Welcome to the managing uncertainty through RIIO-T2 webinar

- Thank you for joining us! You will be joined in listen only mode.
- Please do not unmute yourself or turn your camera on.
- We will run polling to get your input and welcome any questions via the chat function throughout the session.
- There will also be an opportunity to ask voice questions in the Q&A session – dial in via telephone if you want to do this

- Please note we will be recording this webinar
- Both the recording and slides will be made available on our website

Our consultation document on managing uncertainty can be found here:

Document Link

This webinar is part of a programme of engagement to build our business plans for the RIIO-T2 period. You can get involved through our website:

Get involved website

Managing uncertainty through RIIO-T2

#RIIO-2 webinar

National Grid Electricity Transmission

19th March 2019

nationalgrid

View our consultation document here https://www.nationalgridet.com/document/129626/download

Agenda

	Item	Approx. timing
1	Introduction and context	10 mins
2	Future of Electricity Transmission engagement playback	
3	Business planning for the future	10 mins
4	Managing uncertainty in setting the RIIO-T2 price control	15 mins
5	Q&A session	20 mins
6	Next steps and close	5 mins

Your hosts:

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View our consultation document here https://www.nationalgridet.com/document/129626/download

How you can get involved today

Throughout the presentation please feel free to provide feedback or ask questions via the **chat function** and we will pause at points to respond

We will be using the **polling function** at certain stages during the presentation to collect your views and feedback

We will have a **question and answer session** at the end of the webinar, which we will use to cover any additional questions you may have – submitted through chat function

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1 Introduction and context

Ivo Spreeuwenberg

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Building our plans around your priorities in 2019

Your priorities

Consumers want

- an affordable energy bill
- to use energy when they want
- a sustainable energy system\

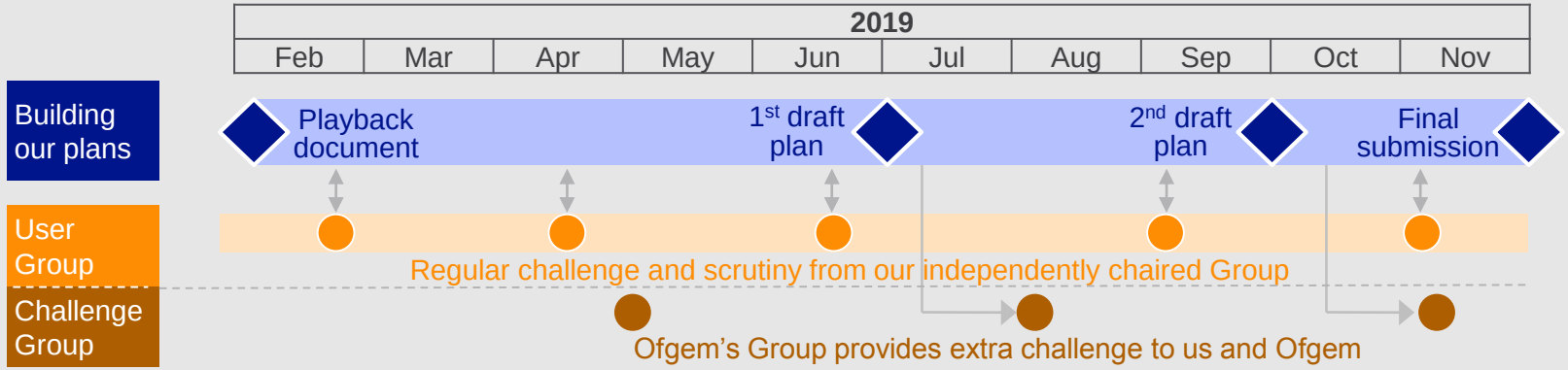
Stakeholder want us to

- provide a safe and reliable network
- protect the network from external threats
- care for communities and the environment
- be transparent
- make it easy to connect to and use the network
- enable the energy transition
- be innovative
- provide value for money

Key priorities for dealing with future energy uncertainty

- Consumer and stakeholder priorities; established April 2017 and tested continually
- Guiding our engagement focus and the structure of our business plans
- Energy uncertainty an issue across our entire plan; of particular importance for so called 'load related' elements (shown in green)

Building our plans



The energy industry is changing rapidly with implications for business planning and setting a price control

Decarbonisation 

Decentralisation 

Digitalisation 

Area of Impact	Timescale	Aspect of managing uncertainty	Focus of the document / webinar
1) Business planning	**Long term** *(beyond 2030)*	• The need for and role of electricity transmission networks **beyond the T2 period**	**i.** **Playback of what you have told us** through our engagement activities between July and October 2018
	Medium term *(up to 2030 including the RIIO-T2 period)*	• The **approach to business planning** for the future	**ii.** **Introducing our approach** to business planning
		• The **range of possible future scenarios** NGET should plan against	**iii.** **Seeking your views** on the range of futures we are planning against
2) Setting the RIIO-T2 price control		• Setting a **baseline allowance** for T2 expenditure against which uncertainty mechanisms will operate	**iv.** **Seeking your views** on developing a single scenario used to set a baseline revenue allowance
		• Appropriate **uncertainty mechanisms** that adjust the baseline allowance based on what actually needs to be delivered	**v.** **Seeking your views** on our proposed approach to uncertainty mechanisms in the T2 period

View our consultation document here https://www.nationalgridet.com/document/129626/download

2 Future of Electricity Transmission engagement playback

Ivo Spreeuwenberg

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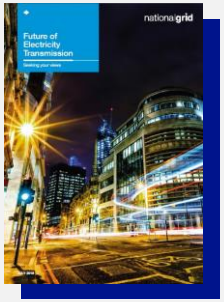
Engagement on future role of Electricity Transmission

Our engagement



- Exploring the long-term role of the electricity transmission network
- Inform stakeholders and gather their views – over 70 stakeholders between July and October 2018
- Blog posts, discussion document detailing our analysis, webinar, session with our User Group, BEIS, Ofgem, ADE and ongoing discussions with DNOs
- Discussion document available at https://www.nationalgridet.com/node/127801

Our conclusions

Priorities

- **New focus areas** within the stakeholder priorities (e.g. enabling customer solutions),
- **Things to draw out** in how our RIIO-T2 plans address priorities (e.g. how we could facilitate flexibility),
- Plan **further engagement**, focussed on these areas.

Trends

- Stakeholders broadly **agreed with our areas of focus**, and
- **Insights gathered** through analysis of futures that stretch the level of decentralisation and the speed of decarbonisation of transport and engagement **valuable in building our plans.**

Outcomes

- **Ongoing need for transmission** recognised by most; planning to **focus on RIIO-T2 timescales,**
- Some believed the network could be a blocker to **EV uptake – we will continue to engage heavily,**
- **Need for a whole system approach** strongest; building our plan in this manner important.

3 Business planning for the future

Wayne Mullins

nationalgrid

Overview of our business planning process

Starting point for planning

Scenario development

iterate

Establish requirements

Identify system needs

Ongoing consideration of need, options and solutions

Identify options

iterate

Assess and select solution

Informs options and solution

Design and procure solution

Deliver and operate solution

Establish Future Energy Needs

Identify Whole System Solutions

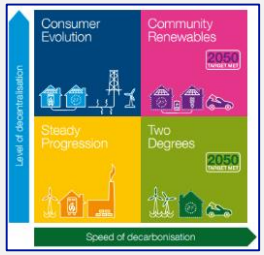
Delivery of Solutions

We propose to use the Future Energy Scenarios as the basis for our business planning, further informed by local insights

ESO gathers extensive stakeholder input

Updated annually

ESO annually create credible, national pathways for the future of energy over next 30+ years



Source: ESO Future Energy Scenarios 2018

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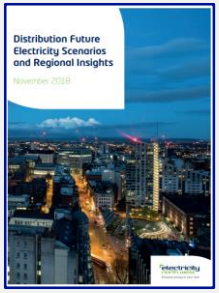
Further informed by regional forecasts and other insights



Source: ENW Distribution Future Energy Scenarios 2018

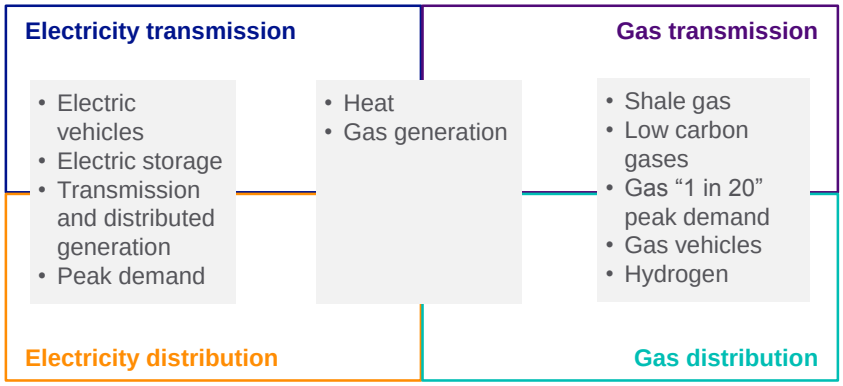
Are the Future Energy Scenarios, further informed by regional insights, a suitable range for planning our business?

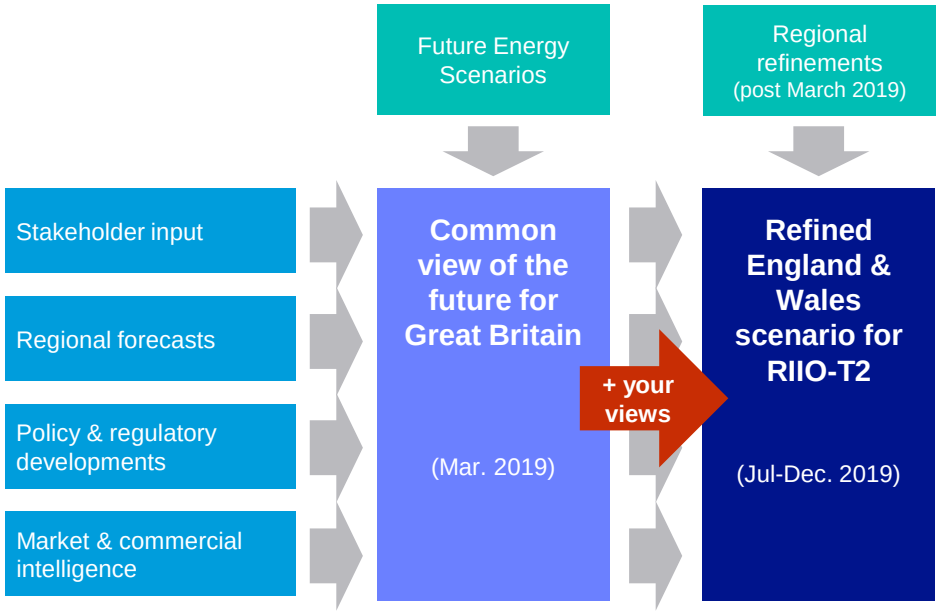
a) Yes

b) No

c) Not sure

Approach to developing an England and Wales scenario





A number of key building blocks have been used to develop the E&W scenario:

Demand

"Base" demand drivers		"New" demand drivers	
Economic activity	Energy efficiency	Energy storage	Electric vehicles
Consumer behaviour	Industrial processes	Heat pumps	Demand-side response

Generation

Transmission connected		Distributed technologies	
Supply decline (e.g. coal, nuclear)	Interconnectors	Wind	Solar
Other connections	Asynchronous generation	Diesel & Gas	Energy storage

Is our approach to setting a scenario for England and Wales a reasonable one?

a) Yes

b) No

c) Not sure

4 Managing uncertainty in setting the T2 price control

Ivo Spreeuwenberg and
Wayne Mullins

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How energy uncertainty is managed in the RIIO framework

1 Set the price control

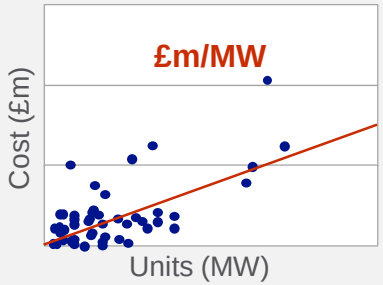
How it works

Baseline allowance based on forecast volume* requirements

Baseline allowance £Xbn

\+

Calculate **unit cost allowances**



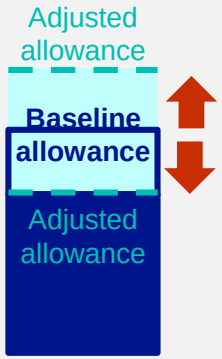
RIIO-T1 experience

Unit cost allowances set at RIIO-T1 control

- Network connections
- Network reinforcement
- Planning requirements

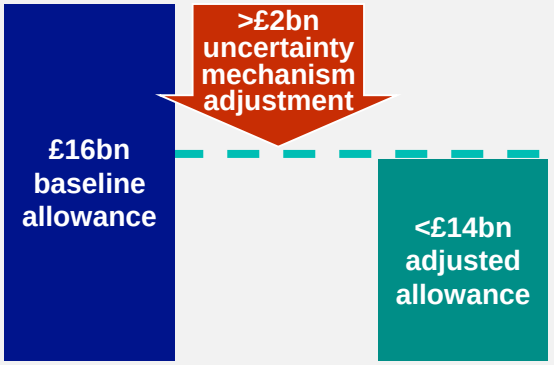
Out-turn volume* requirements

2 Adjustments to reflect requirements



Unit cost allowance adjusts baseline up or down to reflect actual volume delivered

(+ OR - £m/MW)



RIIO-T2 proposals

We will apply a similar approach for T2 and propose to:

1) **Recalculate and redesign** some existing unit cost allowances
2) Introduce **new categories** for areas not adequately covered in T1
3) Develop the detail of a potential mechanism that allows for **anticipatory investment**

*Volume = amount of additional capacity on the network, numbers of specified equipment, etc. (mechanism dependent)

Should our baseline be set in a manner that is most likely to…?

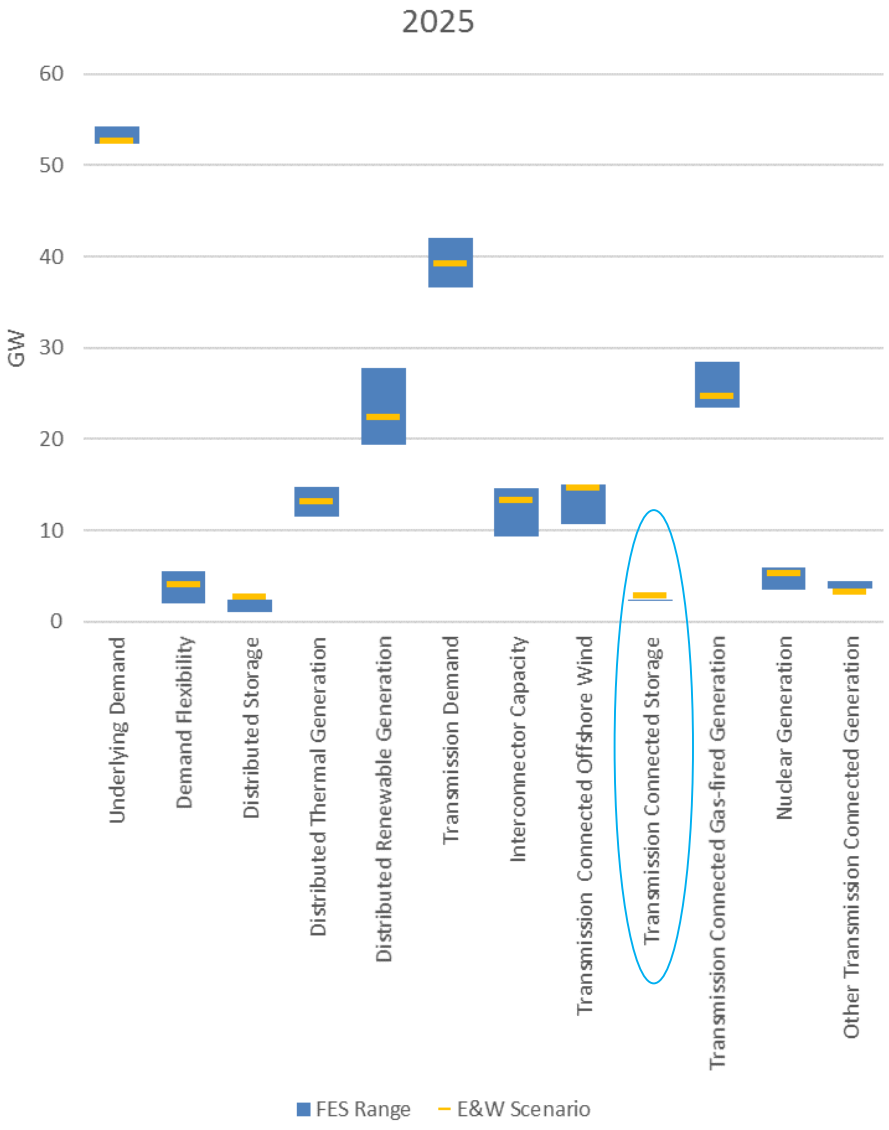
a) Increase allowances over the T2 period

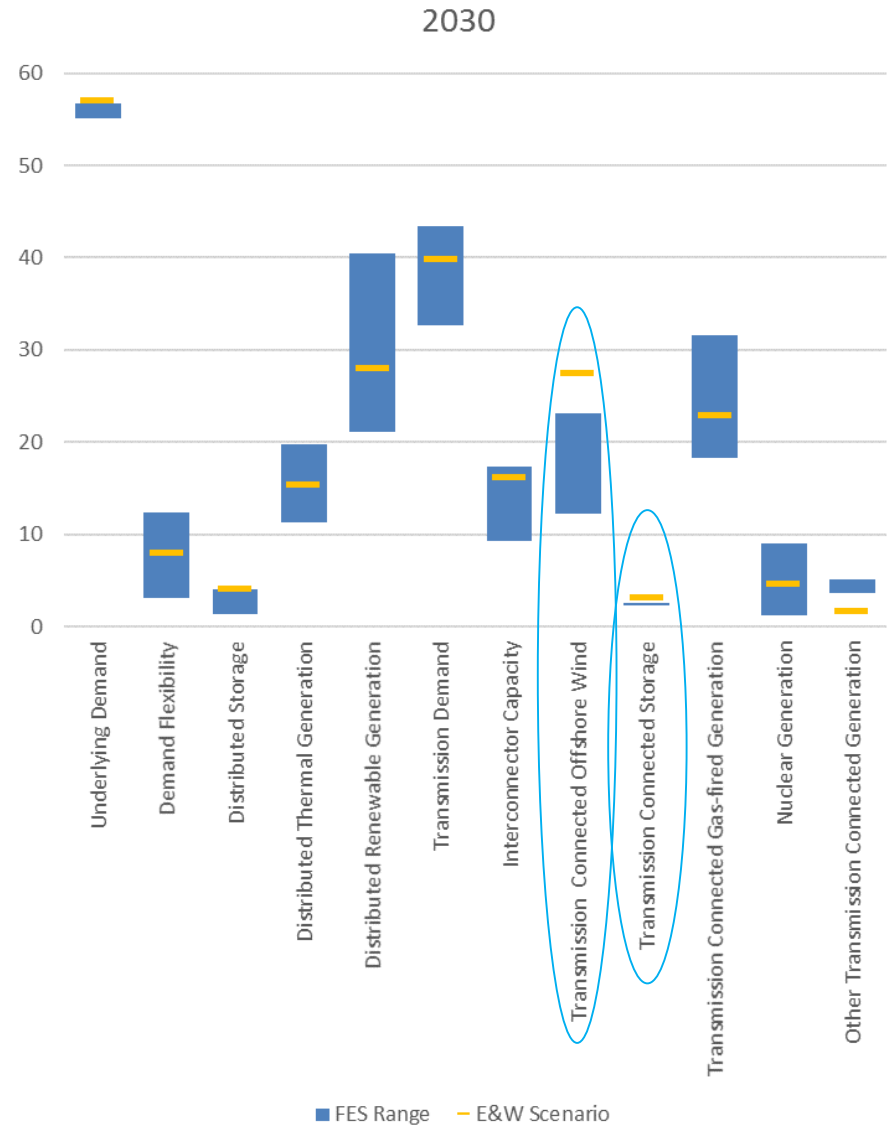
b) Decrease allowances over the T2 period

c) Maintain allowances over the T2 period

d) Not sure

Overview of our England & Wales scenario

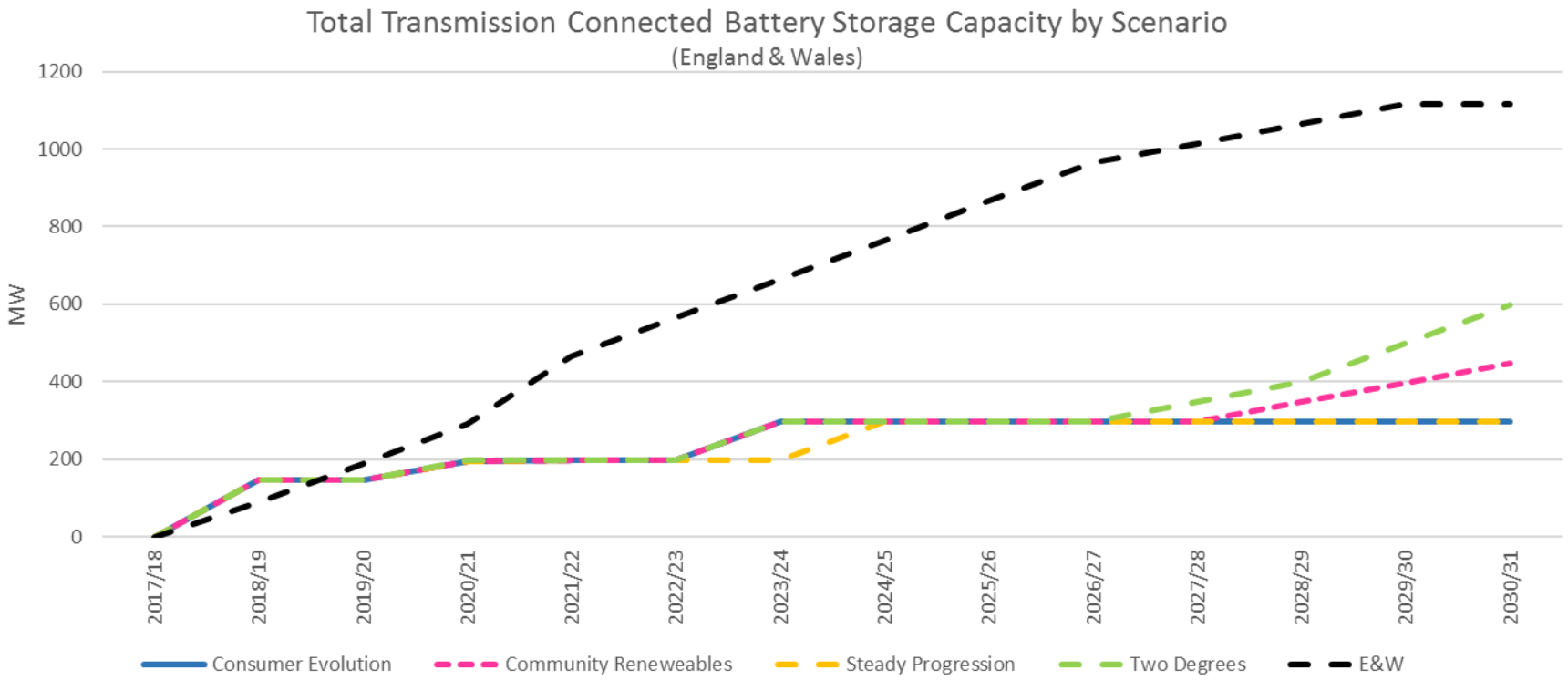




Electricity storage capacity

Our E&W forecast reflects a notable uptake in Battery Storage applications

- The 2018 ESO Future Energy Scenarios see a limited number of projects connecting up to 2030, reflecting limited activity in this area prior to FES studies;
- However,1.8GW of transmission connected capacity is now contracted to connect by the mid-2020s;
- Further interest indicates this could reach up to 4GW.
- Whilst we have increased our E&W forecasts beyond the current FES range, we have taken a rather conservative view, given the low number of large scale projects connected to date.



What are your views on our storage assumptions

QUICK POLL

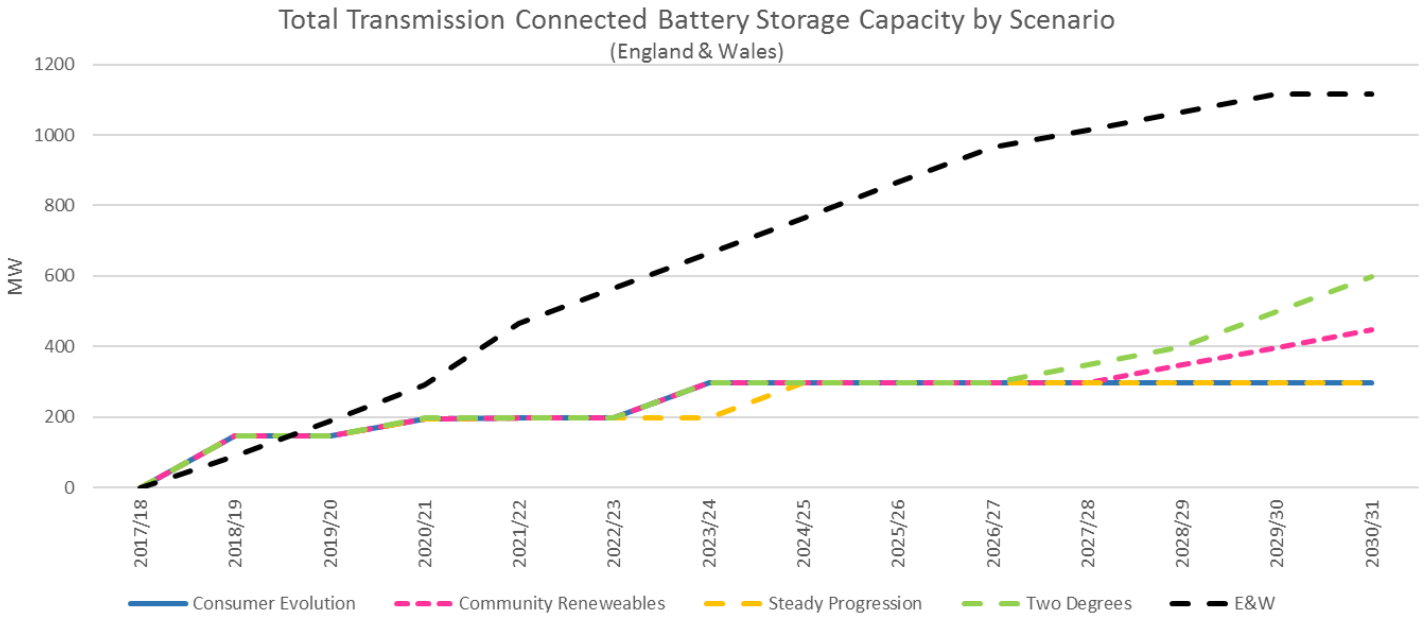
a) Far too optimistic

b) Too optimistic

c) About right

d) Not optimistic enough

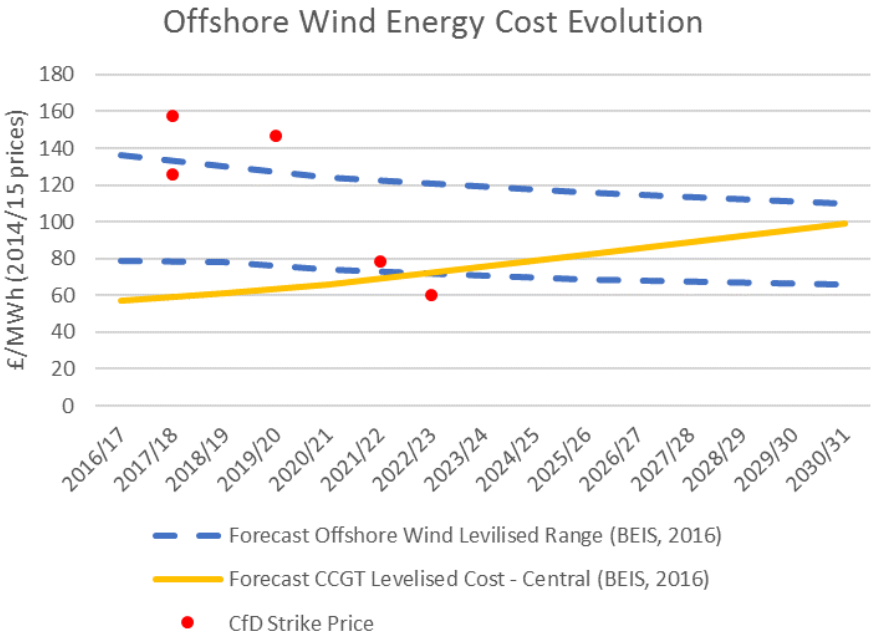
e) Far from optimistic enough

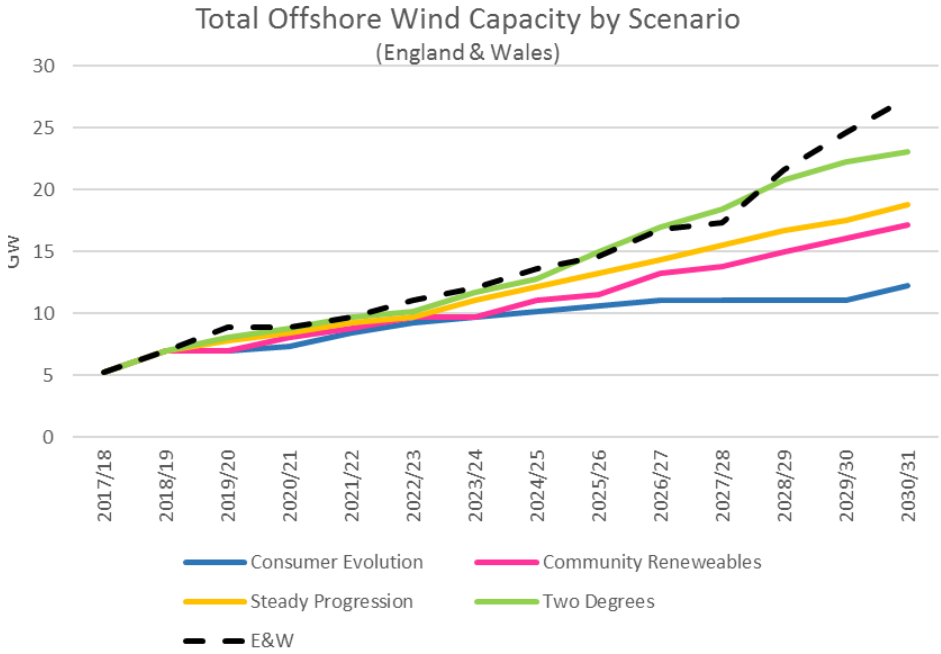


Offshore Wind capacity

Reducing Costs of Offshore Wind leads to additional growth

- Costs observed in the results in the 2nd CfD Allocation Round suggest costs have reduced more rapidly than previously projected.
- Projects likely to be at cost parity with traditional generation in the mid-2020s, making subsidy free projects likely.
- The recent announcement of Government's Sector Deal for Offshore Wind should strengthen the sector further, leading to further growth.
- Our E&W Offshore Wind projections are similar to the ESO Two Degrees scenario up to mid-late 2020s, but show additional growth beyond this





What are your views on our offshore wind assumptions

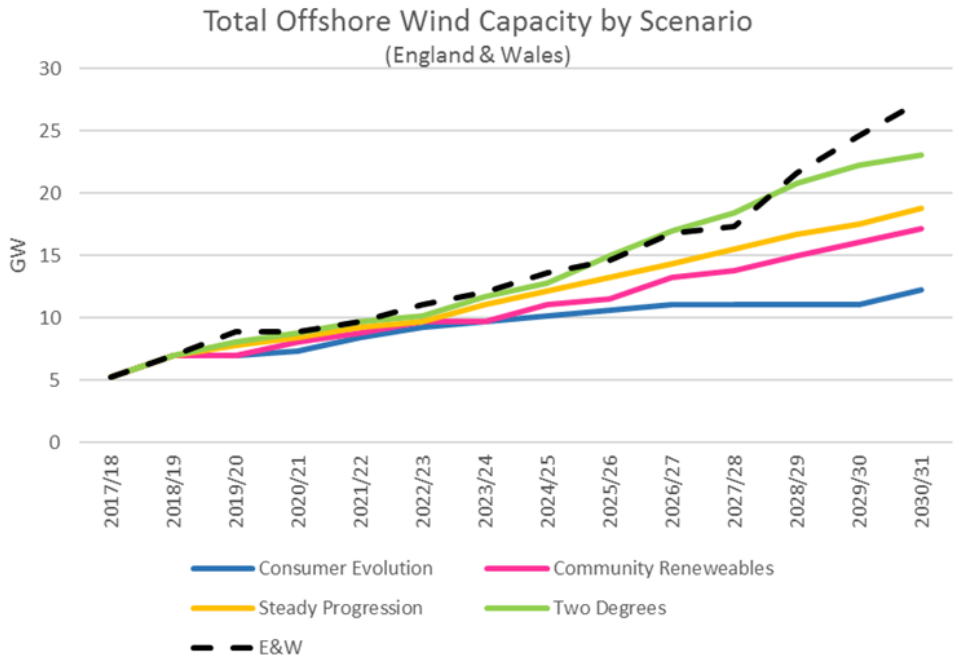
a) Far too optimistic

b) Too optimistic

c) About right

d) Not optimistic enough

e) Far from optimistic enough



5 Question and Answer session

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6 Next steps and close

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Please give us feedback so we can improve future engagement

1. How would you rate the content of this webinar?
2. How would you rate the delivery of content by our speakers?
3. How would you rate webinars as a vehicle for delivering content?
4. Any general comments? (free text)

Upcoming opportunities to get involved in building our plans

Future engagement on– *Providing a safe and reliable network*

We will be covering how the different elements of our strategy interact to deliver a level of reliability, and how we may flex our options based upon what stakeholders have told us to date.

20 March	**Managing Transmission Network Reliability document released on our website**	
26 March	**Webinar**	**Click to book a space**
21 May	**Workshop**	**Details coming soon**

We also have a consultation out at the moment, playing back what stakeholders have told us to date, please take a look and give us your feedback, the consultation closes on **31 March 2019.**

To view previous topic engagement playbacks please also visit our Get involved website

Thank you for attending! – your input is important

The changing energy landscape is increasing the uncertainty of future market conditions which has implications on the role of the transmission network, how we plan our business, and how we manage uncertainty.

We welcome any additional views you may have on any of the topics raised in the webinar today or within the consultation document.

You can share these views with gary.stokes@nationalgrid.com by 1 April 2019.

Our consultation document on managing uncertainty can be found here:

Document Link

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