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RIIO-ED1 Team  
Ofgem  
10 South Colonnade  
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London  
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By email: RIIO-ED1@ofgem.gov.uk

Dear RIIO-ED1 Team

**Citizens Advice response to the Ofgem open letter consultation on the regulatory treatment of the ENA Green Recovery Scheme ('the Scheme')**

Citizens Advice welcomes the opportunity to respond to this consultation as part of its statutory role to represent energy consumers in Great Britain. Our response is not confidential and may be freely published.

We welcome the Scheme which is intended to accelerate low regrets network investment under the RIIO-ED1 price control to maximise consumer benefits, and enable a smarter and lower-cost zero-carbon future.

**Patron HRH The Princess Royal      Acting Chief Executive Alistair Cromwell**

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We note that this open letter consultation is to address the regulatory treatment of the intended Scheme investments. The [ENA Call for Evidence](#) currently being undertaken via each Distribution Network Operator (DNO) is to seek information from stakeholders, such as Local Authorities or other bodies, to identify potential investment opportunities for the Scheme.

We welcome the [principles \(page 4\)](#) within the open letter which lay down the various aspects which should be considered for each investment within the Scheme. We have the following comments on the principles:

- The first principle notes a requirement that “all available options to efficiently meet future network user needs should be considered”. **We recommend that the principle is expanded to make explicit reference to the requirement for consideration of alternatives to reinforcement to be in line with the RIIO-ED2 Distribution System Operation (DSO) Roles and activities as described within the 1 February 2021 [ED2 Business Plan Guidance \(Appendix 4\)](#).** Such alternatives could include the use of flexibility services or the promotion of energy efficiency.
- **We would recommend a requirement for stakeholder engagement beyond the proposer of the investment within the ENA Call for Evidence process.** We are aware of the rapid nature of the investments being proposed, however, we believe that wider engagement will be useful to gather further evidence of options and to confirm that the proposed investment is a low regrets one. Customer Engagement Groups, company Stakeholder Advisory Panels, company Vulnerability or other Panels, as well as open public engagement, may be suitable avenues to gain such feedback, including consideration of the inclusivity aspects of the principles.

We note the arrangement where the Scheme investment funding is intended to be provided from existing ED1 allowances. If the Scheme investments will result in spending above ED1 allowances (in aggregate in the 8 year ED1 period), further funding is intended to be provided at a zero incentive rate up to a capped sum. Above the cap, the existing DNO incentive rate will apply in line with their normal overspending arrangements at the relevant DNO’s sharing factor. We have clarified with Ofgem how the zero incentive rate within the additional capped amount effectively acts as a pass-through with no sharing factor, and how the funding is likely to be provided in a ‘trued-up’ manner after the spending has occurred. This should negate risks relating to companies being able to retain underspends. We welcome the use of an ex post funding arrangement to mitigate the likelihood of any undue gains from spending below allocated funding.

We support proposed further consultation relating to the regulatory treatment of this Scheme and any associated licence condition changes that may be needed to effect the Scheme.

Yours faithfully

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Energy Networks and Systems