

RIIO ED-1 Tables, based on Ofgem Review Figures

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New Thinking For Energy



Overview

- The tables on slides 3-7 are mainly taken from an IGov Blog <http://projects.exeter.ac.uk/igov/new-thinking-the-riio-edi-review-just-how-successful-is-riio/>
- IGov also submitted to the first stage (the Open Letter) of the RIIO-2 Consultation Process <http://projects.exeter.ac.uk/igov/comments-on-the-open-letter-on-the-riio-2-framework/>
- Confusing terms
 - efficiency incentive rate = sharing factor
 - information quality incentive (IQI) = way to establish sharing factor of non-fast tracked DNOs
- Two recent high profile reports on DNO profits
 - <https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/energy-consumers-missing-billions/>

Allowed expenditure over the ED1 price control with DNO sharing factor. Forecast spend is taken from the ED1 annual review forecast. The sharing factor percentage rate is that available for customer savings, therefore the remainder is available equity for investors. These figures are not inclusive of possible output incentives.

DNO Company	% sharing factor	ED1 allowance (£m)	ED1 Forecast spend (£m)	Total Equity (£m)	Investor Equity (£m)
Electricity North West	42	1924	1872	52	30.2
Northern Powergrid	44	3170	3198	-28	-15.7
Western Power Distribution	30	7479	7902	-423	-296.1
UK Power Networks	47	6392	5463	929	492.4
SP Energy Networks	46	3370	3358	12	6.5
Scottish and Southern Electricity Network	44	3746	3450	296	165.8

ED1 RoRE figures for DNO companies (IIS = Interruption Incentive Scheme)

DNO Company	Forecast 8yr RoRE (%)	Forecast 8yr RoRE (%) \pm IIS
Electricity North West	9.22	6.72 - 11.72
Northern Powergrid	8.06	5.56 - 10.31
Western Power Distribution	8.1	5.6 - 10.6
UK Power Networks	11.5	9.0 - 14.0
SP Energy Networks	7.26	5.01 - 9.51
Scottish and Southern Electricity	9.42	6.92 - 11.92

Summary of the high value incentives for the ED1 price control for fast track DNOs

Fast track business plan incentives				
incentive	output	± % of base revenue	%RoRE	efficiency incentive rate
Business plan fast track	all outputs	2.5		variable (higher rate)
Monetised risk	reliability and availability	2.5		
BMCS	connections, customer service, social obligations	1.5		
IIS	reliability and availability		±2.5	
Total possible penalty/reward in ED1		6.5	2.5	variable

Summary of the high value incentives for the ED1 price control for slow track DNOs

Slow track business plan incentives				
incentive	output	± % of base revenue	%RoRE	efficiency incentive rate
IQI	all outputs			variable (lower rate)
Monetised risk	reliability and availability	2.5		
BMCS	connections, customer service, social obligations	1.5		
IIS	reliability and availability		±2.5	
Total possible penalty/reward in ED1		4	2.5	variable

NIA and NIC funding, allowances and spending for the ED1 annual review

DNO Company	Total no. NIA projects	NIA funding for ED1 2015-16 (£m)	% of base revenue	% of allowance spent	NIC funding awarded (£m)
Electricity North West	18	2.58	0.7	97	4.7
Northern Powergrid	16	3.42	0.6	38	0
Western Power Distribution	14	3.57	0.5	42	0
UK Power Networks	24	2.60	0.5	96	0
SP Energy Networks	21	3.60	0.5	86	13.1
Scottish and Southern Electricity Network	35	12.92	0.5	24	0