result.

**Ofgem devised RIIO:** Revenue = Incentives + Innovation + Outputs. A performance-based model designed to encourage network companies to put stakeholders at the heart of decision-making, innovating and delivering a low-carbon energy system, all while investing efficiently to deliver value for customers.

**2023-2028:** The next period will run for 5 years and is called “RIIO-ED2”.

**Business Plans:** Set out, in detail, DNO commitments to stakeholders, performance targets and planned investment and expenditure.

## RIIO ED-2 timeline



## Business Plans

- A series of documents in which network companies set out in detail, their commitments to customers including:
  - Service** = What will be delivered for stakeholders (improvements, enhancements and new services) together with performance targets
  - Activity volumes** = The amount and type of work that they will deliver
  - Expenditure** = How much they propose to spend, how much revenue they can earn and how much customers will pay.
- Business plans are co-created with network companies' stakeholders and customers who provide detailed feedback on what they expect the companies to deliver for them.
- Given the highly diverse needs of customers who are spread across the country, listening to the views of local people, businesses and community groups is critical to making sure that networks can provide the best possible service.

## **Stakeholder Engagement – Shaping Business Plans**

- For ED-2 DNOs have undertaken most comprehensive and inclusive stakeholder engagement programme ever and process of co-creation in development of plans.
- Stakeholders engaged using a range of approaches including: direct in-person engagement, customer surveys, workshops, research, conferences.

### **Enhanced Consumer Engagement for ED-2:**

- Overall objective to strengthen the voice of consumers both in setting the price control and in the day to day operation of the network companies.
- DNOs established Customer Engagement Groups (CEGs).
- Ofgem established a Challenge Group (CG).
- Enhanced Engagement process will include Open Hearings for Ofgem to hear submissions and evidence on various aspects of the Business Plans.
- Provide additional challenge to network companies' Business Plans.
- Quality of stakeholder engagement that companies have undertaken will be a key consideration for Ofgem when it reviews DNO Business Plans for RIIO ED2.

## DNO initiatives – examples

### **Community and local energy proposals – developed and refined in consultation with stakeholders**

**Enhance support for local and community energy projects, increasing our grant fund from £75,000 to £1m a year and providing a free dedicated support service.**

**Support community-level action on generation, demand, heating, storage, transport through a £30m Net Zero Fund in RII0-ED2 to support innovative, low-carbon project proposals from communities.**

**Create a dedicated community energy support resource in each of our licence areas to act as a first point of contact. This resource will provide a clear focal point to help communities develop and deliver their plans**

**Establish a dedicated local energy planning team as part of our DSO that will work with the 116 local authorities in our regions, plus community energy groups and other local stakeholders to develop actionable decarbonisation plans.**

## DNO example: ENWL

Community and local energy proposals – developed and refined in consultation with stakeholders

### **ED2 Proposal**

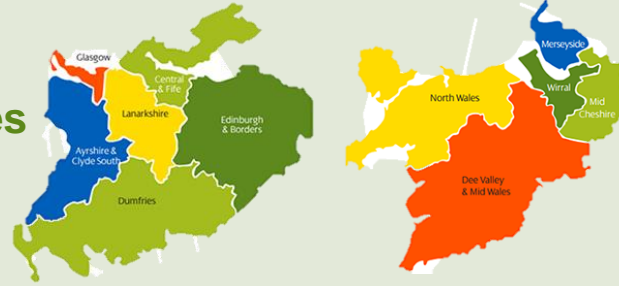
Enhance support for local and community energy projects, increasing our grant fund from £75,000 to £1m a year and providing a free dedicated support service.

- **82% of domestic customers were supportive of our plans,**
- **81% of business customers.**
- **88% of colleagues participating in our survey perceived our proposal to be acceptable.**
- **Customers with a social grade classification of 'DE' and/or identifying with the statement, 'I sometimes struggle to pay my energy bills' were significantly more likely to place greater importance on it [supporting the proposal]**

# DNO example: SP Energy Networks

Our SPD and SPM network areas:

- **3.5 million** homes/businesses
- **>6 million** customers



We have contracted the CE bodies to advise and challenge our community energy proposals and over-arching strategy:



Our Zero Carbon Communities proposals are designed to meet the varying needs of community energy groups across GB

<b>ZCC - CE Strategy</b>	<b>ZCC –Awareness raising and educational outreach</b>	<b>ZCC – Technical advice, optioneering and signposting</b>	<b>Our proposed Distribution Net Zero Fund</b>	<b>2 step approach to funding to minimise consumer bill impact</b>
<ul style="list-style-type: none"> <li>• Embeds whole system thinking and activities across SPEN business and outputs.</li> <li>• Maximises existing SPEN resource to further benefit communities across GB.</li> <li>• Look out for our draft CE strategy release and consultation next month!</li> </ul>	<ul style="list-style-type: none"> <li>• Increases local awareness and empowerment.</li> <li>• Encourages community-led recruitment of consumers into local Net Zero activities.</li> <li>• Maximises and socialises benefits for a Just Transition.</li> <li>• Delivered in partnership with our community energy partners.</li> </ul>	<ul style="list-style-type: none"> <li>• Providing tailored support to community groups to suit local circumstances, additional hand-holding and sign-posting as required.</li> <li>• Using our central role to sign-post to relevant activities such as Local Authority planning.</li> </ul>	<ul style="list-style-type: none"> <li>• We have set aside roughly a quarter of our Net Zero fund for community energy projects.</li> <li>• Communities can still access other categories of the fund.</li> </ul>	<ul style="list-style-type: none"> <li>• Requested funding for our CE based on supporting 4%-8% annual growth rate of community energy projects.</li> <li>• We have proposed an incentive for additional resource to support 10%-34%* growth rate to meet any changes in external environment</li> </ul>

Give us your feedback on our online consultation: [www.spenergynetworks.co.uk/challengeourplan](http://www.spenergynetworks.co.uk/challengeourplan) #challengeourplan



## **Distribution Network Operator Business Plans – Getting Involved**

**Western Power Distribution** <https://yourpowerfuture.westernpower.co.uk/our-future-business-plan/riioed2-business-plan-consultation>

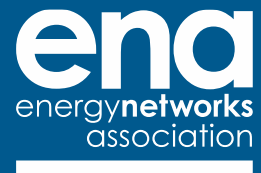
**UK Power Networks** <https://ed2.ukpowernetworks.co.uk/>

**Scottish and Southern Electricity Networks** <https://ssenfuture.co.uk/>

**SP Energy Networks** [https://www.spenergynetworks.co.uk/pages/our\\_riio\\_ed2\\_business\\_plan.aspx](https://www.spenergynetworks.co.uk/pages/our_riio_ed2_business_plan.aspx)

**Northern Powergrid** <https://ed2plan.northernpowergrid.com/planning-for-2023-28/welcome>

**Electricity North West** <https://www.enwl.co.uk/about-us/engaging-with-our-stakeholders/our-future-business-plan/>



**Energy Networks Association**

4 More London Riverside

London SE1 2AU

t. +44 (0)20 7706 5100

 @EnergyNetworks

[energynetworks.org](https://energynetworks.org)

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