

Hector the Regulator — Give investment a chance

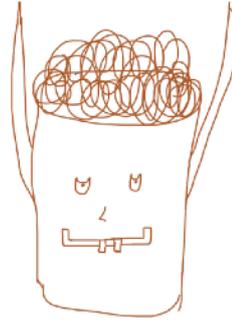
Energy network regulation in the old days



I had a price control system based on allowing a return on a regulatory asset base.

It seemed to give excessive profits to the networks.

One problem was that the network operators loved anything that grew their regulatory asset base. This meant that they favoured reinforcement solutions to all network problems.



They just did not give a chance to demand-side management solutions which could be more efficient than

building more gold-plated network.

Energy network regulation now



I have a RIIO allowed revenue system which I don't really understand.

It seems to give excessive profits to the networks.

One problem is that the network operators love anything that reduces the work they do, as they think they'll get their allowed revenue anyway. They punish economic growth and they even pay customers not to use their services.



They just do not give a chance to network investment solutions which could be more efficient than creating more barriers, constraints or incentives to deter network use.

Energy network regulation in Hector's dreams

I wish I could just set cost-reflective maximum prices for access to networks.

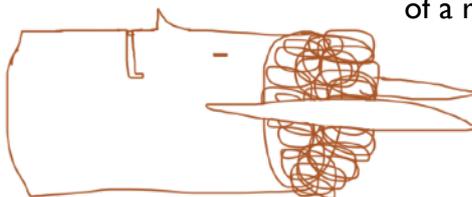
I would no longer care about any revenues, investment or incentives. Those would be the network operators' problems.

People would still whine about the excessive profits of successful networks.

I would prohibit networks from doing anything other than selling access to their infrastructure.

They would not be allowed to buy demand response, to pay credits to generators, or to optimise supply and demand.

They'd hate me for these restrictions. Such is the life of a regulator.



When someone needed more power, that person would have the choice as a customer in a competitive market between any combination of generating their own power, paying for a network extension, paying existing network users to go away, or paying an incumbent network for reinforcement.

All a pipe dream?

Hector the Regulator

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