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RIIO Electricity Distribution Team
Ofgem
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By email: RIIOED2@ofgem.gov.uk, Attn: Kieran Brown

Dear RIIO Electricity Distribution Team

Citizens Advice response to the Ofgem proposal to review competition in the electricity connections market for RIIO-ED2

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 support the proposal to review the level of competition in the electricity connections market

Patron HRH The Princess Royal Chief Executive Dame Clare Moriarty

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in advance of the RIIO-ED2 price control period. This review should help to ensure that consumers are receiving the best value and access to a wide selection of competitive services in the electricity distribution sector.

Ascertaining the value of separation of functions

We have previously input to the recent National Grid Electricity System Operator (ESO) [consultation relating to early competition](#) (February 2021). Our [response](#) explained our position relating to early competition for Distribution System Operation (DSO) functions of Distribution Network Operators (DNOs) where we stated the following (among other points):

“Early competition in distribution networks

In our response to the RIIO- ED2 Sector Specific Methodology Consultation, we noted that there may be efficiencies for consumers that may be generated by early competition for DSO functions, such as for shared IT systems and services, as well as better collaboration across DNOs. We support the ESO looking at collaboration between DNOs in designing and implementing systems, infrastructure or processes, and putting these projects out to competition. This may be particularly applicable for new DSO functions, as it may be more cost-effective for consumers to increase standardisation and reduce the duplication of DSO systems. In this scenario, some form of collaboration may also complement competition with third-parties.

There will be wider energy system governance issues which may lead to changes in DNO structures which may provide further assurance regarding apparent conflict positions at the DNO level. These changes, if any take place, may be relevant to assist in ascertaining whether any separate DSO body or bodies, may be optimal. The current DNO structure without separation of DSO roles does not appear to provide a sufficient level of assurance for independence.”

We would reiterate the potential value in ascertaining whether separating some functions from DNOs to a separate DSO body or bodies may provide better assurance for third parties in competition considerations. For instance, an independent DSO could assess whether an Independent Connections Provider can determine the point of a connection, and provide independent assurance that all competition opportunities have been identified and progressed. We also note that UK Power Networks (UKPN), in its RIIO-ED2 draft business plan summary report¹, has proposed that its DSO functions become independent. The current UKPN proposals are in summary form. The final business plan, which is due to be submitted in December 2021, will hopefully provide more details on the benefits that will be enabled by an independent DSO.

¹ UK Power Networks, ‘RIIO-ED2 Business Plan 2023-28 Placing customers and communities at the heart of Net Zero’, July 2021

We recommend that the merits of an independent DSO and its role in distribution level competition should be reviewed to identify whether this is the most appropriate way forward to enable greater and more efficient competition in connections.

Introducing competition at an early stage in the connections market

We understand that there are stakeholders that have direct experience in the connections market and will be best placed to provide first hand evidence as to whether the current arrangements are working appropriately for consumers and stakeholders. We have therefore only one substantive comment specifically relating to connections competition. The Competition in Connections Code of Practice (CiCCOP) (latest version - v1.5 October 2019)² notes that the competition process begins when an application is made to make a connection to a DNO. We understand that a number of DNOs are providing pre-application advice to bodies such as Local Authorities in matters such as constraints and where connections could be most readily or cheaply made. It may be that the DNOs are currently the best body to provide this advice and information given their knowledge of current capacity on their networks and future developments expected on a network. However, as data on networks are increasingly provided openly to other parties via websites or other portals, those third parties may also be in a good position to provide valuable advice on the siting of connections. As such, **we recommend that the CiCCOP is reviewed to ascertain whether competition could be introduced at an earlier stage, i.e. at the pre-applications stage, so that third parties could have an opportunity to compete to provide such connections advice. It will be valuable to capture the opinions of those that currently receive this advice without charge as well as the views of those that could be potential competitors to assess the merits of introducing competition at this earlier stage. There may also be other opportunities for competition that could arise with the wider open provision of DNO data and it may be valuable to consider this aspect beyond connections competition.**

Yours faithfully

Caroline Farquhar
Senior Policy Researcher

² www.connectionscode.org.uk