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ENA Open Networks project

By email: [opennetworks@energynetworks.org](mailto:opennetworks@energynetworks.org).

Dear Open Networks team

**Citizens Advice response to the Energy Networks Association (ENA) Open Networks consultation on valuing optionality in the Common Evaluation Methodology (CEM)**

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 appreciate the consultation paperwork provided and the webinar which further outlined the topic. We are also grateful to Simon Brooke, the coordinator of the CEM product for the ENA, who has responded to our questions in advance of this response.

**Patron HRH The Princess Royal      Chief Executive Dame Clare Moriarty**

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The overarching priorities for the CEM should be to ensure that it is usable, transparent in how it operates (i.e. not an impenetrable 'black box'), and arrives at reasonable and accurate answers to assist users in allocating resources between traditional asset choices or non-traditional resources, such as flexibility. As such, it is valuable to undertake this consultation to seek wide stakeholder input and ensure the appropriate outcomes for the next steps. It will also be necessary to review the CEM tool regularly to assess its effectiveness and to drive improvements in the coming years.

### **Clarity, transparency, and ease of use**

The selection of a branching or tree structure, with probabilities assigned to the likely scenarios, appears to be a sound basis for the CEM, although there may be alternative options models that might achieve better outcomes. Other stakeholders, with financial modelling experience as noted within the webinar, may be able to suggest other alternatives. However, the need for people to feel confident in its operation could mean that a simpler, but still largely robust model, would be preferable for use.

### **Choice of scenarios**

The Distribution Future Energy Scenarios (DFESs) and the National Grid Future Energy Scenarios (FESs) both offer routes to develop probabilities to use in the CEM options model, as each type of scenario offers a range of credible pathways to reaching net zero. There are underlying differences between the way that the FESs and DFESs are constructed ('top down' versus 'bottom up') and in some of their inputs. While the DFESs may appear a more appropriate choice given their local granularity compared to the national FESs, we prefer the use of the FESs in the model, at least at the outset. We prefer the use of the national FESs given the independent position of National Grid compared to the Distribution Network Operators who, potentially, could gain from the selection of in-house options over external resources. It is possible that if the production of DFESs moves to bodies that are independent from DNOs then the use of DFESs may be preferred, although there will be an increased risk of error and complication in using multiple DFESs in the CEM. It appears neither the DFESs or national FESs offer different probabilities for the credible pathways to net zero and that further work will be needed to allocate appropriate probabilities to scenarios.

## **Energy efficiency**

The use of energy efficiency as an option for use by DNOs in meeting their Distribution System Operation functions offers many potential benefits. It is a long term solution and would offer: reductions in energy demand; reduced need for flex, or reinforcement, or generation; reduction in carbon output; and wider benefits in warmer homes and reduced bills for households and businesses. Neither the CEM consultation nor the webinar made reference to the option of energy efficiency although I understand that there is a use case for energy efficiency for the CEM. I also understand that there may be work underway to include energy efficiency within the Whole Systems Cost/Benefit Analysis (CBA) tool. Notwithstanding these developments, it would be better if energy efficiency was an active part of the CEM tool otherwise users may only consider the two main options of reinforcement and flexibility when considering next steps. The use of energy efficiency could also incorporate the use of Social Return on Investment measures to capture the wider societal benefits. We recommend that consideration is given to amalgamating the CEM tool and the Whole Systems tool. It would appear sensible to have all options in one place for considering investment planning needs so that the best long-term cost-effective options are selected at the outset. It should be noted that the consideration of energy efficiency is a licence condition (31E) and therefore should have appropriate scrutiny in addition to assessing flexibility options.

Yours faithfully

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Energy Networks and Systems