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By email: RIIO-ED1@ofgem.gov.uk

FAO: Steven McMahon

Dear Steven

**Citizens Advice response to the Ofgem consultation on the RIIO-ED1 Green Recovery Scheme – Potential Extension for accelerated removal of polychlorinated biphenyls (PCBs)**

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.

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

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We recognise that there are revised statutory obligations for the UK's Distribution Network Operators (DNOs) to reduce the use of certain PCB-using equipment by 2025. We also note that there were no RIIO-ED1 (ED1) allowances for this activity, and that the DNOs have requested funding during ED1 to accelerate the decommissioning of this equipment rather than waiting for RIIO-ED2 (ED2) funding (2023-28).

**1. Do you agree with the case for accelerated investment set out by each of the DNOs, including improved deliverability of statutory obligations and increased efficiency for consumers?**

We have not reviewed each DNO's submission in detail, however we can see the merit in the acceleration of the cleaning and/or decommissioning of this equipment during ED1. There should be consumer benefit in removing PCBs from the environment faster, as well as smoothing the supply chain for the DNOs over a longer period. However, we have concerns regarding the use of the Green Recovery Scheme to deliver this accelerated PCB removal which we outline below.

**2. Do you agree that an extension to the Green Recovery Mechanism is the best means to fund this investment, or is its use likely to have unintended consequences in the wider context of the RIIO-ED1 price control or regulatory determinations for the next RIIO-ED2 control? What steps could Ofgem take to mitigate any unintended consequences in the current RIIO-ED1 price control or setting of the RIIO-ED2 price control?**

The Green Recovery Scheme offers an existing mechanism to advance funding for the cleaning and/or decommissioning of equipment containing PCBs. An existing mechanism may be preferable to the establishment of a new scheme. However, we note that only 4 of the 6 networks have asked for an acceleration of spending. If there are merits in accelerated spending in the ED1 price control period, then all companies should be seeking to undertake this activity. It is possible that companies that have underspends (that would therefore benefit from the sharing factor) may be choosing to defer the PCB removal to ED2 so that their underspends are not diminished.

Ofgem should identify why all companies have not sought accelerated spending. If it is shown that accelerated PCB removal is in consumers' interests (including assessing the impact of the different regulatory treatment of revenues between ED1 and ED2), Ofgem should ensure that all DNOs accelerate PCB removal into ED1.

We are also concerned that, under the Green Recovery Scheme, the ED1 rate of return will apply to any accelerated spending, rather than the ED2 value which is expected to be lower. If consumers are not getting upside in this potential extension of the Green Recovery Scheme through some DNOs funding out of underspent allowances, then it would be appropriate to use the ED2 rate of return.

We have a number of other recommendations and points with respect to the use of the Green Recovery Scheme and its interaction with the ED1 or ED2 price controls:

- We support the feature that no new funding under the Green Recovery Scheme will be released where DNOs have, or are expected to have, unused funding from their ED1 allowances.
- There should be a clawback mechanism under the Green Recovery Scheme to ensure that consumers do not pay for under-delivery.
- The targets, activities, and allowances for DNO Environmental Action Plans (EAPs) produced for the ED2 price control which relate to PCB removal will need to be adjusted to accommodate a new starting position from the beginning of the ED2 price control.
- The incentive mechanism to reward or penalise activity relating to the DNO ED2 EAPs will need to ensure that companies are not over-rewarded for the accelerated delivery of meeting PCB obligations during ED1.

Yours sincerely

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