

CENTRAL OFFICE

KC/son
27th September 2012

Mr I Marlee
Senior Partner
Smarter Grids & Governance: Transmission
OFGEM
9 Millbank
London SW1P 36E
SENT ELECTRONICALLY

Dear Mr Marlee

NATIONAL GRID – OFGEM’S INITIAL PROPOSALS

Under the new RIIO pricing structure, National Grid submitted a challenging and conservative business plan for the next eight year regulatory period.

Ofgem have initially proposed a significant cut to this plan, which if cast in stone, could have a drastic negative impact on National Grid’s future plans and have an effect on the growth of the UK economy.

Unite the Union being stakeholders in National Grid are concerned about the following issues in particular:

- Training
- Job Creation and Protection
- Pay
- Environmental Targets
- Innovation

Training

National Grid’s training program and facilities have been judged and benchmarked by Ofsted as providing outstanding training and have also been praised by external bodies such as EU Skills. Your current proposal to reduce their expenditure would have an impact on the training of future apprentices, engineers and graduates. It currently takes up to seven years to train a craftsperson or engineer to core skill levels within National Grid. The Grid currently has an ageing workforce in key engineering positions, therefore they planned to take a long term approach to help solve this problem and to train the workforce of tomorrow by encouraging new people into this important industry.

It is known that there is currently a shortage of specialist skills within this sector, not only in the UK but globally. With other EU countries also improving their energy networks, we are concerned that this skills shortage will not be addressed and could potentially encourage migration of existing skills to other countries. Investment into this continued training both within transmission and gas distribution is critical to address this skills gap.

Reduced training also discourages innovation within the industry and could impact on environmental challenges.

Competency training will still need to be updated, which cuts further into the training budgets for new staff.

Ofgem must recognise that training is a big investment by National Grid, one that should be encouraged and recognised as necessary for the future of the sector and the country.

Job Creation and Protection

National Grid submitted their plan for major investment in improving the transmission and gas distribution network. They referenced that approximately 7,000 new jobs would be created within the supply chain and National Grid through this investment, benefitting both the energy and construction industries. New jobs in both of these sectors have been identified as key to boost the UK economy. After discussions with National Grid, since Ofgem's initial proposal, it is clear that this planned job growth will be significantly reduced.

Pay

The joint Trade Unions have concerns about what impact the proposal for pay would have on the recruitment and retention of staff, especially those with specialist skills, attracting a premium. The proposal by Ofgem with reference to pay outcomes are suggesting that benchmarking should be made against the private sector and whole economy forecasts. This is not comparative with other energy sector companies and could have a detriment on the retention and recruitment of staff.

National Grid would be in danger of not attracting the quantity and quality of future applicants, if pay was not kept at a comparative rate within the industry. This could also encourage new and existing skilled staff to take their skills abroad or transfer to other sectors for more attractive rates of pay.

Environmental Targets

We understand a key principle of RIIO is to balance short term and long term customer needs and requirements. This would include low carbon energy connections. Our concerns are that with the large reduction proposed by Ofgem, the necessary skills and resources will not be in place to efficiently support the future delivery of these connections.

Innovation

We have concerns that National Grid have not been allowed a full 1% Innovation Allowance. Innovation is a key feature of National Grid's plans, which is strongly supported by stakeholders and is instrumental in developing industry and environmental solutions.

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Myself, Michelle King Unite officer, and Howard Beynon Senior Unite representative in National Grid look forward to meeting you and your colleague Adam Cooper, Head of Transmission C&O on 12 October, where we can discuss these issues in more detail.

Yours sincerely

A handwritten signature in black ink, appearing to read "K. Coyne".

**KEVIN COYNE
NATIONAL OFFICER
ENERGY & UTILITIES**