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**28 June 2019**

David McCrone  
Ofgem  
Commonwealth House  
32 Albion Street  
Glasgow  
G1 1LH

Dear David,

**Statutory consultation on proposed modifications to the Electricity Distribution Licence related to (a) licence applications from affiliates of existing distribution licensees and (b) competitive deployment of storage**

Citizens Advice welcomes the opportunity to respond to this consultation as part of its statutory role to represent domestic and small business energy consumers in Great Britain.

To date, much of Citizens Advice's work on energy networks has focussed on the principal distribution networks, and ensuring that consumer interests are represented within the RIIO price control framework.

However, with the continued growth of Independent networks, it is essential that the consumer voice is represented in the development of the frameworks governing their operation going forward. We recently published an opinion piece on the development of this framework to date<sup>1</sup>. We are generally supportive of the introduction of competition in the energy networks market, through Independent networks. This should ideally result in improved outcomes for energy consumers on cost and customer service outcomes.

However, the evidence base to date on whether competition in the energy networks market has been effective for domestic energy consumers and small businesses in terms of cost and customer service outcomes is limited. Hence, and as detailed below, any further changes to the framework associated with the introduction of AIDNOs should still be considered with a view to assessing the quality of consumer outcomes, as well as ensuring effective procedural and monitoring measures to prevent the distortion of competition in the sector, as outlined through this consultation.

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<sup>1</sup> Citizens Advice (June 2019), ['Independent energy networks: what are they and what do we know about them?'](#)

Our responses to the request for views on both the proposed modifications on AIDNOs and on the proposed licence modifications in relation to storage are contained separately below.

### **Views on the proposed licence modifications on AIDNOs**

We agree with the proposed modification to create a new Standard condition (SLC 53) as opposed to modifying the two separate Standard Conditions (SLC4 & SLC42) as previously intended. The new licence condition appears to sufficiently address the aims and requirements of both licence conditions and we also agree that this will likely serve to improve clarity with regard to the obligations imposed on those DNOs within their designated service areas with regards to the restriction and prevention of un-competitive behaviours.

In our view it is important that there are adequate frameworks in place to ensure effective monitoring and regulatory scrutiny to prevent the distortion of competition in the sector. On page 9 reference is made to the controls and protections which Ofgem would have in place to adequately address these issues, including Ofgem's enforcement guidelines and powers under Competition Law, and the ability to undertake reviews to make further changes to the licence where additional concerns arise.

Theoretically, these would appear to allow for sufficient oversight of company practices. However we are concerned that a lack of resourcing may inhibit Ofgem's ability to effectively cope with the increased workload associated with the proposal, which could allow for breaches to go unnoticed. In our recent opinion piece on Independent Networks<sup>2</sup> we raised our concern that Ofgem have not yet completed reviews which should have been conducted as part of the original framework governing Independent Networks, such as that in relation to the outcomes and effectiveness of the Relative Price Control.

In addition, it appears that there has been a lack of detailed monitoring of performance on various performance reporting measures, such as the Guaranteed Standards. Not only must these issues arising from the original framework be addressed, but we expect that there will need to be a resource associated with providing sufficient oversight to achieve these modifications.

This is particularly pertinent to the sharing of information between companies being only limited to confidential information. Page 6 of the consultation states it will be incumbent upon the licensee to demonstrate how the practical measures they have implemented do not have a negative impact on competition.

### **Views on the proposed licence modifications on storage**

We agree with the basis that network operators should not also be able to operate storage and hence do not have any concerns with regard to the proposed changes to SLC 31C and SLC43.

Yours sincerely

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<sup>2</sup> Citizens Advice (June 2019), '[Independent energy networks: what are they and what do we know about them?](#)'

Ceri Beynon-Davies,

Policy Researcher

Energy Networks & Systems

**Patron HRH The Princess Royal**      **Chief Executive Gillian Guy**

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Charity registration number 279057 VAT number 726 0202 76 Company limited by guarantee Registered number 1436945 England

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