



Promoting choice and value
for all gas and electricity customers

Timing, Decision Making and Infrastructure

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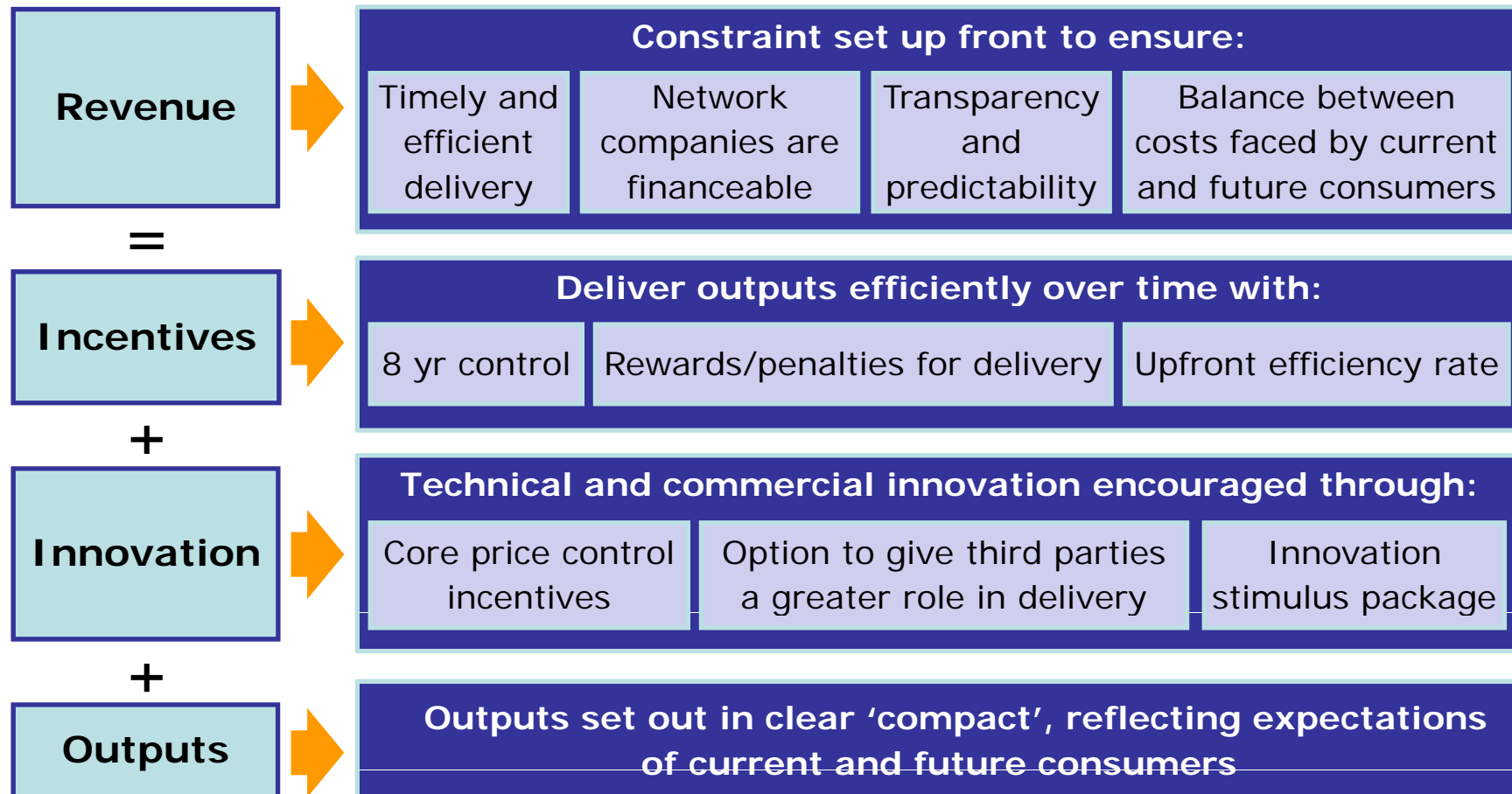
Outline

- The RIIO framework for network regulation
 - Output framework
 - Timelines
- Innovation and Smart Grids
 - Low Carbon Network Fund and Network Innovation Competition
 - Smart grids forum
- What else?

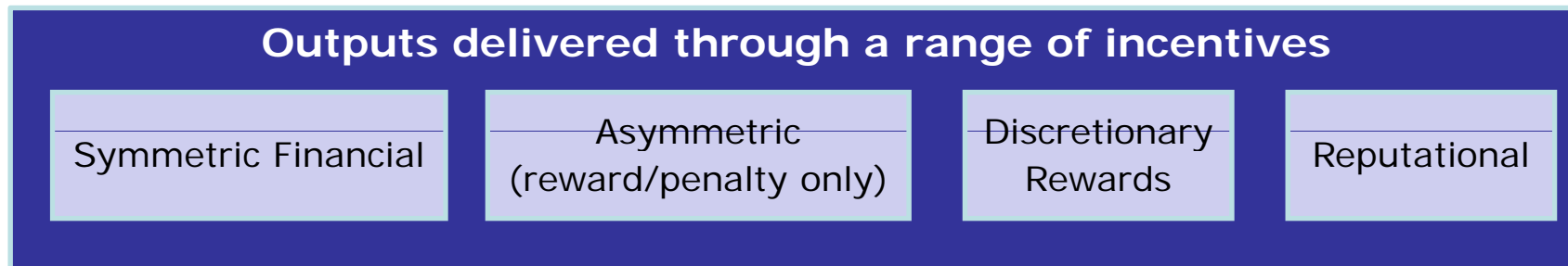
Why change to RIIO?

- RPI-X delivered significant benefits for customers
 - Reduction in costs; improved efficiency and quality of service and increased investment
 - Focused on short-term and Ofgem; limited innovation; capex bias
- Overarching objectives of RIIO
 - Play full role in delivering a sustainable energy sector
 - Value for money for existing and future consumers

The RIIO Framework



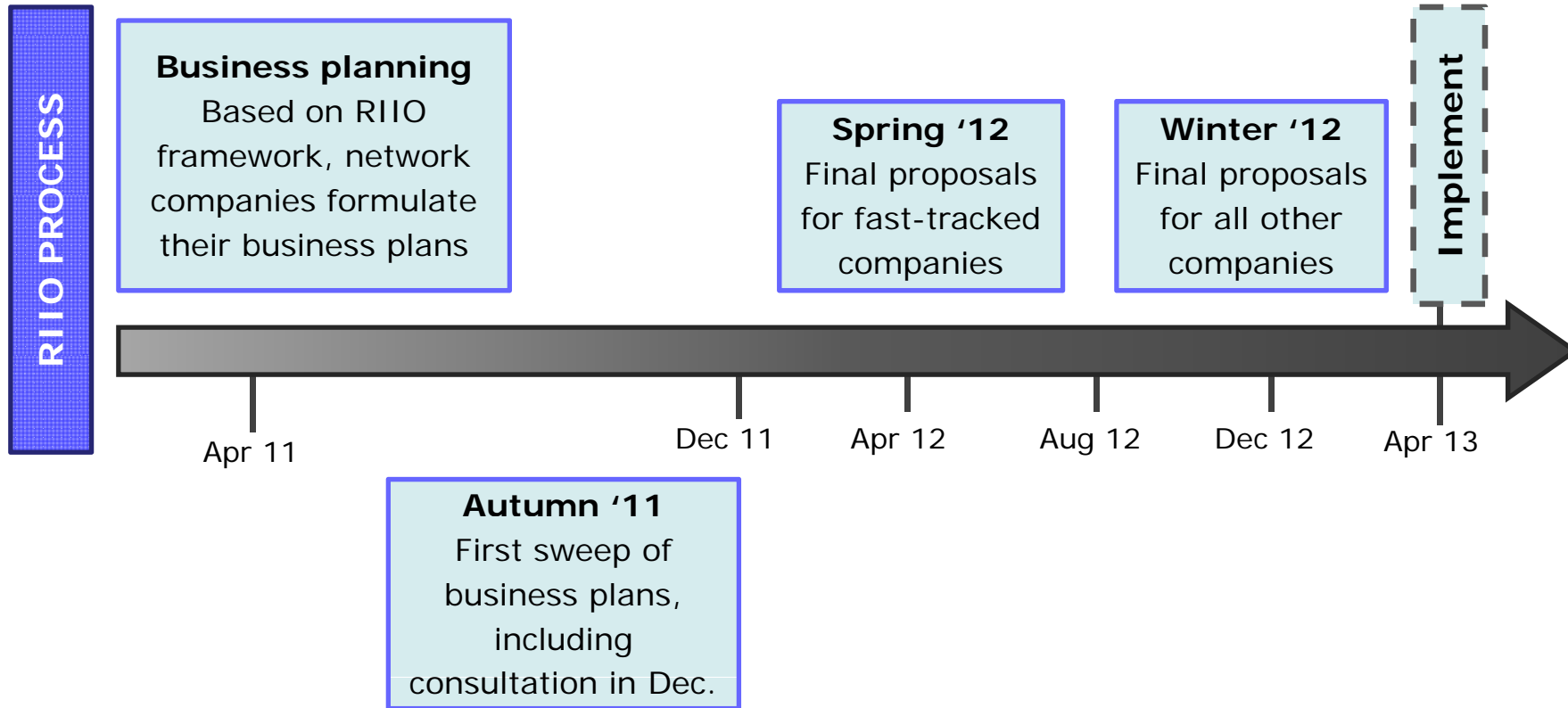
Incentives reflect stakeholder needs



Developed through extensive stakeholder engagement

RIIO-T1 and RIIO-GD1

Throughout: effective stakeholder engagement by us and network companies



Innovation is crucial

- Networks will need to be smarter, integrate intermittent sources and encourage customers to manage their demand
- The shape of the low carbon future is not clear - need to manage uncertainty and innovate

Electricity Distribution	Electricity Transmission	Gas
£64m per annum	£30m per annum	£20m per annum

The LCN Fund awarded £64m in its first year

Customer-led Network Revolution (CE Electric UK)

Trialling of smart meters and customer interactions



Low Carbon London – a learning journey (UK Power Networks)

Integration of low carbon technologies in an urban environment.



Low Carbon Hub (Central Networks)

New ways to connect renewable generation



LV network templates for a low carbon future (Western Power Distribution)

Understanding the impact of low carbon technologies



LESSONS LEARNED TO BE SHARED ACROSS THE INDUSTRY

Second year of process is now underway

Other Ofgem work

- **Project Transmit**
 - Review of connection and charging arrangements
- **Smart Grids Forum**
 - Brings together opinion formers, experts and key stakeholders
- **SO incentives**
 - Day-to-day transmission network operation



ofgem

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