

Ofgem's RIIO-2 sector specific consultation update

Released : 24/05/2019 07:07:00

RNS Number : 1038A
National Grid PLC
24 May 2019

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Ofgem today published a detailed update following the RIIO-2 sector specific consultation that concluded in March. Today's publications are a step in the regulatory process for the new price control that will start in 2021, with final determinations on all key financial elements expected in November 2020.

Ofgem has published several comprehensive documents this morning which we will be reviewing in detail. Initially, we are pleased that Ofgem has refined their approach to incentives, including the option to allow bespoke Output Delivery Incentives.

On cost of equity, we recognise Ofgem has made some corrections to its calculations and continues to consult on the outperformance wedge. We remain disappointed with the proposed range, which we believe does not fairly reflect the level of risk borne by networks. In the context of the role that networks will play in enabling the transition to a more efficient and decarbonised energy system, we believe this is not in the long-term interests of consumers.

We will continue to engage constructively with Ofgem to reach an appropriate RIIO-2 outcome for the benefit of all stakeholders.

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