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Patrick Cassels
Head of Electricity Network Access

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Dear Patrick,

Thank you for the opportunity to respond to this consultation.

Question 2a i. Do you believe that it is necessary to introduce a High Cost Cap (HCC) for demand, and to retain one for generation?

Yes. As indicated in our [previous consultation response](#) we believe that introducing a high cost cap (HCC) for demand is an important mitigation for DUoS bill payers when making the connection boundary fully 'shallow'. This ensures that excessive reinforcement costs are not wholly funded by consumers. Without a HCC there would be no incentive for connectees to request appropriate sized capacity, to prevent gold plating, or to mitigate the capacity, for example through onsite generation.

We agree that retaining the HCC for generation will also provide an important mitigation for DUoS bill payers when introducing a 'shallower' connection charging boundary. This should incentivise connecting generators to size connections appropriately, especially where DUoS customers may not benefit from the increased capacity related to the reinforcement.

Question 2a ii. Do you believe that our proposals to do so represent sufficient and proportionate protection for DUoS billpayers against excessively expensive connections driven reinforcement?

The introduction of a HCC for demand and the retention of the HCC for generation should provide some protection to DUoS bill payers where the contribution to reinforcement is removed for demand and reduced for generation. It is important that the energy system transition to Net Zero does not happen at any cost to consumers and that charges retain useful incentives to optimise efficient investment. The extent to which it is sufficient, however, is dependent on the calculation of the cap.

Question 2a iii. What are your views on retaining the current 'voltage rule' to determine whether the HCC is breached (ie considering the cost of reinforcement at the voltage level at point of connection and the voltage level above)?

Citizens Advice supports retaining the current 'voltage rule' when determining if the HCC is breached. Our [previous consultation response](#) provides evidence that under the current Common Connection Charging Methodology (CCCM) a HCC at the voltage level at the point of connection would do little to provide adequate protection to DUoS bill payers. Retaining the current voltage rule and reviewing the calculation of the HCC will ensure that it protects consumers from excessive connection reinforcement costs while still reducing connection costs overall for connectees.

Question 2a iv. What are your views on the principles we have proposed to determine an appropriate HCC level for demand, including the potential for this to be set at a different level to generation under these principles?

Citizens Advice welcomes the analysis provided by Ofgem in Figure 1 which demonstrates that over the last 4 years a very small minority of demand connections have been significantly more expensive. While currently these costs would have been apportioned between the connectee and DUoS bill payers, under a shallow connection boundary consumers would pick up all costs of such connections. We understand that without further analysis Ofgem have been unable to provide an estimated HCC using the two voltage rule, but we agree with the general principle of setting it at a percentile threshold to protect consumers from the highest cost projects.

Patron HRH The Princess Royal Chief Executive Dame Clare Moriarty

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However, without further analysis we are unable to offer a view on the optimum threshold and would welcome further engagement with Ofgem on this point. We also agree that it may be appropriate for the HCC for demand and generation to differ and that these should be kept under review.

We would urge Ofgem to ensure that in the absence of DUoS reforms in the short term, that the HCC for generation is also set at an appropriate level to ensure that consumers are adequately protected from the point the 'shallower' connection boundary is due to be implemented in April 2023. It is unclear from the updated minded to position consultation whether reviewing the HCC threshold for generation is planned as part of this current Access SCR.

Impact Assessment, cost-benefit and RIIO-ED2

In our [previous consultation response](#) we highlighted the risk that the benefits modelled to arise from the reforms of this SCR may be undermined if network investment from Distribution Network Operators (DNOs) is significantly higher than the £380m of costs modelled as a result of inefficient network investment out to 2040. RIIO-ED2 final business plans were published on the 1st December 2021 and we note that the updated minded-to position has not provided comment on the levels of proposed investment.

Although we have observed a significant variation in the assessment of the potential costs as a result of implementation of this SCR in DNO final business plans, the [ED2 Challenge Group report](#) identifies that DNOs have included £1.2bn of costs which only covers the period 2023-2028. These costs are therefore likely to be even higher out to 2040 as per Ofgem's impact assessment. The real costs which underpin the impact assessment may therefore be materially different to those assumed and as many of the benefits are unquantifiable it is possible that these increased known costs could outweigh the unknown benefits.

As Ofgem is due to publish its RIIO-ED2 draft determinations in June 2022, we recommend that Ofgem ensures that there is time to review final business plans and draft determinations and reflect these costs in an updated impact assessments before making its final decision on the Access SCR.

Yours sincerely

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