

Electricity
Transmission

RIIO-2 Playback Consultation webinar

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Welcome to our RIIO-2 Playback Consultation webinar



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Jon Ashley



Before we start...



We're covering the Transmission Owner part of our business, not the System Operator



This webinar should last approximately one hour



All callers will be placed on mute



Your questions are welcomed at the end



You can message us via the webex chat function



Polling via webex

Agenda for today

- **RIO overview and context**
- **Overview and context of the consultation**
- **Focus on our stakeholder priorities and direction of travel**
- **How you can get involved**
- **Questions**

RIIO in 60 seconds

- RIIO is our regulatory framework
- We're currently in the RIIO-T1 period ('Transmission 1')
- RIIO-T2 runs from April 2021 to March 2026
- T2 has more of a focus on:
 - Networks taking a more stakeholder-led approach to building their business plans
 - Making sure the needs of consumers are met
 - Taking account of future uncertainty in supporting the delivery of a coordinated, low-carbon energy system

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Consultation overview and context

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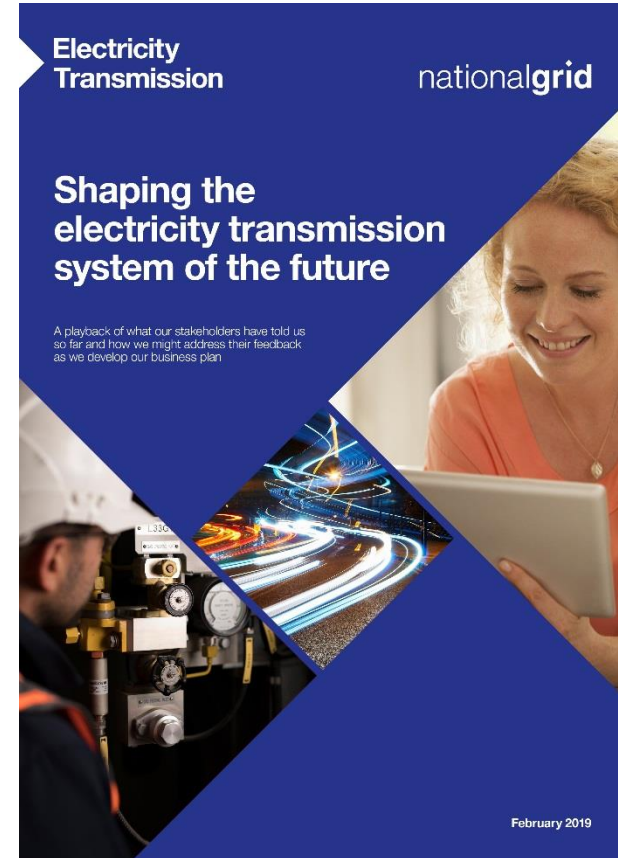
What is this Playback Consultation?

A playback of stakeholder views to support our business plan activities between now and the first business plan draft in July 2019

- Play back what we have heard through stakeholder engagement so far and signpost where stakeholder input has informed / will inform our plan
- Opportunity for stakeholders to provide views on how all topics combine together as a whole
- Show how what we have heard translates into broad financial ranges for RIIO-2 total expenditure (totex)

Our goal:

- To develop a truly stakeholder-led business plan



How this fits within our programme of Enhanced Engagement

We've established a three-phase approach and spoken with hundreds of stakeholders through many different channels:



Submission to Ofgem on 1 July, 1 October and in December 2019

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Delivering Stakeholder Priorities

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Our consultation aims to play back what we've heard

Structured around stakeholder priorities

Executive Summary			
Context		Stakeholder engagement	
Safe and Reliable	Connect to and use the system	Transparency	Enable the future transition
Protected from threats	Communities and environment	Innovation	Value for money
How to respond		Glossary	

Chapter content

- What is this priority about?
- What our stakeholders tell us
- **Our activities & current performance**
- **Our direction of travel**
- **What it could cost**
- **Consultation question**

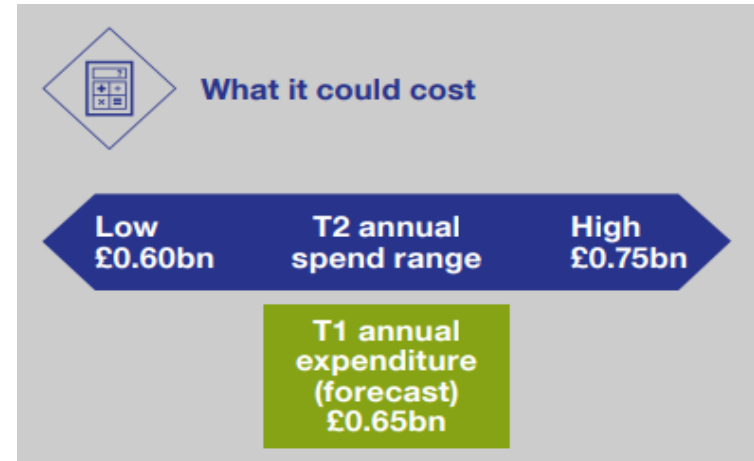
Chapter 4 - I want you to provide a safe and reliable network

You have told us you want us to:

- For T2 – maintain reliability at current levels
- Provide it at a fair cost
- Support future demands

Our direction of travel following stakeholder feedback:

- Maintain our world class performance on safety
- Maintain our current reliability
- Ensure long-term reliability
- Understand our growing dependence on electricity



Our consultation question:

What impact do you think our society's dependence on electricity should have on our level of reliability in the future?

Chapter 5 - I want you to make it easy to connect to and use the electricity network

You have told us you want us to:

- provide a simpler, tailored, flexible and co-ordinated approach to connections
- provide more information and support before you make an investment decision

Our direction of travel following stakeholder feedback:

- investing in the network
- providing tailored solutions for customers
- Improving customers' experience around planned outages
- Continuing our journey towards being a truly customer-centric business



What it could cost

Low
£0.1bn

T2 annual
spend range

High
£0.25bn

T1 annual
expenditure
(forecast)
£0.2bn

Our consultation question:

What are your views on our direction of travel in relation to making it easy to connect and use our network?

Chapter 6 - I want you to be transparent

You have told us you want us to:

- provide easy-to-understand and easily accessible information about our financial and operational performance
- provide confidence that the revenue we earn is fair – and that it reflects what we accomplish for our customers
- involve stakeholders, more frequently, in the development of our business plans.

Our direction of travel following stakeholder feedback:

- Create a stronger link between the activities we do, our performance metrics, and the financial reward we receive.
- Involving stakeholders and our user group in the development of our business plans



Our consultation question:

What form of performance reporting and development of our annual business plan do you want to see in the T2 period?

Chapter 7 - I want you to enable the ongoing transition to the energy system of the future

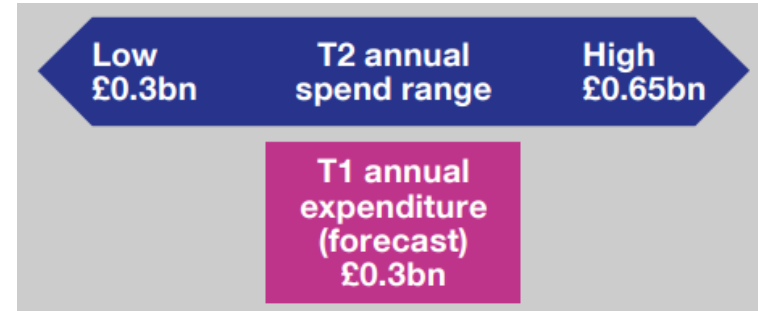
You have told us you want us to:

Enable the transition to the energy system of the future - making the most of the existing network, taking a whole system approach and only investing in the network where it is the best solution for consumers

Our direction of travel following stakeholder feedback:

- Innovating to make the most of the existing network
- Facilitating flexible energy solutions to network issues
- Greater coordination across transmission and distribution networks
- Enabling the decarbonisation of transport and heat
- Investing in transmission network capacity where it is the solution that provides the greatest consumer benefit
- Keep options open at lowest possible cost

What it could cost:



Our consultation question:

What is your view on whether we are considering the right drivers and right level of investment to facilitate the ongoing transition to the energy system of the future?

Chapter 8 - I want the network to be protected from external threats

You have told us you want us to:

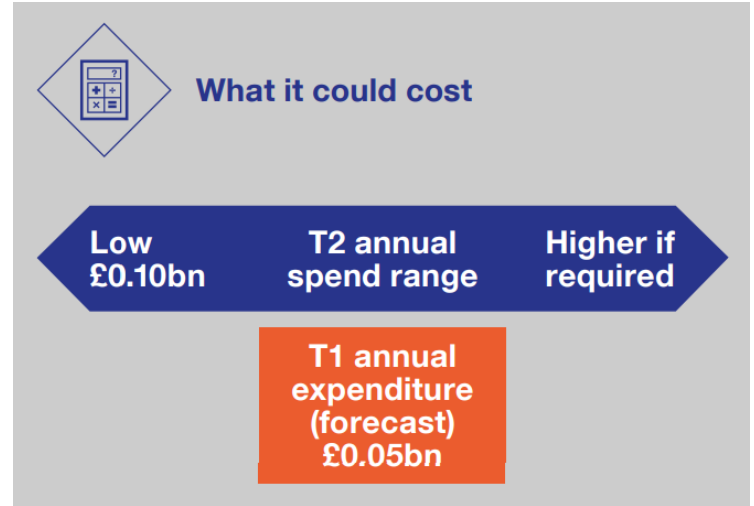
- protect the electricity transmission network from threats.

Incidents that put the performance of our assets and systems in jeopardy, and can have a direct impact on our stakeholders and consumers, include:

- Cyber-attacks • Physical attacks • Extreme weather

Our direction of travel following stakeholder feedback:

- Enhance our physical security
- Provide protection from extreme weather
- Enhance our cyber resilience
- Provide Black Start recovery from a network shutdown



Consultation Question:

What are your views on our direction of travel and investment drivers in relation to resilience?

Chapter 9 - I want you to care for the environment and communities

You have told us you want us to:

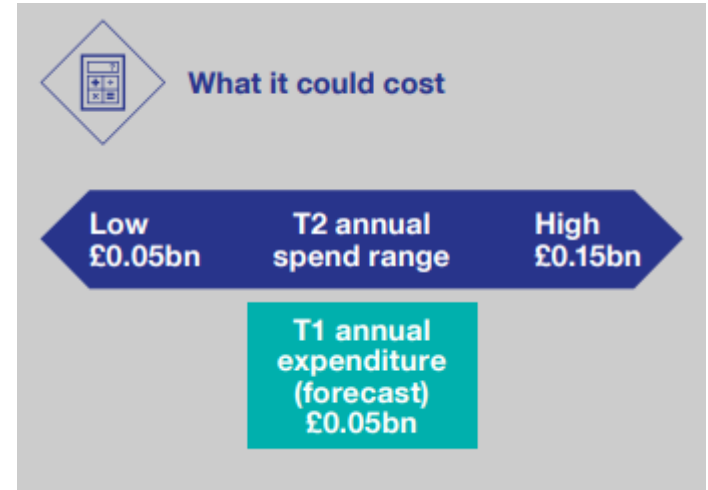
- Lower our greenhouse gas emissions.
- Improve the natural environment around our sites.
- Support the communities we work in.

Some stakeholders want us to:

- Improve the visual impact of our assets in protected areas.

Our direction of travel following stakeholder feedback:

- Reduce our greenhouse gas emissions
- Reduce our impact on the local environment
- Reduce the visual impact of our existing assets
- Support the communities we work in
- Promote social responsibility through our supply chain



Consultation Question:

What are your views on the level of ambition we should have in relation to the environment and communities in the T2 period?

Chapter 10 - I want you to be innovative

You have told us you want us to:

- be clear about the opportunities and barriers for innovation.
- Be a leader and co-ordinator of innovation.
- Develop new approaches that help us continue to provide high-quality services as the energy system changes.

Our direction of travel following stakeholder feedback, should there be appropriate innovation funding available:

- Digitising our network
- Reducing our environmental impact
- Working together to decarbonise industrial processes
- Improving the management of our assets
- Improving how we make decisions under uncertainty
- Further developing a testbed for new technologies



What it could cost

Our current average annual spending on innovation is around £20m. This comes from innovation allowances and incentives, as well as our totex allowance. The data we are presenting in this consultation is rounded to the nearest £0.05bn, as a result, £20m rounds to zero.

Whether we include innovation costs in our business plan depends on Ofgem's approach to innovation for the T2 period, which it is currently consulting on. In other words, innovation might be funded in T2 through a different route than our current allowance.

Consultation Question:

What are your views on the level of ambition we should have in relation to innovation in the T2 period?

Chapter 11 - Delivering an overall package that is value for money

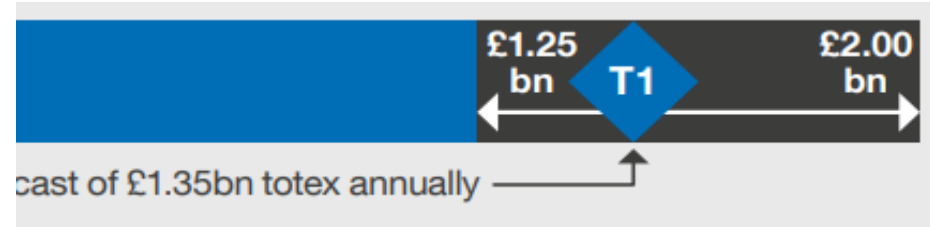
You have told us you want us to:

- meet your priorities efficiently and to deliver value for money.
- Provide a strong link between our performance for customers and the returns we earn for investors.

Our direction of travel following stakeholder feedback:

- We will take account of stakeholders' views on how they think we could be more efficient.
- We will build in the cost efficiencies we have already achieved.
- We will carry out cost-benefit analysis.
- We will benchmark ourselves, where we can.

Indicative annual totex range for the T2 period



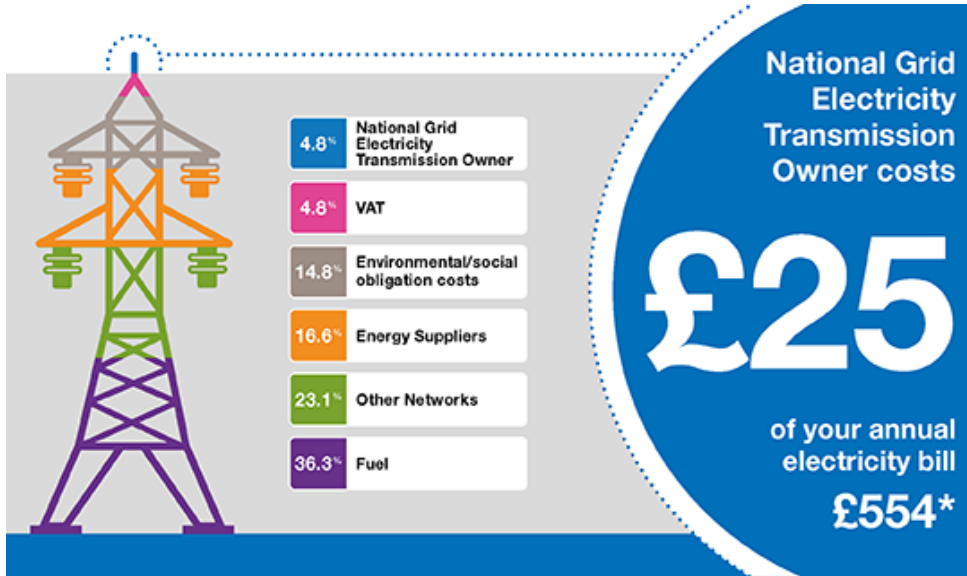
The main factors driving our T2 range are the different future energy scenarios. Each one alters how many new generators and how much new demand we will need to connect to our network.

They also impact how much network reinforcement we will need to carry out.

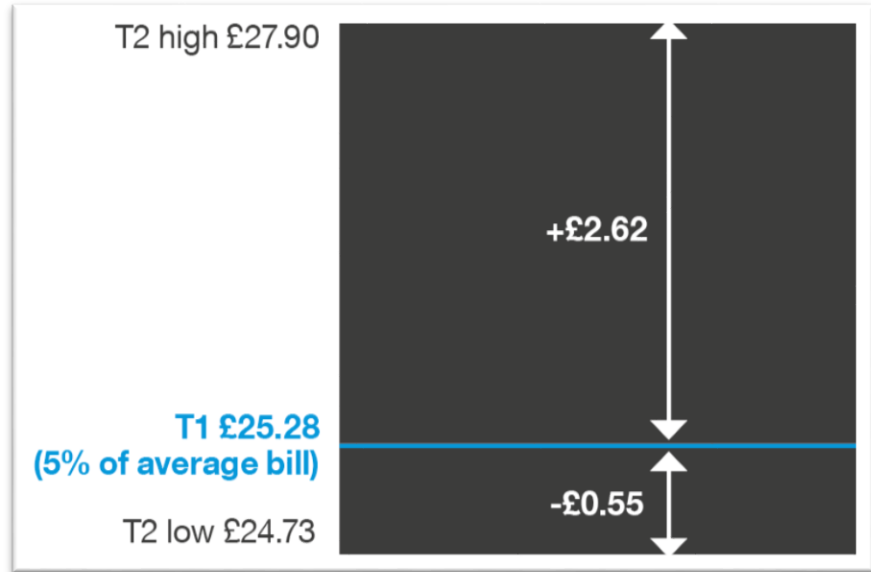
Consultation Question:

What are your views on our indicative ranges for our totex expenditure in the T2 period?

Chapter 11 – consumer bill impact



Based on our provisional totex range, the effect on an average household electricity bill in T2 would be between a reduction of 55p and an increase of £2.62. This is compared with our forecast average for T1.



We are only looking at the impact of our T2 totex ranges compared to totex in the T1 period. We have not taken account of other factors that can have an impact on consumer bills, such as the cost of capital for the T2 period or future inflation.

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Summary

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How to get your voice heard

How to use this document

We want your feedback

Who is this consultation aimed at?

We are interested in the views of all stakeholders who are impacted by what we do or interested in shaping the future of electricity transmission. This includes the views of all users of our network, government, regulatory bodies and energy industry professionals.

Tell us what you think

This consultation is open until 31 March 2019. You may give us feedback in the ways outlined below. We particularly seek your views in response to the specific questions we have posed. These are summarised on page 8. You may respond to all questions or just those relevant to your specific views.

Ways to feedback:

Make notes

We have provided space for you here to make notes. Type up your comments in the box provided, opposite, and send a copy of this document with your notes gary.stokes@nationalgrid.com



Email

We have a dedicated email address specifically for your feedback to this document. We welcome your thoughts at: gary.stokes@nationalgrid.com

Alternatively, you can put your thoughts in writing and send to: **Gary Stokes, National Grid House, Warwick Technology Park, Gallows Hill, Warwick CV34 6DA.**



Online

You can go directly to the website and submit your comments [here](#).

You can learn more about how we are working with stakeholders by visiting our [website](#). This site makes it easy to follow our progress and shows you how to get involved.



Next steps following our consultation

We are still in the process of building our business plan with our stakeholders.

We will analyse all our stakeholders' feedback on this consultation.

We will also take account of the other ongoing engagement we're carrying out through workshops, consultations, bilateral meetings and webinars.

We will submit our draft business plan to Ofgem's Challenge Group on **1 July 2019**. At that time, we will publish a summary of the plan for our stakeholders to comment on.

We will submit an updated version of our plan to Ofgem's Challenge Group on **1 October 2019**.

We must submit our final business plan to Ofgem in **December 2019**. Following our submission, Ofgem will scrutinise our business plan, and will hold public hearings on any contentious issues **early in 2020**.

The regulator will publish its initial findings on our plan in **summer 2020**, with final findings following in **late 2020**. The next regulatory period begins on **1 April 2021**.

Any questions?

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