

# Stakeholder engagement consultation

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National Grid  
Electricity Transmission

21<sup>st</sup> October 2011

## Target audience

All stakeholders

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## About this document

This document sets out a number of questions in areas that we would like to develop our thinking further. The consultation will be open until 18<sup>th</sup> November 2011.

# National Grid Electricity Transmission Stakeholder Engagement Consultation

There are a number of areas where our stakeholders have asked us for further explanation, or we would like to discuss a topic in more depth with stakeholders in order to be able to develop our business plans. We would welcome your thoughts on the questions listed below.

We request that you provide your answers by **5pm on Friday 18<sup>th</sup> November**. Responses received by this time will be taken account of in our business plan development. When responding can you please provide us with your name, contact details, the name of the organisation you represent and whether your response is confidential.

We have scheduled a workshop for 10<sup>th</sup> and 11<sup>th</sup> November, where we will be discussing the topics surrounding the questions below. We would be pleased to welcome you at this workshop where you will have the opportunity to discuss the topics below with National Grid staff, in order to aid your responses to these questions.

If you have any queries please email [talkingnetworkstransmission@uk.ngrid.com](mailto:talkingnetworkstransmission@uk.ngrid.com) or call Graham Frankland on 01926 653667 or Claire Spedding on 01926 655915.

## **Responder's Details**

**Name:** \_\_\_\_\_

**Organisation:** \_\_\_\_\_

**Contact details:** \_\_\_\_\_

**Is your response confidential? Yes/No**

## Business Plans

We submitted our business plans to Ofgem at the end of July 2011. Our plans have been made available on our website [www.talkingnetworkstx.com](http://www.talkingnetworkstx.com). Additionally we will be publishing our Detailed Plan which will provide further information about our business plan. Sharing your thoughts on our business plan documentation will enable us to improve any further publications so that they are accessible and useful to you.

- Q1. Did you find our business plan documentation easy to navigate?
- Q2. Did you find the content contained within our documentation easy to understand?
- Q3. What did you particularly like/dislike about the presentation of our plans?
- Q4. What improvements could be made in terms of content, structure or format?
- Q5. In terms of the business plans themselves did we represent your views and previous feedback correctly? And do you think we have incorporated it into our plans correctly?

## Managing risk and uncertainty

Under the RIIO framework, the price control settlement will be based on forecasts of output requirements, demand for network services, the cost of delivery and financing costs. The ex ante nature of the regime, twinned with the 8 year length of control, means that there will always be an element of uncertainty surrounding our forecasts. In order to provide protection against windfall gains or losses for both end consumers and ourselves, we have proposed uncertainty mechanisms to provide adjustments to allowed revenues where there is cost uncertainty which is outside of our control.

- Q6. Do you agree that uncertainty mechanisms should be employed to adjust allowed revenues where the associated costs are uncertain and outside of our control? If not, what other mechanisms do you consider could be appropriate?
- Q7. Do you believe that the range of the uncertainty mechanisms proposed is appropriate?

## Charging

We believe that customers value transparency and predictability in relation to charging arrangements. The introduction of the RIIO framework, along with our proposed uncertainty mechanisms, could result in year-on-year differences in the recovery of allowed revenue. We already do many things to help customers understand their charges, but believe there is more we could do to increase transparency and thus aid predictability.

Q8. Are predictability and transparency your key concerns in relation to electricity transmission charging? Why?

Q9. Changes to tariffs can be caused through changes to the methodology that dictates how tariffs are calculated (e.g. through project TransmiT) and changes to the inputs to that methodology. Which of these factors are of most concern to you?

Q10. Charges are made up of a residual element (changes to which alter the charges all customers pay) and a locational element (changes to which modify the relative signals between customers). The predictability of which of these elements is most important to you and why?

Q11. Can we do more to help you understand and predict transmission charges?

Q12. Do you have any suggestions as to how we can improve predictability/transparency?

Q13. Is stability of charges an issue, providing it is forecasted and predictable?

## Network Availability Policy

Ofgem recognise that greater alignment between the incentives applied to the Transmission Owners' (TOs') costs and the incentive scheme on the National Electricity Transmission System Operator's (NETSO's) external costs is important if the NETSO is to operate the system in a way that best balances network costs and constraint costs. Ofgem believe that an approach based on an agreed network availability policy is more proportionate than one which would directly expose each of the three TOs to a proportion of constraint costs attributed to their transmission network.

NGET is an integrated TO and SO. As a TO, we are incentivised to manage our costs through capex and opex sharing factors for over- and under-spends (currently 25% on capex and 100% on opex under TPCR4, but due to change under RIIO-T1). As SO, we are exposed to constraint management costs. In managing these costs holistically, we make use of many techniques to minimise the overall cost of our actions on consumers. In addition, these same techniques are also used to manage outages which have a significant impact on particular customers, for example construction works which may impact local security of supply.

The delivery of the increasing volume of work in our RIIO-T1 plan is expected to affect network availability, but through our Network Availability Policy we articulate how we will work to minimise this impact on our customers and consumers, ensuring that an appropriate balance is achieved between delivering essential works and providing network availability. The policy submitted to Ofgem in July is a draft version and can be found on our website [www.talkingnetworkstx.com](http://www.talkingnetworkstx.com). We would be interested to receive any comments you may have on our draft policy.

Q14. Do you have any comments on our draft Network Availability Policy?

## SO/TO Interaction

We are aware that the future will not just be a continuation of the past. We are actively considering how to meet the challenges that the next ten years will bring through an appropriate mix of investment in our network and other approaches to releasing capacity. These new techniques may involve balancing an increasing risk of unreliability or constraints against deferred or reduced TO capital investment. It is therefore appropriate that we consult with our customers in this area.

### *Targeted N-1*

Q15. Are we missing any issues and / or actions?

Q16. What views do you have on risk trade-offs?

### *'Smarter' transmission network*

Q17. Do you agree the transmission system is reasonably smart?

Q18. Which approaches do you consider relevant/important/likely to bring benefits over the next ten years? Which approaches do you consider to be irrelevant/unimportant/unlikely to bring benefits over the next ten years?

Q19. Have we missed anything, e.g. is there technology that we are not considering but should?

### *Network Development Policy*

Q20. Do you think that we have chosen the most appropriate mix of RIIO-T1 methodologies for reflecting investment in wider works? If not, what alternative arrangements would you propose?

Q21. Do you have any comments on the ODIS future scenarios stakeholder engagement process?

Q22. Do you agree with our proposed approach to identifying, optimising and triggering wider works in a timely fashion?

## **SO Investment**

The changing mix and location of generation, including less predictable sources, coupled with the growing influence of EU energy policy and demand side participation is driving a need to enhance our system operator capabilities. Our system operation plan involves enhancing our IT tools and techniques as the networks become even smarter so we can react quickly and flexibly to the future supply and demand requirements.

Q23. Do you think that the timing of our SO investment plan is appropriate?

Q24. Do you agree with our approach in balancing the mix of resources and IT systems in undertaking the SO role?

Q25. How do planned / unplanned outages of our control room systems affect you?

Q26. Do the benefits identified from our investments justify enhancing our control room capabilities?

## **Future Engagement**

We have always carried out stakeholder engagement as part of our market facilitation role – through the RIIO process and our Talking Networks brand, we have formalised this process. Going forward will be embedding this in to our day-to-day activities. We will be consulting with stakeholders shortly to understand what they

would like from us in this area however in order to shape our thoughts; we would welcome your opinions on the following.

Q27. What have you liked about our Talking Networks engagement?

Q28. What could we have done better?

Q29. What do you like / dislike about the day-to-day stakeholder engagement activities we carry out? For example, the SO Incentives consultation, new transmission route consultations. What else could we do?

Q30. How would your organisation like to be consulted in the future?