

SSEN Distribution Response to RIIO ED2 - Draft Determination

Overview Document, 10. Increasing competition

Question ID	Q9.
Question	Do you agree with our proposed position on early and late competition?
Response	
<p>The proposed position on early competition works subject to points (i) and (ii) below being considered.</p> <p>For late competition we do not agree with Ofgem’s proposal, see point (iii) below:</p> <ul style="list-style-type: none">i. The Electricity System Operators (ESO) Early Competition Distribution sector modifications, December 2021, report recommendations are a “high-level” view on the required modifications, excluding considerations of roles, remuneration and liability. The ESO’s stakeholder engagement was generally limited to the views of DNOs and was done as an aside to the work on electricity transmission. It is crucial that a fully comprehensive early competition model design process consistent with that undertaken for electricity transmission is repeated for electricity distribution before implementing any changes, given the potentially significant impact on DNO projects. We are unable to support application of early competition model until full and final proposals are published and consulted on fully.ii. For early competition, if Ofgem chooses to further pursue the implementation for the electricity distribution sector, then it is critical a robust quantitative impact assessment, as required under section 5a of the Utilities Act 2000 is undertaken. This must have due regard to different possible future pathways and options to achieving net zero. Ofgem has no justification for taking a shortcut on the procedural requirements it is subject to under the Utilities Act, and in particular no ability to take shortcuts just because this approach has been applied in T2.iii. For late competition, an update needs to be provided to the draft impact assessment produced by Ofgem in July 2020 within the RIIO-ED2 Sector Specific Methodology Consultation (SSMC). Whilst Ofgem in their RIIO-ED2 Sector Methodology Decision: Annex 2 Keeping bills low for consumers, paragraph 9.51, notes its intention not to update the impact assessment, we consider in its current format it does not provide sufficient justification for Ofgem’s proposal. It is therefore important Ofgem provides an update on the impact assessment and does not subject a late competition test to ‘eligible’ projects submitted by re-openers in RIIO-ED2 until this is done.	