

Ofgem's Open letter on RIIO-2 Framework – Response from the Energy Intensive Users Group

General Comments:

The Energy Intensive Users Group (EIUG) represents the UK's energy intensive manufacturing industries, which compete in global markets and depend on access to secure, internationally competitive industrial energy supplies to remain in business.

It has become apparent that all elements of the UK industrial electricity supply chain – generation, transmission, distribution and supply (including respective climate policy costs) – have become uncompetitive by continental European standards. Some elements of the recent increases in electricity network costs regulated under RIIO are, in many cases, difficult for industrial energy users to understand and translate to their businesses. International comparisons are complicated by differences in national policy costs and network charging methodologies that in some cases favour industrial users at the expense of other business users and domestic consumers. Cost allocation between industrial and non-industrial users is arguably at least partly an industrial policy issue that falls outside Ofgem's remit. Nevertheless, the scale of the *overall* increase in GB electricity transmission costs during the current price control period has been particularly concerning. EIUG urges Ofgem to ensure that similar increases do not occur in charges for gas and electricity distribution under RIIO-2. It is especially important therefore that Ofgem is able to ensure the RIIO-2 framework delivers value for money for *all* consumers, in addition to ensuring that network costs are fairly allocated between consumers and other users on a cost-reflective basis.

EIUG particularly welcomes Ofgem's proposals to engage with a wide range of stakeholders, hold bilateral meetings, consultations, workshops with interested parties, etc. as part of the RIIO-2 process, in addition to existing forums. EIUG would be pleased to participate in any relevant aspect of this engagement to help ensure that the needs of industrial energy users are given due consideration in the RIIO-2 process.

Responses to specific questions:

1. Do you agree with our overarching objective for RIIO-2 and how we propose to achieve it?

EIUG agrees with Ofgem's overall objective to 'ensure regulated network companies deliver value for money services that consumers want and need'. The specific wants and needs of industrial energy users should be taken into consideration in pursuing this objective.

2. How can we strengthen the consumer voice (primarily end-consumers), in the development of business plans and price control decisions?

EIUG recommends early and regular engagement with energy users through existing forums (e.g. Ofgem Large User Group meetings) as well as other specific consultations, workshops, etc., that may be held as part of the RIIO-2 process. Consumer challenge groups, as established for RIIO-1, could also be valuable in this regard.

3. How should we support network companies in maintaining engagement with consumers throughout the price control period?

Ofgem should require network companies to provide evidence in their interim and final business plans showing how they have been engaging with consumers during the price control period, including industrial users, and how that has influenced their plans. There may also be a role for Ofgem in ensuring network companies share best practice with respect to consumer engagement.

37. Do you agree with our broad stakeholder engagement approach set out above?

EIUG supports this approach and would be pleased to participate in any relevant aspect of this engagement.