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 18th 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 10th and 11th 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 or call Graham Frankland on 01926 653667 or Claire Spedding on 01926 655915.

Responder's Details

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Is your response confidential? Yes/No No

Business Plans

Q1. Did you find our business plan documentation easy to navigate?

Yes

Q2. Did you find the content contained within our documentation easy to understand?

There is a sensible mix of high and detailed level of information.

Q3. What did you particularly like/dislike about the presentation of our plans?

The 3 levels of reporting – the headline, the overview and then the annexe sections aided navigation and homing in on relevant detail.

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?

Sedgemoor District Council's previously submitted views centred on the approach to strategic routing, lack of clear national policy on visual amenity mitigation, and the percentage of undergrounding assumed for the next period. Concerns remain around national policy and regulation but the Council recognises this is a wider issue. The measures proposed around uncertainty mechanisms begin to address the concerns on the undergrounding aspects of the response (further commentary is provided below on this matter). The Council welcomes the publication of the new "Approach to the Design and Routeing of New Transmission Lines" which also addressed many of the issues the Council had raised in that consultation and had linked these issues to the Business Plan. One remaining point is that the IET comparison costings report remains outstanding and is vital to providing independent information that can further inform the National Grid's strategy, business plan and local projects as well as DECC and OFGEM policy.

Managing risk and uncertainty

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?

The Council supports the principle outlined in the National Grid Business plan that risks should remain with the party best able to manage them. In the case of the financial risks of meeting planning requirements, particularly the cost of undergrounding, the Council supports an uncertainty mechanism that will relieve the financial burden of this costs risk from the National Grid. This should represent better value for money to the end users and, importantly to the Council, go some way to removing the cost constraint and presumption of overhead lines that it is perceived that the National Grid must work to. It has the potential to deliver new projects that reflect the changing views on the value and importance of our landscape and environment.

Q7. Do you believe that the range of the uncertainty mechanisms proposed is appropriate?

The Council is responding on matters relating to the uncertainty mechanism of ”meeting planning requirements” and referencing the experience it has so far with its engagement in the new transmission line proposals in its area – the Hinkley C Connection Project. It is noted that the “meeting planning requirements” category is the second highest cost uncertainty for the National Grid.

The Council notes and supports the National Grid’s management response to this risk (the work it will do within its normal business to mitigate the risk):

1. Commit sufficient resources to ensure planning applications include an effective presentation of need case, the consideration of stakeholder views and an exploration of alternative options.

2. Explore alternative technology options, such as Gas Insulated Line.

With regard to point 1, the Somerset Councils have entered into a Planning Performance Agreement with the National Grid to enable their full engagement with the Hinkley C Connection Project.

The National Grid's proposed uncertainty mechanism is a volume-driver based on the length of underground cable and cost of other mitigations in any particular project.

The Council recognises that undergrounding is more expensive than overhead and that it is unhelpful for the National Grid to have to estimate in advance of local project consultations how much the cost of this work might be for a given project as it will be determined by local factors on the ground. The limitations of the National Grid's estimate of an increase in undergrounding from 5% to 10% is understood and it is supported that the uncertainty mechanism will provide insurance against this value requiring to be exceeded on any individual project. If the National Grid were forced through business finance and regulation to deliver no more than a fixed percentage then the wider public interest may well not be best served.

Whilst the uncertainty mechanism is supported in principle the way it might be applied raises some questions for the Council.

As the Hinkley – Seabank route project enters the next phase of detailed environmental survey and analysis it is becoming clear that there will be a range of views from local stakeholders on where undergrounding may be appropriate. The uncertainty mechanism must provide for incentive for the National Grid to thoroughly consult and evaluate all options and present its considered best solution to the IPC (and to OFGEM). There is the potential for the environmental and wider economic case for overhead lines to become lost in a particular local circumstance if the uncertainty mechanism begins to remove the responsibility and cost for the overhead/underground and visual amenity mitigation measures from the National Grid to the IPC and end user.

The role of the regulator OFGEM and the IPC in this respect is less than clear to the Council at this time. It is understood that OFGEM will review this business plan and uncertainty mechanism within it, and that the detailed application of the mechanism will need to be developed. The Council has responded to consultations previously with comment on the lack of clear national policy in this area and the apparent regulatory driver for the most economic solution which brings about an assumption of overhead transmission. We would like to be kept informed of progress on the

development of this uncertainty mechanism and have the opportunity to input into any discussions.

A concern for this Council has been that if the proposed Hinkley – Seabank new route was to be substantially undergrounded the costs involved may mean that a differing strategic option (or route corridor) may have been beneficial.

The Business Plan recognises this issue:

> "Where the level of undergrounding required is very significant it is possible that the resulting increase in cost could render the project uneconomic (i.e. the project benefits might no longer outweigh the costs), and that alternative solutions that had previously been rejected might become preferred".

This supports the Council's consistent view that all options should remain open even as the project develops into detailed environmental survey work along a preferred route corridor.

In conclusion, the Council sees the benefit of this uncertainty mechanism applied to the proposals in its area. It also recognises that there are a number of challenges to its delivery to give confidence that the best solution locally and nationally is arrived at.

Charging

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

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

SO/TO Interaction

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

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

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?