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Citizens Advice response to Ofgem consultation on licence conditions and guidance for network operators to support an efficient, co-ordinated, and economical Whole System

Dear Nathan,

We are pleased to be able to respond to this consultation. Citizens Advice has statutory responsibilities to represent the interests of energy consumers in Great Britain. This document is entirely non-confidential and may be published on your website. If you would like to discuss any matter raised in more detail please do not hesitate to get in contact.

We note this consultation is focussed on the electricity network operators which seems to be at odds with the Whole System ambition. We would like to understand whether there are plans to introduce similar licence conditions on gas networks.

In our view the narrow definition of Whole System doesn't seem ambitious enough to help meet Great Britain's 2050 carbon targets. A wider view incorporating at least heat and transport should be a part of any whole system definition. Whilst Ofgem's remit only covers the gas and electricity system, the electrification of heat provides the energy networks with a clear challenge and therefore needs to be actively considered in this definition. Relationships between the gas and electricity networks and heat networks will also be important considerations. Likewise, the impact of changes to transport should form a part of network company thinking, as the take up of EVs and natural gas vehicles is likely to increase over the course of and following the RIIO-2 price control.

We note that Stakeholders include people with an interest in gas, heat and transport, but that is not the same as getting electricity networks to consider their impact on gas, heat and transport and making decisions with the aim of benefiting all vectors. We welcome that IDNOs are included, as consumers on those networks should not be excluded from receiving the benefits of their network working towards whole system outcomes.

We don't think the proposed licence conditions and requirements around engagement will push networks to act in the best interest of consumers:

- The only change to the licence condition seems to be the word "whole system" but otherwise retains the core which is that networks should run an "efficient, coordinated and economical" network. Running such an efficient network might produce the lowest cost for consumers in the short term, but that doesn't equate to producing the best outcomes for consumers (nor the environment) in the long term.

- Beyond low costs, we would like networks to deliver further consumer outcomes, for example being future-proof, delivering a quality service, low environmental impact, and additional attention paid to vulnerable consumers. We also see a role for networks in which they play a facilitation role in the decarbonisation of the wider energy sector. The Guidance document doesn't help in defining further consumer-focused whole system outcomes but only speaks of providing "most value to present and future consumers".
- The Engagement and Consultation section only asks networks to identify "potential impacts on the system". From the definition of Whole System we are concerned that this is solely focussed on engineering/technical systems and markets and does not include consumer impacts. Networks should be asked to think through the consumer impacts beyond costs.

I trust that this response is clear but would be happy to discuss any matter raised within it in more depth if that would be helpful.

Yours sincerely

Stew Horne

Principal Policy Manager, Energy Networks and Systems