

18 August 2022

Martin Cave and Jonathan Brearley
CEO, Ofgem

Re: RIIO-ED2 and net zero

Dear Martin and Jonathan,

I wrote to Jonathan earlier this year with concerns that Ofgem's RIIO-ED2 price control risks preventing low carbon technologies from connecting to the network at the speed and scale required to achieve net zero and provide a route away from our reliance on gas.

I am now writing to raise concerns regarding the RIIO-ED2 Draft Determinations. It is highly likely that, under these plans, distribution network capacity will be a major barrier to government targets for low carbon technologies such as EVs, heat pumps and renewables.

BEIS and Ofgem's recent '[Electricity Networks Strategic Framework](#)' states that the proposed increase in network investment will "ensure sufficient capacity to support new demands, particularly from the decarbonisation of transport and heat".

In the Draft Determinations, however, investment falls well short of that required to achieve the UK's legal and strategic energy goals. Ofgem has set the baseline for load-related reinforcement based on a 'System Transformation' scenario. This scenario assumes a low uptake of low carbon technologies on the distribution network and is not compatible with the Sixth Carbon Budget, nor key government targets such as 600,000 heat pumps a year by 2028 and a net zero power system by 2035.

The 'Electricity Networks Strategic Framework' notes that "additional mechanisms will allow investment to quickly track changes in demand over time"; however, the proposed mechanisms are complex and bureaucratic. These need to be much simpler to enable timely investment in the hundreds of projects and flexibility markets required.

RIIO-ED2 is vital to ensure that, over the next five years, our electricity networks are enablers of both net zero and greater energy independence. However, Ofgem's Draft Determinations risk locking the UK into its current dependence on gas, failing to support our strategic energy goals and denying consumers the benefits of taking up low carbon technologies.

I urge you to act now to ensure that the final determinations are fit for purpose.

Yours sincerely,



Merlin Hyman OBE
Chief Executive, Regen

CC:

Paul van Heyningen, Deputy Director, Net Zero Electricity Networks, Department for Business, Energy and Industrial Strategy

Nick Winser, Electricity Networks Commissioner

John Pettigrew, CEO, National Grid

Akshay Kaul, Director (Networks) Ofgem

Darren Jones MP, Chair of BEIS Select Committee

Randolph Brazier, Director, Innovation and Electricity Systems, Energy Networks Association