

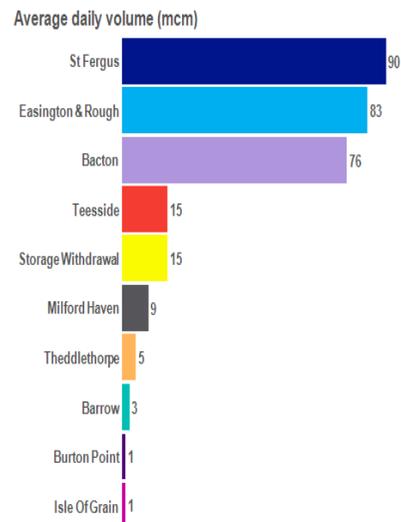
National Grid Gas Transmission

Our Performance 2017/18

In 2017/18 we delivered a **strong output performance**. We implemented a number of actions to drive efficiency in our Opex and Capex spend which has led to a **£85m performance improvement** across the eight years of RIIO-T1 compared to last year. Approximately £8.79¹ of an average domestic consumer bill of £569 related to the **services we provide which equates to 1.6% of a typical gas bill**.

We have effectively facilitated the **delivery of 99.9% of gas requirements for customers**. Achieving this level of performance is becoming more challenging year-on-year as we experience a continued trend of our customers using the network in different and more flexible ways. We faced significant operational challenges as a result of the cold weather in February/March 2018 where we saw the highest level of daily demand in eight years (417.6 mcm) and which also led us to issue a Gas Deficit Warning to the industry in order to highlight the risk. We are proud that through our actions the system was balanced by the end of the day and all necessary assets performed well with the demand placed on them.

Winter 2017/18



24 compressor stations

7,654 km of high-pressure pipeline

175 offtake points

8 distribution networks we connect to

94 bar is our maximum operating pressure

Outputs	Our Performance in 2017/18
Safety (Total of 2 Outputs)	2 – achieved annual output
Reliability and Availability (Total of 13 Outputs)	11 – achieved annual output 2 – missed annual output
Environmental (Total of 9 Outputs)	7 – achieved annual output 1 – missed annual output 1 – missed annual output and is forecasted to miss eight-year aggregate output
Customer Satisfaction (Total of 2 Outputs)	2 – achieved annual output
Customer Connections (Total of 2 Outputs)	1 – achieved annual output 1 – missed annual output

We have delivered strong **safety** performance with no injuries to the public and only one Gas Transmission employee lost time injury in 2017/18.

In 2017/18 we have continued to provide high levels of **reliability and availability** for our customers. We have further increased the annual volume of asset health improvement work delivered thus maintaining the health of the network for the benefit of current and future consumers. We have reviewed our projects for the remainder of RIIO-T1 and we identified further **innovative and low cost interventions** to mitigate network risk that avoid full replacement and intrusive outage related activities. Improved asset data and technology are key enablers on our journey to asset management excellence. This will enable the planning and targeting of investments, and the reporting of investment outcomes using a monetised risk-based approach which will be supporting the development of our RIIO- T2 asset health strategy.

¹ The calculation method is consistent with Ofgem's method for identifying the components of a domestic consumer's bill

Changing supply patterns driven by the way our customers wish to use the network have had a significant impact on our **environmental** outputs. Moving greater volumes of gas away from entry points has resulted in increased emissions from our gas compressor fleet. This has negatively impacted our Green House Gas (GHG) emissions incentive. We provide our annual emissions performance as part of our Carbon Disclosure Project (CDP) submission. This enables us to benchmark our performance against other organisations. In 2017 we achieved an 'A' rating for our CDP submission, putting us in the top 5% of global companies recognised for our actions to reduce emissions and mitigate climate change.

We have delivered broadly consistent performance in **customer satisfaction** with the same stakeholder satisfaction score and a slight reduction of the customer satisfaction score. In 2017/18 our customer and stakeholders remained a key priority. As part of our customer transformation programme we have identified drivers for customer satisfaction and how to improve their experience.

In terms of **customer connections**, we continue to improve the service we offer both in terms of the products and charging structure. We are undertaking a self-lay trial with one customer and are progressing well with our Network Innovation Competition (NIC) funded Customer Low Cost Connections (CLoCC) project, which aims to reduce the time and cost to connect.



Standard Design for CLoCC

Innovation enables us to seek opportunities to deliver the greatest value for consumers. In 2017/18 we undertook 39 Network Innovation Allowance (NIA) projects, which focused on delivering value to the consumer and driving step changes in our key strategic innovation areas. We have developed a robust value tracking process which has demonstrated that £8.6m in value has been delivered by innovation to date based on a £1.9m NIA spend; a 4:1 cost-benefit ratio.

In 2017/18 we have seen an increase in the eight-year average **Return on Regulated Equity** to 7.67% compared to 7.46% in 2016/17. Our Totex for the RIIO-T1 period is forecasted to be £3,188m against an allowance of £3,037m.

This results in overspend of £151m, which is an improvement of £85m on the prior year, see the table below for further detail.

Eight-year forecast spend and allowances (all in 2017/18 prices)

	Cost (£m)	Allowances (£m)	Cost vs Allowances (£m)	Year-on-year change (£m)
TO Load Related Capex	34	44	10	4
TO Non Load Related Capex	1,422	1,346	-76	35
TO Non Operational Capex	131	70	-61	12
TO Opex	851	739	-122	17
SO Capex	266	328	62	17
SO Opex	484	510	26	-1
Totex	3,188	3,037	-151	85

We are well underway in building the foundations of our future business plan which covers the next regulatory period **RIIO-T2** from April 2021. We have adopted an enhanced engagement approach with a strong stakeholder focus which aims to co-create our plans with stakeholders to meet the consumer and stakeholder [key priorities](#). These plans will also be challenged and reviewed by our newly established and independently chaired [Stakeholder User Group](#) before onward submission to Ofgem in late 2019.

To find more detail on how we are performing under RIIO-T1 so far, visit <http://www.talkingnetworkstx.com/General-Performance.aspx> and have a read of the full gas report for 2017/18. Previous years' reports are also stored there.