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Our Reference NG/LAD

Dear Colin,

## **Long Term Electricity Network Scenarios**

We welcome Ofgem's proposals to examine long-term scenarios. We think that such work will make an important contribution to setting the context for network price reviews and the strategic decisions that are often implicitly contained within them. Such scenarios should also be helpful in the context of other industry decisions such as those associated with code changes and commercial regime development. An opportunity for the industry to debate long-term scenarios should mitigate the risk that decision making could suffer from a short-term bias. Such bias could result, for example, from the relative difficulty of obtaining information about the longer-term that matches the quality of information discoverable in the short-term from detailed price reviews and the willingness of users to make commitments in current market conditions.

We agree with Ofgem's view that scenarios should not prescribe particular strategies. In particular, the scenarios should not be viewed as forecasts of the future but rather they should identify whether decisions might give rise to an unacceptable regret or, conversely, may represent a worthwhile bet. A useful objective should be to satisfy ourselves that there is sufficient flexibility to meet efficiently whatever future challenges we can see. We agree that 2050 is a sensible horizon and 2025 a useful staging point.

It will be important to ensure that the scenarios span sufficiently the range of potential developments that might occur. A comparison of existing scenarios that have been produced should be useful in this respect. (By way of illustration, the attached graph compares electricity production under the Supergen scenarios with equivalent values from scenarios by the Tyndall Centre and those of the Royal Commission on Environmental Pollution. There is clearly more scope for different outcomes than is captured by any one source of scenarios.) In order to select suitable scenarios for LENS project, it will be important to clarify the nature of the potential network decisions that are to be tested (i.e. what are the major regrets and what options should be taken to establish desirable flexibility?). We suggest this would be a useful part of the phase 1 work.

In specific context of implications for networks, the scenarios will need to identify the geographical location of generation and demand (at least in broad terms). Identifying just the distance from generation to load may overlook some of the important regional portfolio effects that need to be considered.

National Grid has been undertaking work internally on network scenarios and has supported and contributed data to the study commissioned by the Energy Networks Association. We look forward to the opportunity to contribute thinking from this work into the LENS project.

Yours sincerely,

Lewis Dale

Cc: Paul Whittaker  
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### Comparison of electricity production scenarios for 2050

