

Jonathan Brearley, Chief Executive
Ofgem
10 South Colonnade
Canary Wharf, London
E14 4PU

2 February 2022

Re: Risks to net zero in RIIO-ED2 price control

Dear Jonathan,

I am writing to express concern that Ofgem's RIIO-ED2 price control process has left a significant risk that renewables and low carbon technologies will not be able to connect to the network at the speed and scale required to achieve net zero.

Regen is a centre of expertise in the clean energy transition with over 150 member organisations working towards net zero, including sustainable energy developers and community groups. We are calling on Ofgem to now make net zero a key priority in its final determinations of the Distribution Network Operators' (DNOs) business plans.

1) Ensuring sufficient and timely investment in capacity and flexibility

The UK's Net Zero Strategy, published in October 2021, sets out a detailed path to net zero including a rapid increase in renewable generation, storage, electric vehicles (EVs), and heat pumps. Enabling these technologies to connect to the distribution network at the speed and scale required is now on the critical path to achieving net zero.

We, therefore, welcome the commitments made in the final DNO business plans to invest in their networks and use flexibility to ensure the necessary capacity is available.

However, Ofgem RIIO-ED2 guidance provided DNOs with a very wide range of scenarios and assumptions to choose what to plan for, in particular ranging from 1.7 million to 7.5 million heat pumps by 2030. The result is that the DNOs' investment plans are based on scenarios for low carbon technology deployment that are not compatible with the Sixth Carbon Budget or the commitment in the Net Zero Strategy to a zero carbon electricity system by 2035.

Ofgem has proposed 'Uncertainty Mechanisms' to ratchet up investment where required. In our view, making the UK's path to net zero dependent on new untested mechanisms which are not yet in the public domain introduces significant risk.

The increase in investment in the network from DNO base case plans that Uncertainty Mechanisms may be required to enable is very significant. In the case of Western Power Distribution, for example, their 'Best View' of gross network reinforcement costs over RIIO-ED2 is £1,020 million rising to £2,269 million in a more rapid low carbon technology scenario.

Regen calls on Ofgem to ensure Uncertainty Mechanisms in RIIO-ED2 provide the clarity required to ensure investment to enable net zero is made in good time. We cannot afford that the path to net zero be mired in bureaucracy.

Regen also calls on Ofgem to 'stress test' DNO business plans to ensure they have credible plans to respond to a more rapid roll-out of low carbon technologies than assumed in their base case investment plans.

2) Ensuring an efficient connection process for low carbon technologies

DNOs have made positive commitments in their business plans on ensuring they have not only the capacity but also the capability and the systems to connect very large numbers of low carbon technologies at the speed and scale required.

In our view, ensuring these DNO commitments on connecting low carbon technologies are delivered should be at heart of the RIIO-ED2 regulatory regime. Our members who are trying to get connections for projects, such as renewables or EV chargers, report a wide variety in the speed and quality of the services they receive. This cannot continue to be the case in RIIO-ED2.

Regen calls on Ofgem to put in place clear financial incentives and penalties to ensure DNO commitments on their connections performance for low carbon technologies are central to the price control.

Yours sincerely,



Merlin Hyman OBE

Chief Executive, Regen

CC: Rt Hon Darren Jones MP Chair of the Business, Energy and Industrial Strategy Committee
Paul Van Heyningen OBE, Deputy Director, Net Zero Electricity Networks at Department for Business, Energy and Industrial Strategy