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Victoria Low
RIIO Electricity Distribution
Ofgem
10 South Colonnade
Canary Wharf
London E14 4PU

Dear Victoria,

Consultation on submission received under the RIIO-ED1 Innovation Roll-out Mechanism window 2

Citizens Advice has statutory responsibilities for representing the interests of energy consumers in Great Britain. This response is completely non-confidential and may be published on your website.

Electricity North West's Smart Street project appears to be a welcome innovation. The information provided shows that customers could reduce energy consumption by up to 8%, make long term savings on their bills of around £61 (2012/13 prices) per customer per annum, and reduce carbon output. These benefits would be achieved by rolling out the Smart Street project via 180 installations in the Electricity North West ("ENW") area at a cost of £15.09 million (2012/13 prices). This sum equates to a cost increase to bills of 12p per annum for all customers up to the end of RIIO-ED1.

We recognise that the project benefits are forecast to improve the Customer Interruptions and Customer Minutes Lost figures and that ENW will be reducing the cost of the project to account for any incentive benefit received from the roll-out of Smart Street. We also note that the project will impact the transformer replacement programme and that ENW is ensuring that any duplication between that programme and this project roll-out will have the transformer cost adjusted to avoid benefiting doubly from this funding.

Citizens Advice welcomes long term reductions to consumer bills and aiding reduction in carbon output. We have some comments below regarding the submission which we would ask Ofgem to consider.

Alternatives

The submission states at Section 3.6 that traditional network reinforcement is the only alternative solution. We believe that a more thorough analysis of alternatives should be considered, including the use of third party Distributed Energy Resources, for instance, to assess whether the £15.09 million (2012/13 prices) budget could be used to produce similar benefits if spent on different solutions.

Site selection

The submission notes that site selection will only focus upon sites that are scheduled for reinforcement during RIIO-ED2 (sections 2.6, 3.3). It is not clear why sites that require reinforcement during ED1 are not included as a priority in the roll-out as the implementation is due to be undertaken during the ED1 period. We would recommend that Ofgem assesses whether the first implementation of the roll-out of Smart Street should be for ED1 reinforcement target sites so as to maximise consumer benefit. If ED1 reinforcement target sites are included within the Innovation Roll-out Mechanism project, there may need to be adjustment to revenues to ensure that there is no duplication of allowances under the Totex Incentive Mechanism and the Innovation Roll-out Mechanism.

Yours sincerely

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Energy Networks & Systems