

IED Investments: Proposals Consultation Addendum

On 13th March 2015 we published the *IED Investments: Proposals Consultation*. Following this we held a workshop with you on the 19th March. At this workshop there were a few areas that you requested further information on. This addendum to the consultation provides this further information and clarification.

What have we been funded for so far?

We have already received baseline funding prior to RIIO-T1 for the first two phases of IPPC.

Site	Units	Funding mechanism
St Fergus	Units 3A and 3B	IPPC Phase 1
Kirriemuir	Unit E	
Hatton	Unit D	IPPC Phase 2

The following sites were funded under the baseline allowance in RIIO-T1;

Site	Units	Funding mechanism
Peterborough	One unit	IPPC Phase 3
Huntingdon	One unit	
Aylesbury	Units A and B	LCP Phase 1

In addition we received a provisional allowance of £375m (outturn prices) in RIIO-T1, this was associated with the remaining sites affected by the LCP element of IED and further work under IPPC. The provisional allowance was not based on particular solutions at the affected sites and was always intended to be adjusted through an uncertainty mechanism. The scale of the adjustment is based on the difference between the outcome of our May 2015 submission and the provisional allowance. This means that if we were to be granted zero allowance from our submission, all of the provisional allowance would be removed. Our current plans, as per the *IED Investments: Proposals Consultation*, equates to £376m which would result in a very small upward adjustment.

The table below summarises the sites with interaction between the two elements of IED and the affected funding mechanism;

Site	Units	Funding mechanism
St Fergus	2 * Electric Variable Speed Drives (Units 3A and 3B)	Received funding under IPPC Phase 1 prior to RIIO-T1
	5 * Avon units	Proposed replacement of 2 of these units as part of IPPC Phase 4 within this submission
	2 * RB211 (Units 2A and 2D)	Affected by LCP element of IED and recommended to be decommissioned in this submission
Peterborough	3 * Avon units (Units A, B and C)	Received baseline allowance in RIIO-T1 as part of IPPC Phase 3 for one replacement unit.
		Two replacement units proposed as part of IPPC Phase 4 within this submission
Huntingdon	3 * Avon units (Units A, B and C)	Received baseline allowance in RIIO-T1 as part of IPPC Phase 3 for one replacement unit.
		Two replacement units proposed as part of IPPC Phase 4 within this submission
Hatton	1 * VSD 35 MW machine (Unit D)	Unit funded under IPPC Phase 2 prior to RIIO-T1
	3 * RB211 (units A, B and C)	Affected by LCP element of IED and 3 medium replacement units recommended within this submission
Kirriemuir	1 * VSD machine (Unit E)	Unit funded under IPPC Phase 1 prior to RIIO-T1
	1 * RB211 (Unit D)	Affected by LCP element of IED and recommendation to decommission included within this submission along with replacing unit C

Kirriemuir

Unit C (an Avon unit) was installed in 1976 and is now almost 40 years old. The anticipated final solution for the Kirriemuir site is one large unit (unit E) and two smaller units¹. Our assumption is that the requirements of MCP will result in all the Avons (units A, B and C) being non-compliant and given up to 2025 to transition. Therefore we need to plan an optimum investment strategy to reach the desired position by 2025.

Our intention is to re-wheel and de-rate unit E within RIIO-T1, with unit D (affected by the LCP IED element) covering this duty whilst these works are undertaken and then unit D will be decommissioned. Unit C as previously described is currently not operational and we do not believe based on the age and condition of the asset, it would be worth bringing this unit back into service, particularly as it is not required whilst units A and B are available, and would be non-compliant with MCP and would need to be transitioned by 2025.

However, it would be beneficial whilst we are undertaking the works on unit E to decommission and replace unit C. This would then reduce the works required to comply with MCP and allow us to reduce the reliance on units A & B, which were also installed in 1976 and are reaching the end of their design life. We would then need to replace only one further unit before 2025. From an overall programme perspective where we may need to replace 26 units to comply with MCP, replacing unit C at this stage will also reduce the delivery challenge.

¹ This is subject to full network analysis

Carnforth and Nether Kellet

At Carnforth we state in *IED Investments: Proposals Consultation* that unit A is not currently operational and remedial works would be required to bring it back into service. However, we plan to decommission unit A as soon as possible rather than bringing it back into service in order to avoid additional asset health costs.

Retaining Carnforth unit on 500 hours would enable us to keep our options open and future proof the site in preparation for the impact of MCP and BREF.

Hatton

You asked us to clarify what the difference would be in terms of costs between option 3 which involved installing two large units and option 4 which involved installing three medium units. On the basis of our allowances under the agreed unit cost model, two 30 MW units would cost approximately £10m (2009/10 prices) more than three medium sized 15 MW units.

Costs

The recommended programme as described in our *IED Investments: Proposals Consultation* would increase customer bills by a maximum of 48p (2014/15 prices). This is compared to the removal of all the provisional allowance. This scenario, i.e. the removal of all the provisional allowance, is not credible but hopefully demonstrates the full impact of the recommended programme.