



15 March 2019

National Grid Submits Response to RIIO T2 Consultation

Following our announcement on 18 December, we have now submitted our response to Ofgem on the sector specific methodology consultation for RIIO-T2.

The overall framework proposals set out by Ofgem in the sector specific consultation are a step in the right direction but we are concerned that as currently set out, the proposals will not bring about the change consumers need. Our vision is of an energy future where bills are kept low for consumers, energy is decarbonised, innovation is encouraged and which together support the growth and prosperity of the UK economy.

In our response we outline the importance of a framework that fairly reflects the risk-return balance for consumers and investors alike. Specifically, we show that rectifying the individual errors in the current proposal, taking a balanced view of the full suite of evidence and removing the unjustified 50 basis points outperformance adjustment results in an allowed return on equity of 5.5% (real RPI basis). We also highlight that incentive based regulation has driven at least £15bn of long term consumer value in electricity transmission over the last 25 years and encourage Ofgem to re-embrace the concept of incentivisation to deliver innovation and efficiency.

The changes we propose are in the long-term interests of consumers and will better enable the transition to a secure, resilient, low carbon energy system.

A summary of our response to the consultation is available on our website [here](#).

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