

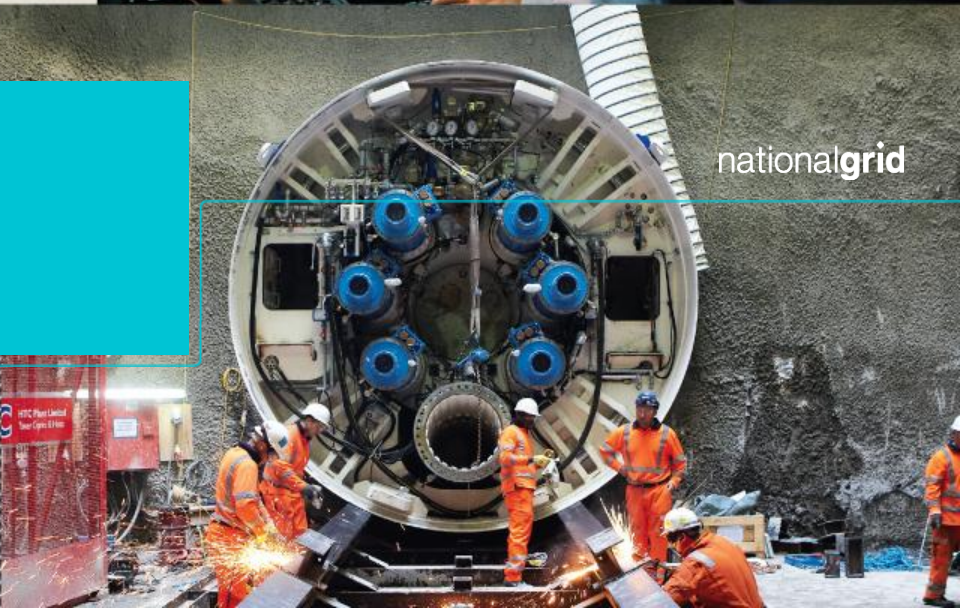


RE-
DEFINING
RIIO

TRANSMISSION
**CAPITAL
DELIVERY**

Osprey House, Tuesday 30 September 2014

nationalgrid



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Agenda

- Introduction
- Finances
- ETAM
- Introduction to the day
- Break out sessions
- Lunch
- Q&A
- Closing remarks



John Pettigrew
Executive Director, UK

Osprey House, Tuesday 30 September 2014

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Redefining RIIO

RE
ORGANISING

RE
NEGOTIATING

RE
ENGINEERING

RETHINKING

+

Innovation

+

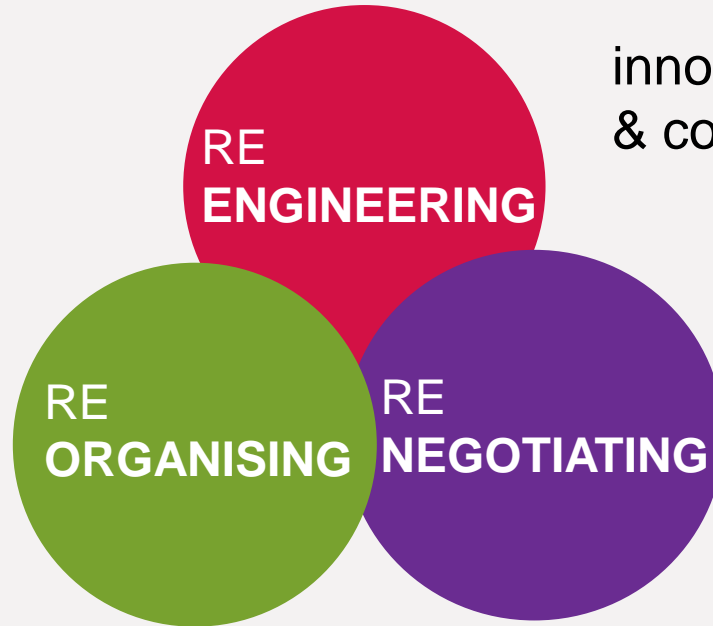
Incentives

=

Outperformance

Redefining RIIO

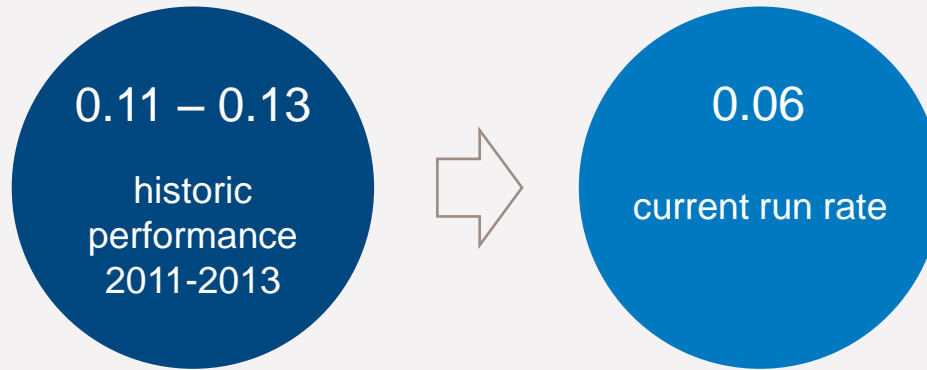
organisation &
management of
projects



innovation in our design
& construction

changes to the way
we contract &
procure

Safety update



employee lost time frequency rate –
number of hours lost per 100,000 hours worked

What we delivered in 2013/14: Capital Assets

Electricity Transmission

- 2 new generation connections 590MW
- overhead line circuit km 530km
- supergrid transformers 9

Gas Transmission

- compressor IED compliance 3 stations

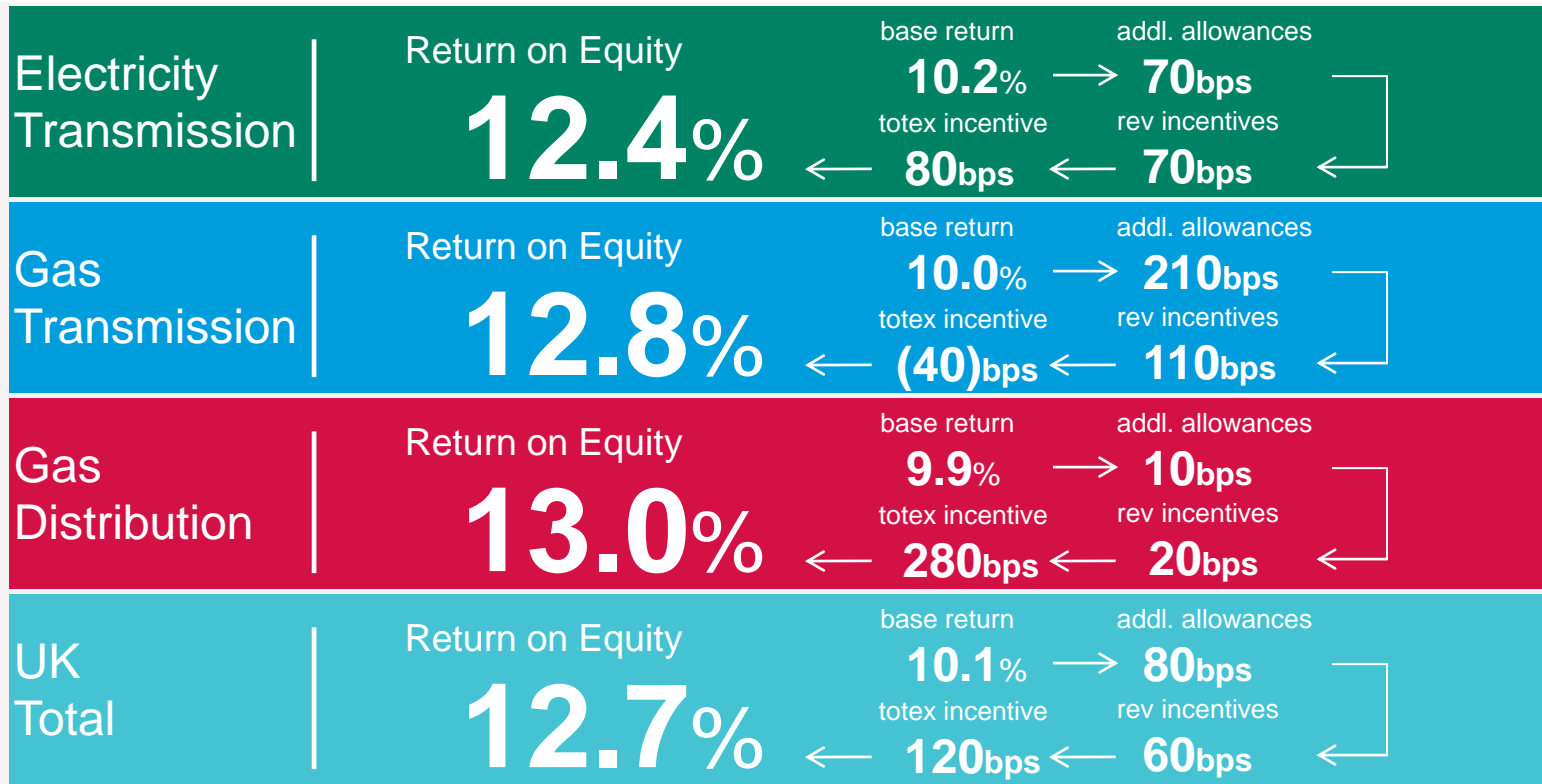
Gas Distribution

- replacement gas mains 1,600km
- renewed gas services 125,000
- new connections 20,000

What we delivered in 2013/14: Capital Investment

Electricity Transmission	load related	£751m
	non load related	£630m
Gas Transmission	load related	£4m
	non load related	£177m
Gas Distribution	mains replacement	£346m
	other	£134m

Financial performance 2013/14



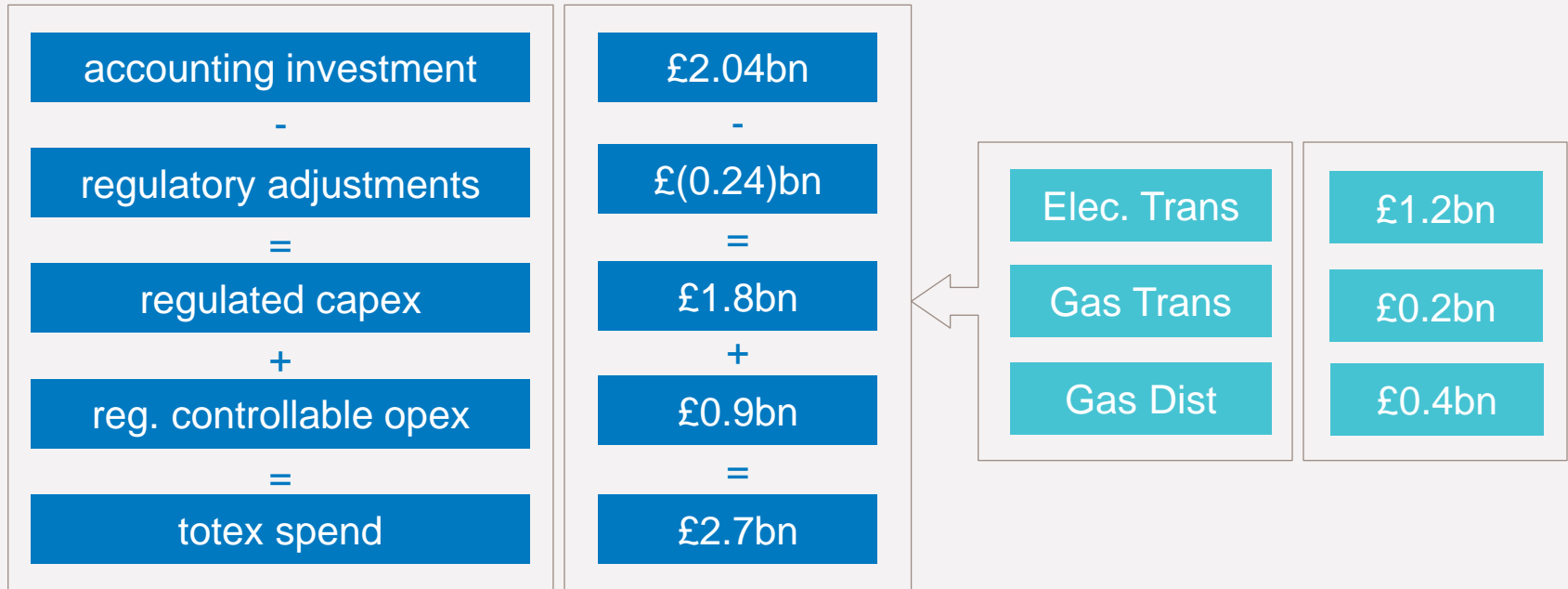


Andy Agg
UK Chief Financial Officer

Osprey House, Tuesday 30 September 2014

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Totex 2013/14



Totex performance: Electricity Transmission

opex performance

+

capex performance

=

totex performance

£(20)m

+

£90m

=

£70m

capex allowance

£1.3bn

regulated capex spend

£1.2bn

Adjusted cost allowances: Electricity Transmission

- £1.3bn allowance adjusted from Ofgem “baseline” number
 - revised 13/14 outputs delivered
 - updated expectation of future outputs affecting 13/14 allowances
 - rephase to match expected profile of spend
- Ofgem model & reports will show different definitions of the allowances
- Performance reported using all 3 adjustments

Totex performance: Gas Transmission

opex performance	£(3)m
+	+
capex performance	£(14)m
=	=
totex performance	£(17)m

Gas Transmission performance opportunities

- Able to deliver outperformance in the future
- Comparatively low spend – no major projects expected
- Opportunity in revenue incentives
 - total revenue incentives available are largest of UK businesses

Totex performance: Gas Transmission

opex performance

+

capex performance

=

totex performance

£(3)m

+

£(14)m

=

£(17)m

capex allowance

regulated capex spend

£145m

£160m

Totex performance: Gas Distribution

opex performance

+

capex performance

+

repex performance

=

totex performance

£(37)m

+

£36m

+

£121m

=

£120m

repex allowance

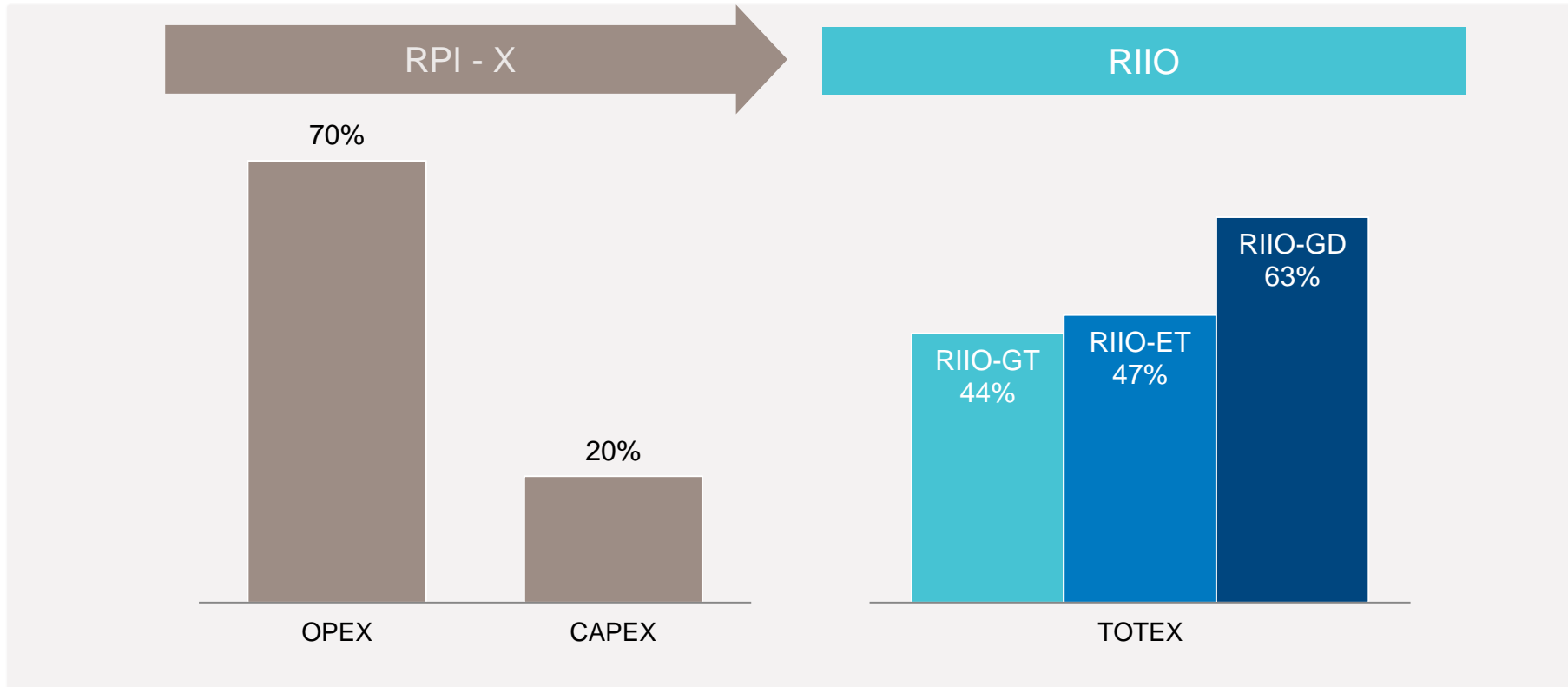
£450m

regulated repex spend

£330m

- Some phasing of repex allowance, offset by phasing of opex allowance

Revised incentives





John Pettigrew
Executive Director, UK

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- David Wright
- Director, Electricity Transmission Asset Management (ETAM)
- Deliver outputs at the lowest sustainable cash cost
- Close relationship with Capital Delivery

Load

- Connecting new supply, demand or reinforcing the network
- Manage changing patterns of supply and demand
- Relieve transmission constraints

Non-load

- Maintain operational & safety performance of existing assets



David Wright
Director of ETAM

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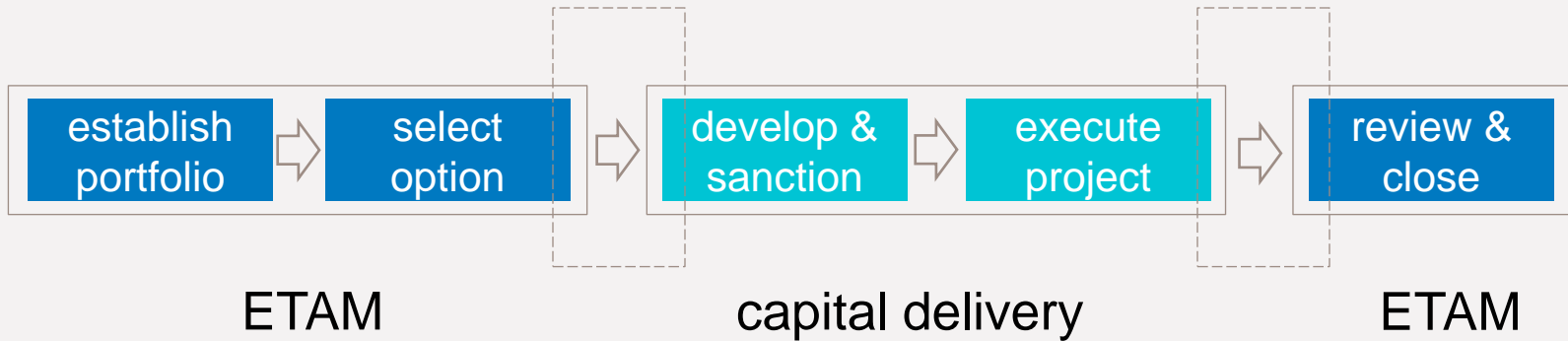
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‘connect customers to the energy they need today and in the future – safely and economically’

- Plan the future network, including investment requirements
- Ensure network reliability – at 99.99998% in 2013/14
- Management of:
 - 14,200km overhead lines
 - 690km underground cable
 - 337 substations

Network Development Process



Outputs

safety

customer
connections

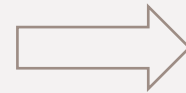
environment

customer

reliability/
availability

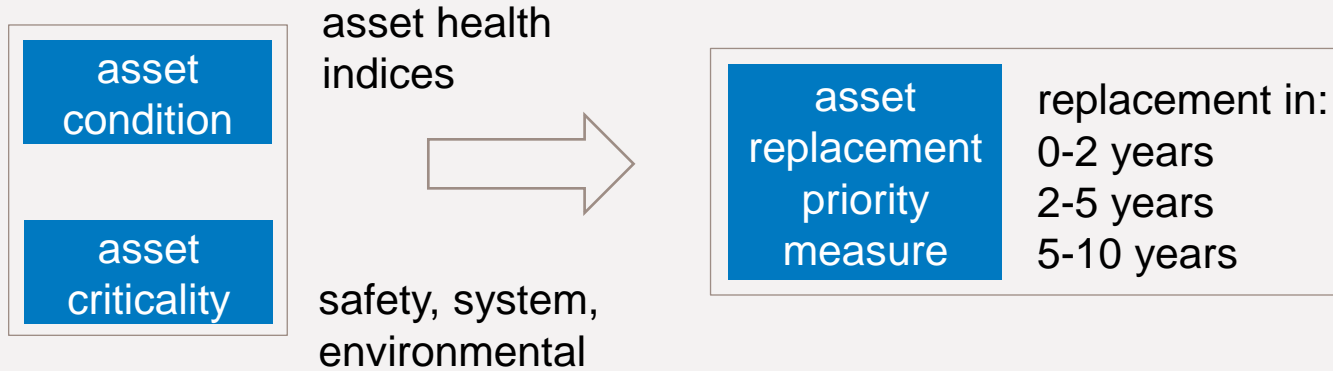


network risk (**network
output measures**)



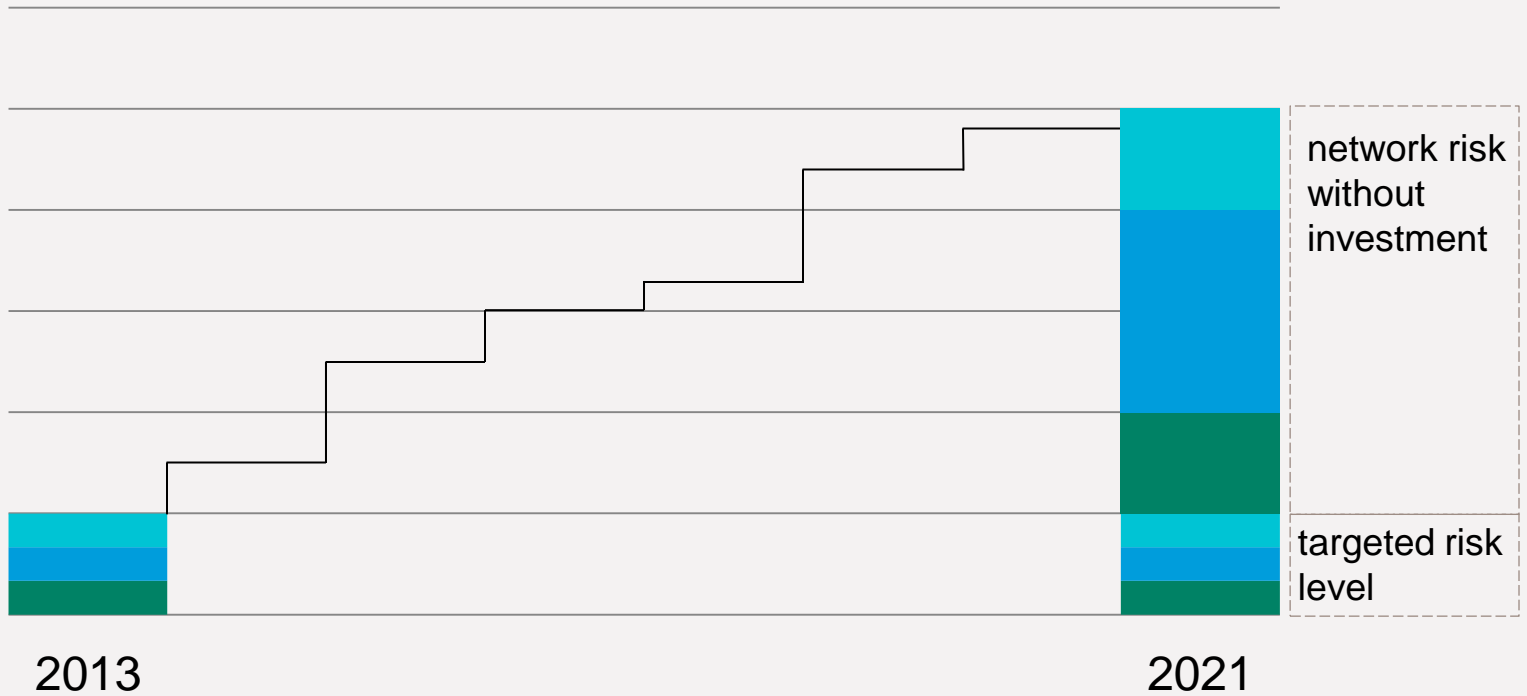
energy not supplied

Network Output Measures

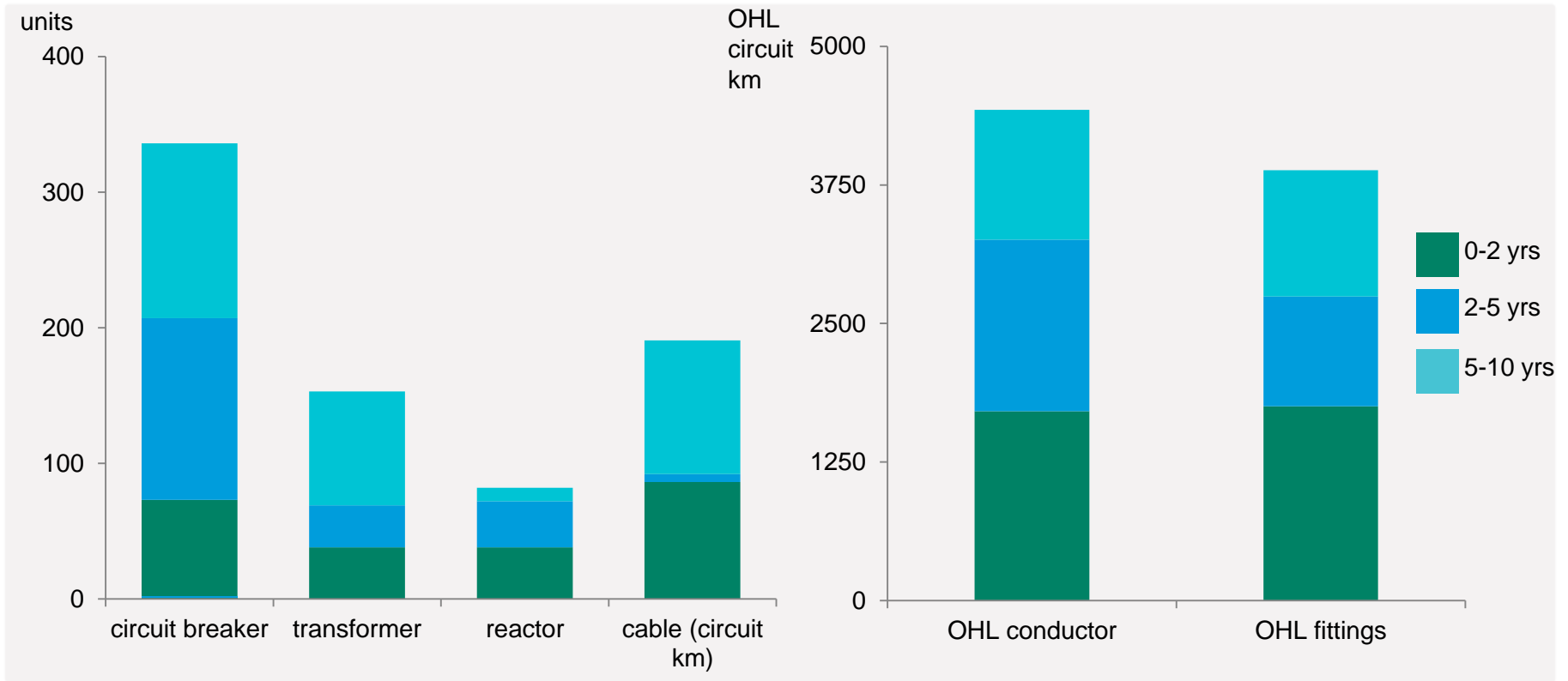


Network risk

level of risk



Network risk target position in 2021



Network Output Measures (NOMS) in 2013/14

category	volume	network output measures delivered
transformers	7	275kV & 400kV replacements across substations
circuit breakers	25	132kV/275kV/400kV replacements across substations
reactors	2	Laleham & Pentir
OHL conductors	61 circuit km	Creyke Beck Thornton
OHL fittings	42 circuit km	Birkenhead-Capenhurst
cables	5 circuit km	Replacement of Stalybridge-Thorpe Marsh

on track to deliver 2021 network risk target

Driving efficiency



Strategies to outperform

- Continuation of strategies discussed in August 2013
 - enhanced tower painting processes
 - HD video to establish OHL fittings required
 - Strategic asset management for access to high-definition data and reports
- Trials have been successful; building on progress

Strategies to outperform – Switchgear Refurbishment

- Few ‘production line processes’, but standard operations we can improve
- Case study: Switchgear refurbishment.
 - developing refurbishment options for wide range of equipment types
 - in-situ refurbishment rather than new substation build
 - deferring expensive off-line build at some sites for up to 25 years



Performance is on track

- Network safe & reliable
- On track to achieve 2021 RIIO output targets
- Innovating to deliver outputs at lower costs
- Ability to outperform on non load investment

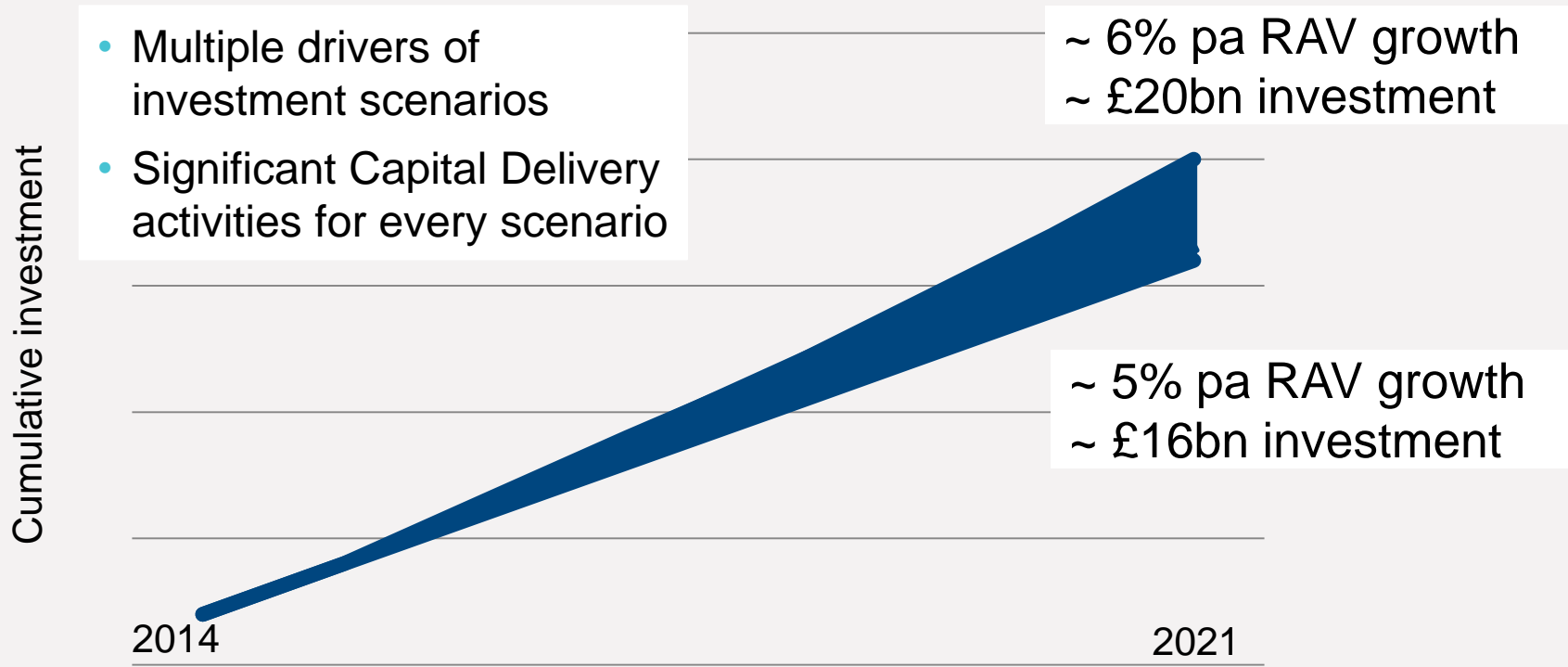


John Pettigrew
Executive Director, UK

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Managing the future





Ian Galloway
Director, Capital Delivery

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Delivering capital solutions

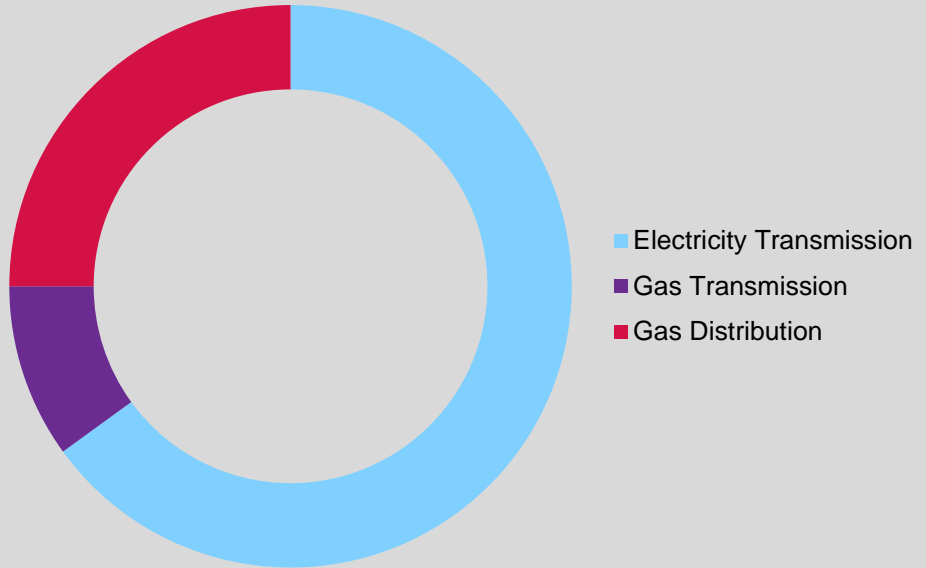
- The following six strategies have driven efficiencies in how we deliver projects:
 1. Alliance realignment
 2. Contract management
 3. Competitive contracting
 4. Rigorous project development
 5. Performance management
 6. Procurement efficiencies



Key areas of investment

- Major areas of investment remain largely unchanged
- The out-turn estimate of £20bn of capital investment:

Electricity Tx:	£13bn
Gas Tx:	£ 2bn
Gas D:	£ 5bn



We're organised to deliver

- Strong, experienced team
- Aligned around key activities
- Strengths in:
 - Project development
 - Contract management
 - Performance management
- Leverage contractor and technology/equipment partners to deliver innovation and lower unit costs

Delivery Units

Construction

London
Power
Tunnels

Western Link

Support Functions

Project
Controls

Project
Development

Assurance &
Business
Planning

Major
Infrastructure
Development



Ian Cartwright
Head of Construction

Castle Donington, UK Tuesday 30 September 2014

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London Power Tunnels

- Dave Luetchford
- Jon Trounson
- Rodney Williams

- £1bn project started in 2011
- On track to deliver meaningful cost savings through...
 - performance & contractor management
 - innovative design solutions



Gas Transmission delivery

- Mike Elmer
- Ian Radley
- Sara Wykes

- Tunnels, pipelines & compressors
- Combining innovation (in design, contracting and technology) and experience (in performance and contractor management) to deliver critical solutions



Electricity Transmission delivery

- Mark Lissimore
- Andy Hibbitt
- Bill Fenton

- Delivering savings in all projects, big and small
- Driving significant efficiencies through...
 - competitive tendering
 - innovation in design & modelling techniques
 - planning process optimisation



Hinkley Point C

- Peter Bryant
- Kevin Rendell
- Nikki Suri

- Future £1bn investment & first strategic wider works project
- Significant planning and environmental issues resolved...
 - stakeholder engagement
 - proposed use of innovative technologies
- Major investment from 2016-2022

