

Citizens Advice Evidence to the Public Account Committee on Clean Power 2030: Upgrading the Grid

About Citizens Advice

We Are Citizens Advice - the people's champion. We give people the knowledge and confidence they need to find their way forward - whoever they are, and whatever their problem. We are the statutory consumer advocate for domestic and small business energy consumers.

We are here to help everyone who needs it with practical advice they can really trust. Our national charity and network of local charities offer confidential advice online, over the phone, and in person, for free.

Last year we helped 2.7 million people in person, by phone, email or webchat with over 9 million problems. Our advice website had over 52 million visits.

Our network of 230 local charities gives advice in 1600 locations across England and Wales, supported by 8000 staff and 14000 volunteers.

We use our evidence to show how things can be improved for people.

Do DESNZ, Ofgem and NESO have the information, powers and accountability frameworks in place to ensure delivery of grid upgrades at the pace needed?

The regulatory framework for delivering grid upgrades is not working as well as it could for consumers. We are seeing energy bills rise to fund grid upgrades, particularly in relation to electricity transmission, while the complexity and resource intensity of price controls has continued to increase. It is unclear how well the regulatory framework is delivering in practice, for instance, with electricity and gas networks benefitting from a £5 billion windfall on their Regulated Asset Value because of above-target inflation during 2021 - 2026.

Even on obvious errors, statutory consumer groups lack effective appeal rights to the CMA. In this context, we welcome Ofgem's new programme to explore how to improve network regulation for future price controls.

Over the next 5 years, the electricity transmission operators are expected to connect new renewable generation and upgrade their network. The RIIO-3 price control has set out that, over the next five years, the transmission operators may spend £80 billion in today's money. This will ultimately be paid for by consumers via their energy bills. Any delays to building the transmission infrastructure will mean that constraint costs rise, leading to further increases in bills. For this level of spending, it is important to build in real accountability for the transmission operators and the regulator.

To support accountability, there needs to be more transparency over delivery of energy projects. Ofgem should publish information transparently on the key outcomes delivered by electricity and gas networks on the data portal of their website. Ofgem stopped publishing this information at the end of the RIIO1 price control in 2021 and that was clearly a mistake that reduced transparency. The significant additional cost of building new infrastructure requires more transparency than in the RIIO1 period rather than less. In relation to electricity transmission, we recommend a publicly available progress tracker of project delivery, including estimated costs, and how that has changed over time. This could be managed by Ofgem or DESNZ or NESO.

The RIIO-ET3 period represents a new and different approach to price controls. As most of the funding for transmission upgrades (potentially up to £80 billion during 2026 - 2031) will be delivered through Uncertainty Mechanisms (UMs), RIIO-ET3 has become a continuous price control. This involves significant additional resource burden for networks, the regulator and other interested stakeholders just to assess and approve grid upgrades. To ensure appropriate regulatory scrutiny and wide engagement, Ofgem should commit to transparency throughout this process. In practice, this would mean:

- publishing as much detail as possible in the re-opener consultations (including how Ofgem has come to its decisions on specific projects),
- full bill impact analysis around the spend, and
- regular updates on delivery - recognising the impact of cost overruns or delays on consumers, due to the amount spent on constraint costs.

The government last year committed to a programme of Reformed National Pricing, which is important for ensuring that the system works more efficiently and there are better signals for where to deploy generation and demand assets. This all feeds into where grid investment is required. The programme is split across DESNZ, NESO and Ofgem. We are concerned that Reformed National Pricing is not sufficiently consumer-centric. The government must put consumers at the heart of the programme. Without an ultimate focus on the least-cost whole-system development, the system

element of consumer bills will continue to rise. This could ultimately erode public trust and confidence in the energy sector and decarbonisation.

We want to see a greater focus on consumer priorities in the assessment of any options for Reformed National Pricing. Consumers are the ultimate funder of the entire system. Their outcomes — bill impact, risk exposure, distributional fairness — should be assessed in their own right. We recommend an Efficiency and Consumer Outcomes criterion that captures efficiency gains with attention to expected bill impacts over time as the system evolves; distributional consequences; the magnitude of inframarginal rents and risk transfers from developers to consumers; and the cumulative consumer benefit available. As part of the Reformed National Pricing programme, the government should set out a timeline to introduce locational pricing into the electricity system in the 2030s. This will send better locational signals through the system so that assets are built in the right place and are operated efficiently.

There is a fundamental flaw in the regulatory appeals regime in relation to the price controls for electricity and gas networks. Statutory consumer groups such as Citizens Advice and Consumer Scotland lack effective appeals rights. Regulatory appeals cast a long shadow across the regulatory process. Decision-makers will naturally and reasonably seek to understand the likelihood of their decisions being challenged, by appealing to the CMA. This leads to decisions that are designed to reduce the risk of a successful appeal. If regulators know that only network companies can appeal, this inevitably leads to outcomes that are more generous to network companies.

Regulators inevitably make errors in complex price controls. Appeal rights are important to correct these. Today, regulatory appeals are systematically weighted towards companies while consumer groups lack both effective appeal rights and the ability to raise new issues when intervening on an appeal. The current appeals regime means that, in practice, the only appeals that are raised are those that favour the companies. There have been occasions where Citizens Advice would have liked to have brought an appeal of its own but has been unable to do so because of the risk associated with significant financial costs being imposed on a charity. At best, we have been able to intervene on company appeals, as we have done a number of times, most recently with the gas network appeals on RIIO-3.

We recently responded to the BIST consultation on “Swifter and Simpler Competition Redress, Regulatory Appeals and Competition Enforcement” with proposals on how to provide consumer groups with effective appeal rights.

How should costs, risks and benefits be shared between consumers, developers and government?

We are concerned that too many elements of the Clean Power 2030 programme get the balance of risks and benefits wrong between consumers, developers and government. We recognise the importance of maintaining investor confidence in a system that relies on private investment to maintain and build infrastructure. Consumers ultimately fund investment via their energy bills and lowering risks to investors should lead to a lower cost of capital for projects. However, investor confidence is a means, not an end. It has a value to consumers but maintaining that confidence should not come at any price.

Electricity transmission investment operates within a de-risked regulatory framework, specifically through the Regulated Asset Value model under RIIO-3. This guarantees cost recovery and any project overspend is shared with consumers through cost-sharing mechanisms. In contrast to investing in unregulated sectors, transmission developers do not face 'capital at risk'. However, the allowed cost of capital set by Ofgem continues to reflect risk levels comparable to unregulated companies. The financing costs of the electricity transmission upgrades should better reflect the true risk level of the sector. Disproportionate risk evaluation contributes to allowed baseline equity returns being set too high. In the electricity transmission RIIO-3 price control, each 0.1% increase in the allowed cost of equity puts around an extra £124 million on consumer energy bills across the price control.

Given the significant value of re-openers in the RIIO-3 price control for electricity transmission networks, it is important that the process works. The balance of costs, risks and benefits between consumers and electricity transmission networks must be carefully considered throughout the re-opener process in RIIO-ET3. Ofgem should ensure that the Major Projects financial incentive, which offers generous rewards when companies build quickly, is targeted towards connections that hold the greatest potential for consumer benefit and detriment. In practice, this is likely to be connecting a viable generation project. More broadly, Ofgem must carefully manage re-openers throughout RIIO-ET3, ensuring the appropriate balance between rigorous regulatory scrutiny on costs as well as releasing funding quickly to bring down constraint costs.

Like network companies, many generation companies benefit from de-risked policy frameworks. In the generation sector, such frameworks take the form of contracts for difference, cap and floor schemes, Capacity Market contracts, and other similar mechanisms. These policies effectively insulate generators from market risk by providing them with price guarantees underwritten by consumers.

We recently wrote to Ofgem to set out our concerns about the balance of risks in a new price guarantee scheme, the proposed cap and floor regime for Long Duration Energy Storage (LDES). We recognize the need for new LDES in the electricity system: it can tackle the market power of gas, especially at times of high demand and low wind output. However, we are concerned that Ofgem's minded-to position on awarding cap and floor contracts to LDES operators allocates too much risk to consumers, and too little to developers and investors. We have three primary concerns with the proposed design:

- 1) Ofgem's minded-to decision to index the full revenue floor to outturn inflation risks handing windfalls to investors at the expense of consumers during high-inflation periods, because some debt will be fixed-rate. In our view, Ofgem can address this by splitting the cap and floor into equity and debt financed components and separating inflation indexation treatment. A similar approach was taken in RIIO-3 to prevent a further windfall arising.
- 2) There is potential for LDES market revenues to be lower than currently anticipated, which would trigger frequent floor payouts from consumers. Ofgem should undertake further modelling of the market effects of the proposed new LDES capacity, specifically considering potential interactions with the floor.
- 3) LDES operators should be eligible for floor payments only if they reliably respond to wind droughts, tackling the market power of gas and reducing consumer costs. Ofgem should revise the proposed availability methodology, under which operators could receive minimum revenue support even if they failed to respond to wind droughts.

These three measures would help to address what we consider to be unreasonable consumer exposure in the current LDES cap and floor design.

We also think there are opportunities to rationalise the connection queue to prevent inefficient network investment and allow more assets to be built sooner. We support Ofgem's proposal to introduce an Oversubscribed Technologies Connection Fee (OTCF) to incentivise speculative or less viable battery projects to leave the queue. For context, the Government's target capacity range for short duration battery storage for 2030 is 23-27GW. There is currently over 83GW of short-duration battery storage capacity with protected Gate 2 offers in the grid connection queue. Network companies must plan, invest in, and develop the network on the basis that all projects with Gate 2 offers will connect. The sheer size of the queue risks giving rise to negative externalities in the form of excessive network investment, as well as delays to strategic projects such as LDES. Ofgem provides a conservative estimate of £460 million in associated consumer costs.

Finally, it is important to make decisions on the gas grid. The business as usual approach to maintaining and financing the gas grid will become unsustainable. There are important decisions that the government still needs to make on the future of the gas grid. These include the strategic approach to any transition off gas and the future cost allocation and recovery across bills and taxation. These decisions, and those on the role of hydrogen and biomethane in the system, will have knock on effects across the energy system. It's vital that these decisions are made before the start of RIIO-4 in 2031 to protect consumers and minimise systemic costs, and maintain consumer confidence throughout the transition.

What reforms would have the greatest impact on accelerating delivery while maintaining public consent?

As highlighted above, we think the Reformed National Pricing programme must have consumers at its heart. This is important to maintain public consent.

Public consent is important for the 2028 - 2033 electricity distribution price control, with Ofgem delivering the Final Determinations on ED3 in late 2027. On current plans, DNOs will have increasing contact with the public as they upgrade their homes for low carbon technologies such as electric vehicles, batteries and solar. Increasing planned outages, to facilitate upgrades to the low-voltage and high-voltage grids, will also necessitate more customer service from the DNOs. It is critical that the service they provide, and the cost at which they provide it, is as effective as possible. For the next DNO price control that means:

- Removing excess generosity when setting the baseline allowed cost of equity
- Cost effective funding for flexibility to facilitate network management, including consumer led flexibility
- Ensuring high-quality customer service, including during outages and connections

The transmission operators and DNOs also need to coordinate work closely so that the work they carry out is as cost-effective and least disruptive as possible.

Finally, community energy represents an area of accelerated delivery in the Clean Power 2030 Plan. The target is for up to 8GW of new local and community-owned power, a

huge increase from the 411MW reported in England in 2024.¹ Our research shows that the current community energy sector is not representative of the GB population, and that those who benefit from community projects tend to be those who have the resources (both of time and money) to invest. Policy reforms could include dedicated support capacity building for communities in deprived areas, support for managing grid connections applications and consistent measurement of participation and impact to ensure community energy is equitable.

¹ Community Energy England, [State of the Sector](#), July 2025