

The background features a large, semi-transparent white 'X' over a collage of images: solar panels on the left and a gas burner on the right.

RIIO-T1 and GD1 Price Control Review Forum

24th May 2011

Session 1: Welcome

**Hannah Nixon (RIIO-T1)
Rachel Fletcher (RIIO-GD1)**

Session 2: Business plan development – Updates from gas distribution companies (RIIO-GD1)

RIIO - GD1

The Experience so Far for a Gas Distribution Network

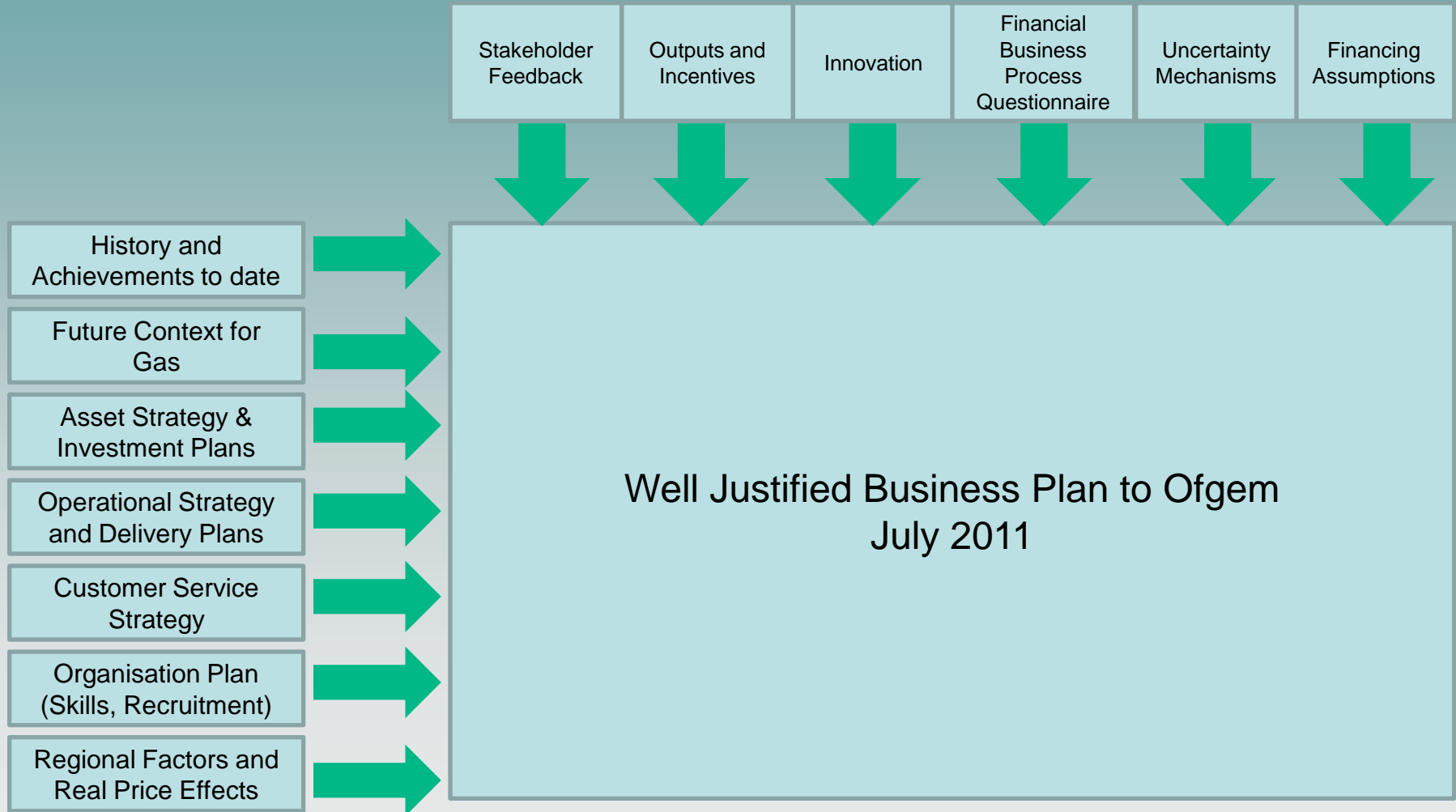
Price Control Review Forum
24th May 2011



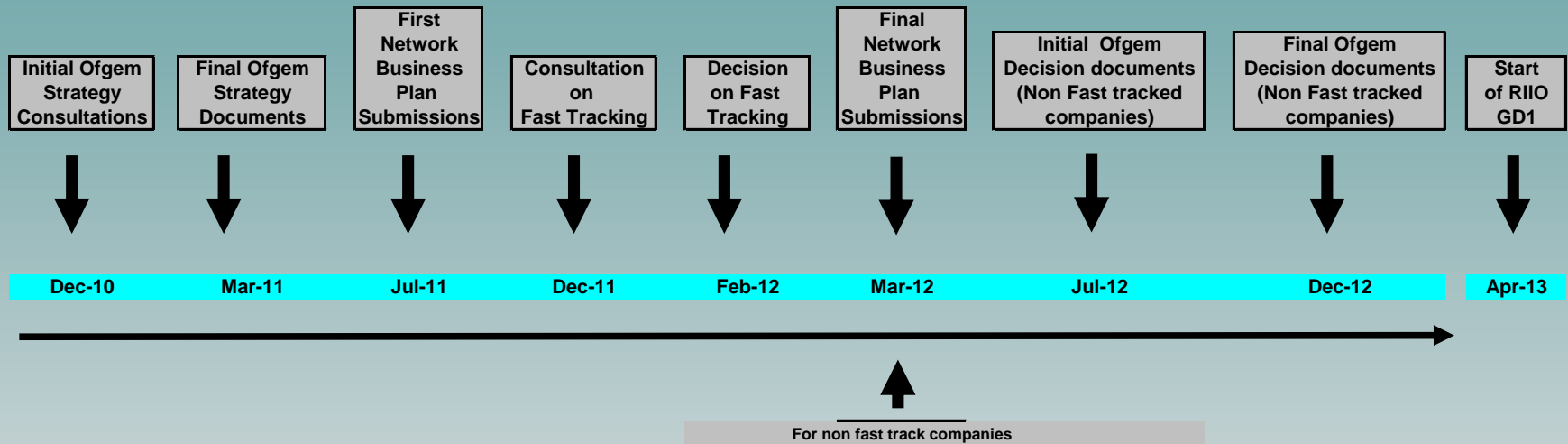
Update Areas

- Gas distribution combined experience of RIIO GD1 to date
- NGN key points & stakeholder feedback
- WWU key points & stakeholder feedback
- Ngrid key points & stakeholder feedback
- SGN key points & stakeholder feedback
- Feedback from PCRF

Overview of a “Well Justified Business Plan”



RIO – Price Settlement Timeline



- Significant switch of responsibility from Regulator to networks ahead of Regulator initial proposals
- This first application of RIO has required the development of industry Outputs coupled with funding and incentivisation mechanics
- RIO requires stakeholder engagement early in process to inform Output targets and investment priorities
- Networks must Submit: “A well justified business plan” to Ofgem July 31st 2011
- Networks must publish a form of the well justified business plan to stakeholders

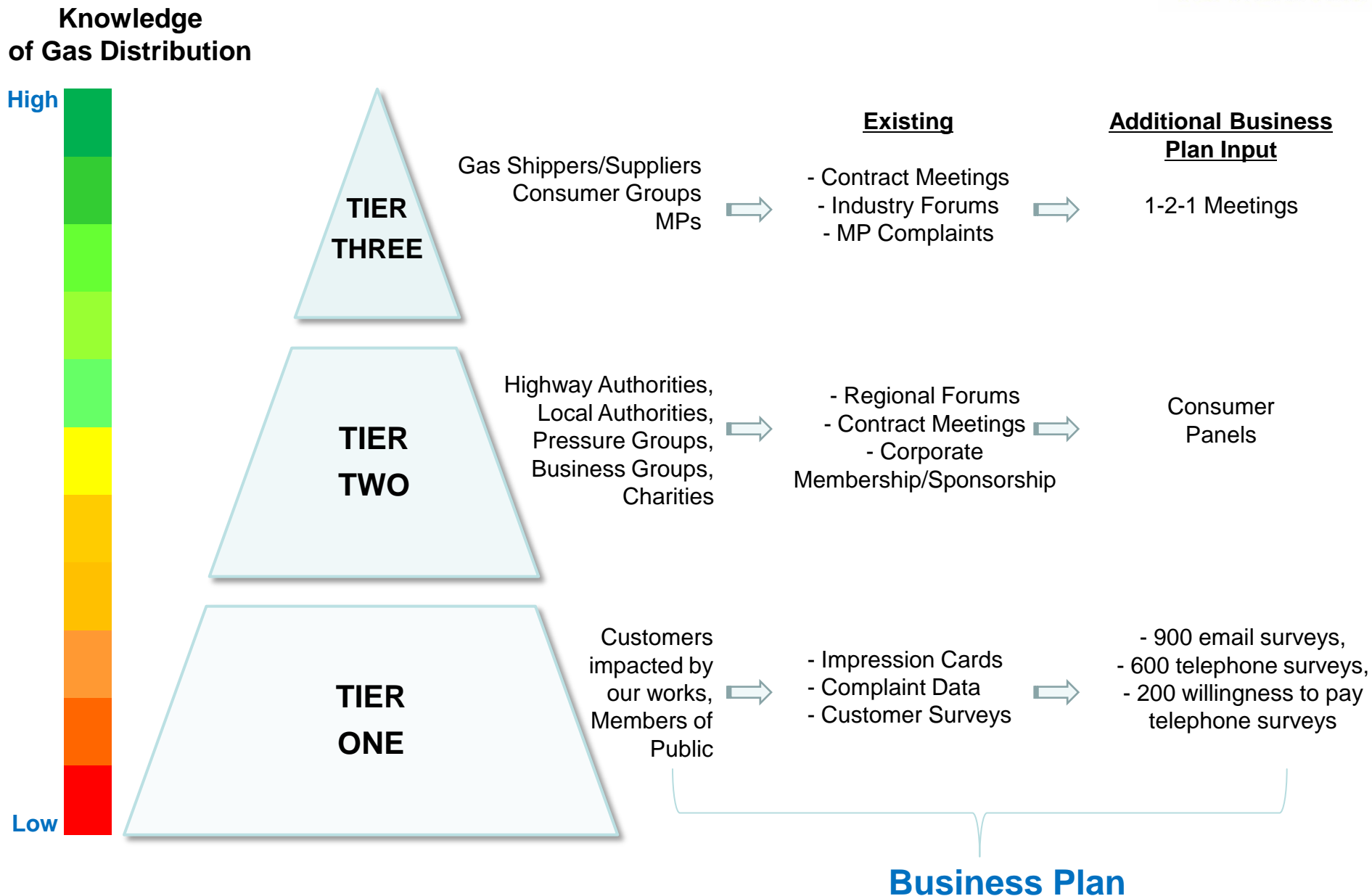
Key Feedback - Common from the Gas Distribution Networks

- We have all welcomed the opportunity to engage with stakeholders
 - Valuable feedback but timing tight to fully engage
- Timetable pushed to facilitate “Fast Track”
 - Still uncertainty about what this actually means
- The scheduled HSE 10 year of the Iron Mains 30/30 programme has added significant uncertainty and resource requirement from networks
- Outputs & incentives workgroups
 - The first time RIIO outputs are being defined, different challenges in the different workgroups
- The Incentives package and further work to identify / implement key innovations
 - Concern over the outperformance opportunity

Price Control Review Forum 3

NGN Specific Feedback

Stakeholder Engagement Approach



Key Messages

- Overall :

Top Three Stakeholder Issues	General Public	Customers impacted by our work
1. Reduce Bills	64%	48%
2. Safety	35%	50%
3. Environment	17%	13%

- Output Areas:

Summary of High Level Feedback

Safety	-	Maintain
Reliability	-	Maintain
Social Obligations	-	Do a bit more
Environment	-	Do a bit more
Connections	-	Maintain
Customer Service	-	Improve

Detailed feedback in each category being reflected in output forecasts



WALES&WEST
UTILITIES



PCRf 3 WWU Specific Feedback

May 2011

Steve Edwards, Head of Regulation

RIIO GD1 Stakeholder Engagement

Phase	Objective	Outcome
Telephone surveys	Identify and understand how stakeholders want to be engaged	Design of WWU RIIO GD1 stakeholder engagement process; including the use of an independent partner, Green Issues
Workshops	<p>Ensure stakeholders understand our role and how our actions impact them.</p> <p>Identify the key issues for stakeholders and then map these issues to the RIIO GD1 Output categories</p>	Enabled us to contribute to industry Output workgroups and helped us prioritise our Business Plan goals including Investment strategy and customer focus
Workshops	<p>Confirm the feedback received and discuss options for each of the Output categories.</p> <p>Obtain feedback on our future stakeholder engagement</p>	<p>Our Business Plan will have regard to the feedback including an independent stakeholder report</p> <p>Our future stakeholder engagement strategy will be updated to reflect the valuable input</p>
Future	Ongoing stakeholder engagement	<p>Share the Business Plan with Stakeholders and keep them updated with progress.</p> <p>Update the WWU strategy on future stakeholder engagement</p>

- RIIO GD1 provided us with a valuable opportunity to gain further stakeholder feedback. We have met with a broad range of stakeholders and stakeholder representatives in all parts of the WWU geography
- The WWU Business Plan and future stakeholder engagement will have regard to the valuable feedback received

Key Feedback From Stakeholders

- Generally positive about value for money for key services delivered
- Requirement to maintain current emergency call out standards and maintain the minimal interruption and disruption levels
- Requirement to focus on investment that minimises leakage and other environmental emissions
- Requirement to continue to remove the risk associated with deteriorating Iron Mains
- Continue with Fuel Poverty scheme but keep eligibility under review
- Play an active role nationally, to communicate awareness of Carbon Monoxide poisoning but stakeholders also recognised the role of other industry participants
- Recognition that connecting renewable gas would be beneficial but questions over funding
- A desire to be engaged when we have something to tell them

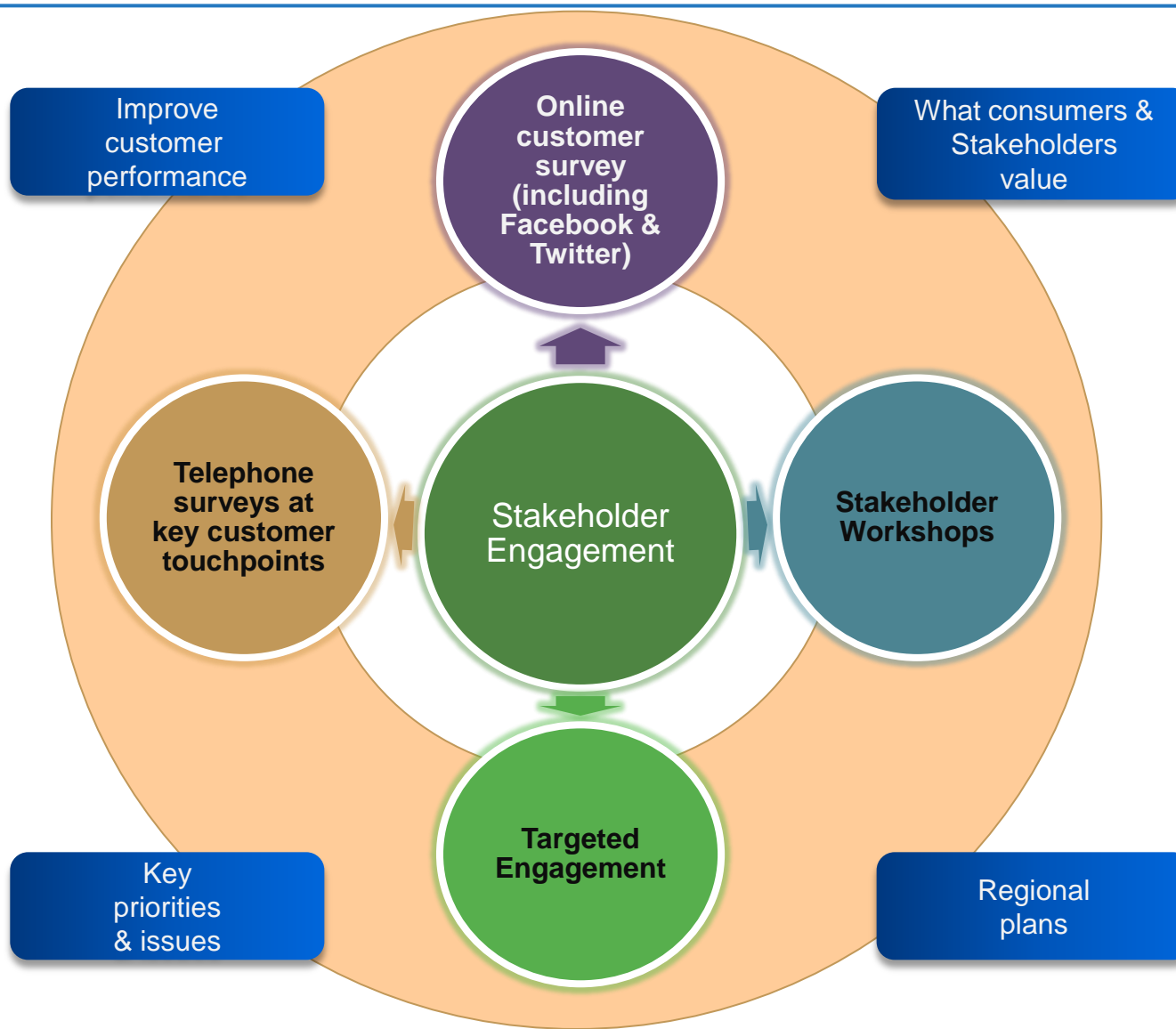
Price Control Review Forum

NGG SPECIFIC FEEDBACK

Considerations for National Grid in developing our business plans

- Age and condition of assets on our network
 - Insight from our asset health and criticality programme
- Managing required expenditure for the long term value of consumers
 - Whole life costing and fair value to consumers over long term
 - Managing consumer bill impacts faced with declining average utilisation of the gas networks to 2050
- Delivering efficiency benefits faced external cost impacts e.g. Streetworks legislation, impact of smart metering

Stakeholder engagement – *gas distribution overview*



RIIO-GD1: Presentation to PCRFB

Aileen McLeod, 24 May 2011

Stakeholder Engagement



Activities to date

- Initial stakeholder questionnaire
- 'Stakeholder live' events in Edinburgh & London
- Customer focus group sessions
- One-to-one sessions with key stakeholders
- Questionnaires on future demand

Key feedback includes:

- Support for our replacement programme
- Support for the 97% emergency standard
- Importance of carbon monoxide (CO) awareness
- Concerns over charging volatility

Ongoing activities

- Staff and Trade Unions sessions
- One to one sessions with shippers, suppliers, consumer focus groups, etc

After July, we will publish details of our proposed Business Plan to keep our stakeholders informed and engaged

Key Issues



HSE review of the replacement programme

- We are fully supportive of a move to a holistic, risk based approach to replacing our pipe work assets, including iron mains
- The HSE move to a three tier approach is a stepping stone; we believe that a holistic approach will incentive more efficient behaviour and will canvas stakeholders to bring in the necessary changes at the earliest opportunity

Efficient funding of the emergency services

- We have consistently met the 97% emergency response target; despite the severe winters of the past two years
- The roll-out of smart metering will impact our emergency service provision
- One option for funding the service might be through an incentive mechanism

Raising CO awareness

- Raising the awareness of the dangers of CO will save lives
- We will propose a baseline expenditure on CO awareness activities which we will then endeavour to outperform

Session 3: Electricity Networks Strategy Group

**Presentation to RII Price Control Review
Forum**

Paul Hawker, DECC

24 May 2011

Presentation Structure

- What is the ENSG
- ENSG 2020 Vision report
- ENSG Future Work Programme

What is the ENSG?



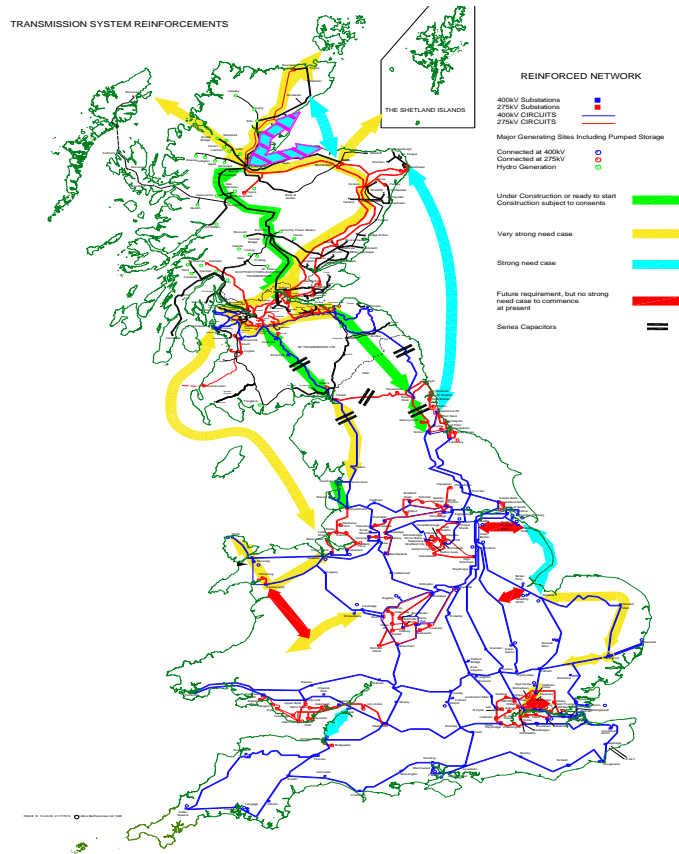
- High Level Government/Regulator/industry forum
- Co-Chaired by DECC and Ofgem
- Identifies and coordinates work on key strategic network issues in transition to low carbon future
- Publishes reports and studies to help achieve common aims

ENSG 2020 Vision Report



- Need to ensure that transmission network developed in time to allow new generation to connect and help meet 2020 targets
- Considered scenarios to meeting 2020 targets and resultant network requirements
- Report published March 2009 with full report and addendum published July 2009

ENSG 2020 VISION OF ONSHORE NETWORK INVESTMENT



- TOs estimated £4.7bn investment is needed in the onshore transmission network to 2020

- Projects require funding approval from Ofgem and planning approval

Three work streams identified by ENSG in February 2011

1. Refresh of ENSG 2020 Vision report
2. Monitoring of TO investment plans and delivery
3. Impact of post 2020 scenarios on transmission network

Session 4: Business plan development – Updates from electricity and gas transmission companies (RIIO-T1)

Transmission: RIIO Stakeholder Update



Price Control Review Forum: 24th May 2011

Your consistent messages

- Safety, reliability & security of supply are paramount
- Connections process is complex
- Transmission companies are key enablers to facilitating a low carbon economy

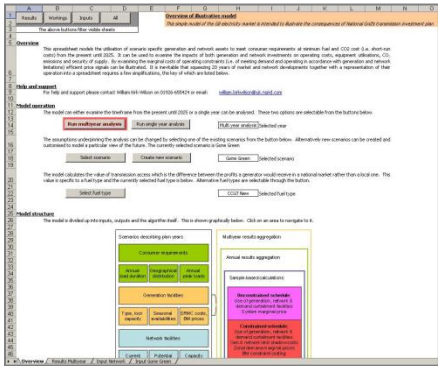
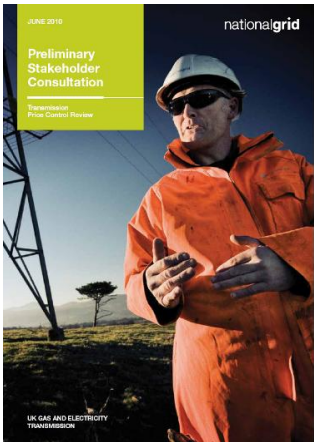
RIIO Stakeholder Update



Price Control Review Forum: 24th May 2011

Listening to your views so far ...

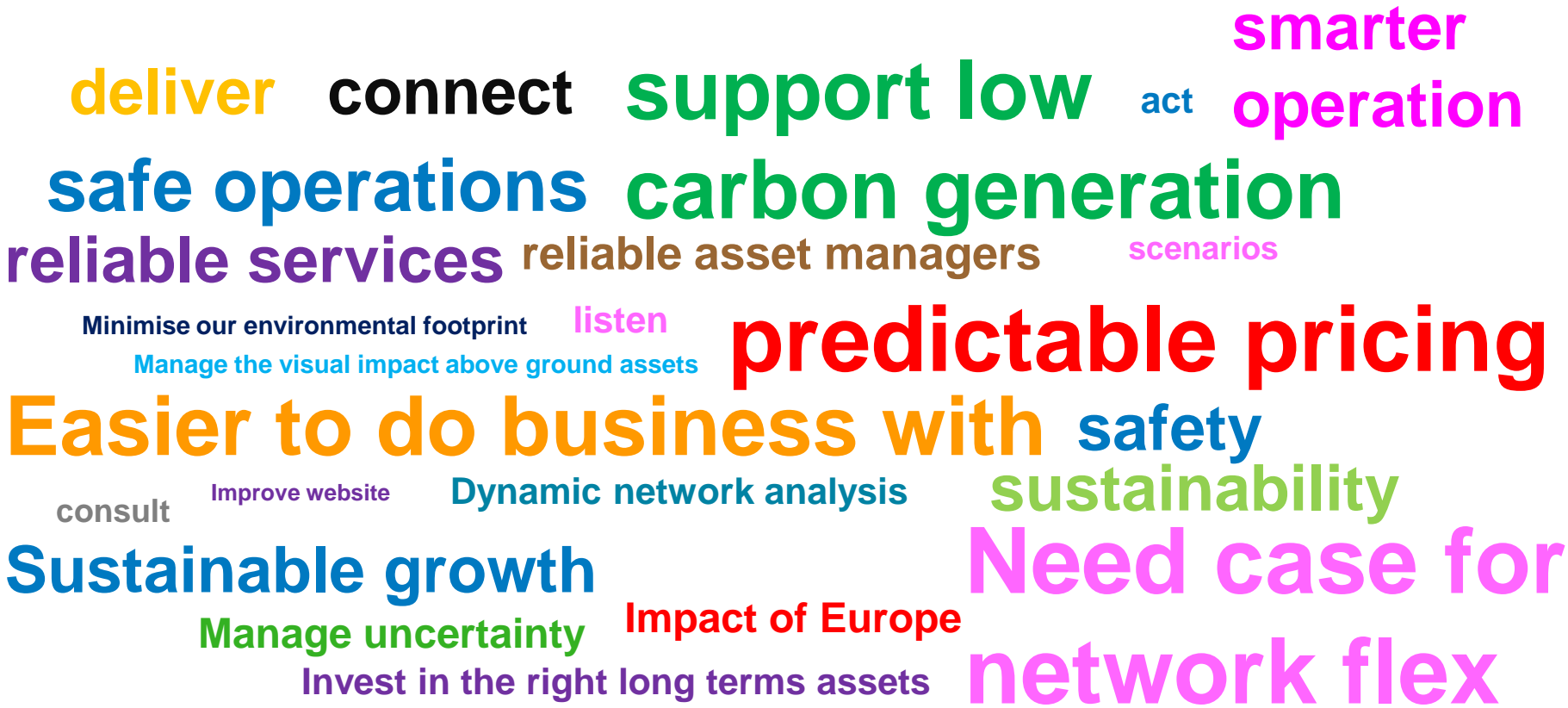
Workshops focussed on the RIIO outputs



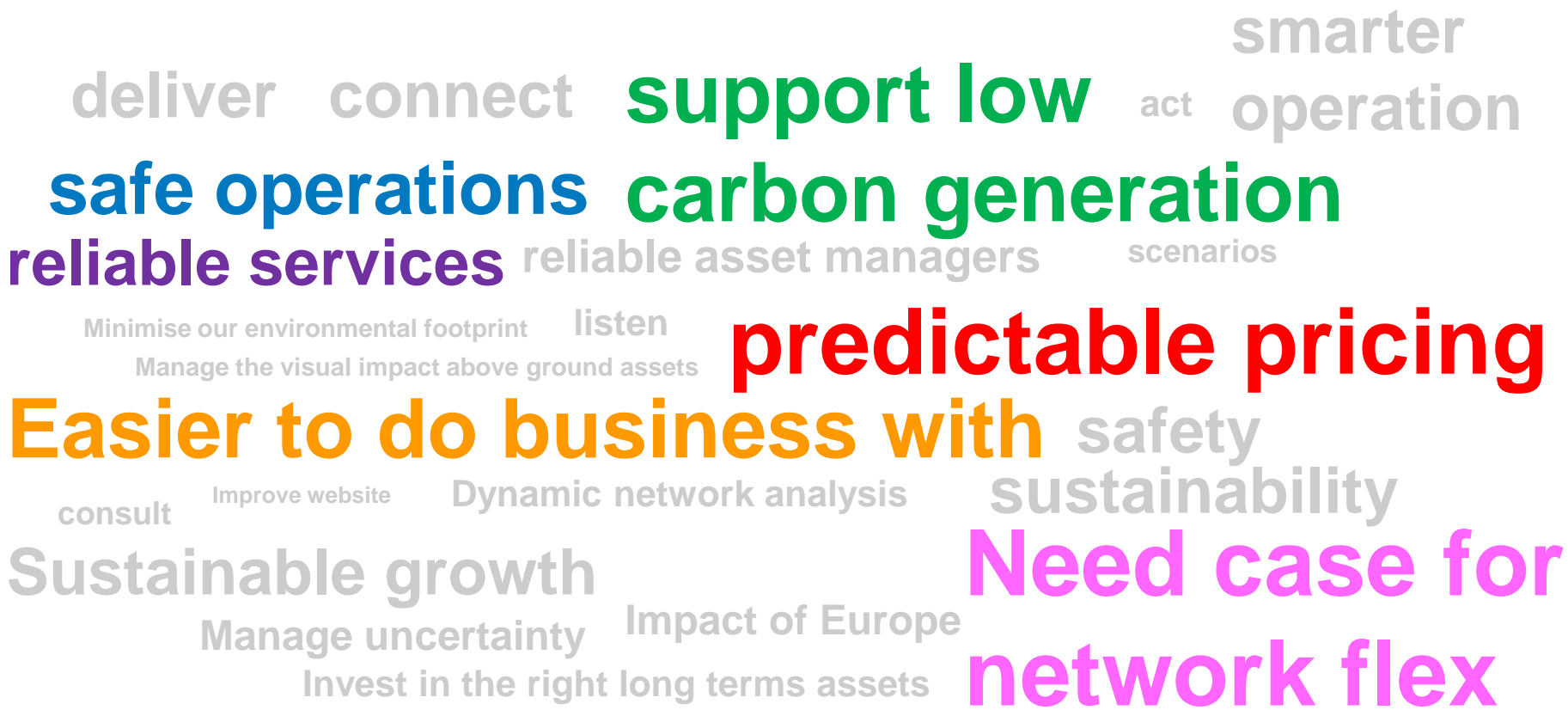
Providing tools to stimulate discussion: e.g. ESI



What you have told us: gas

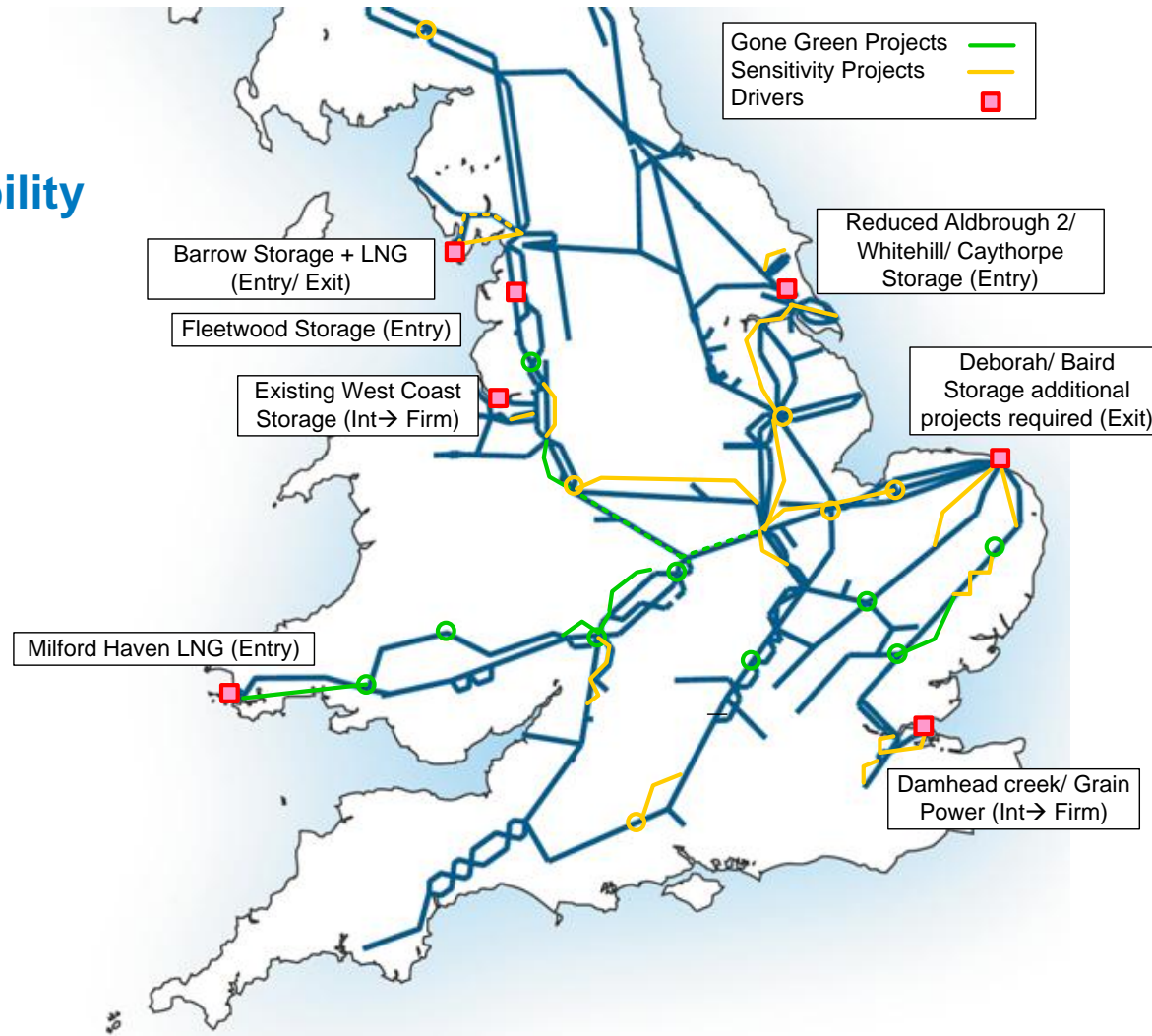


What you have told us: gas

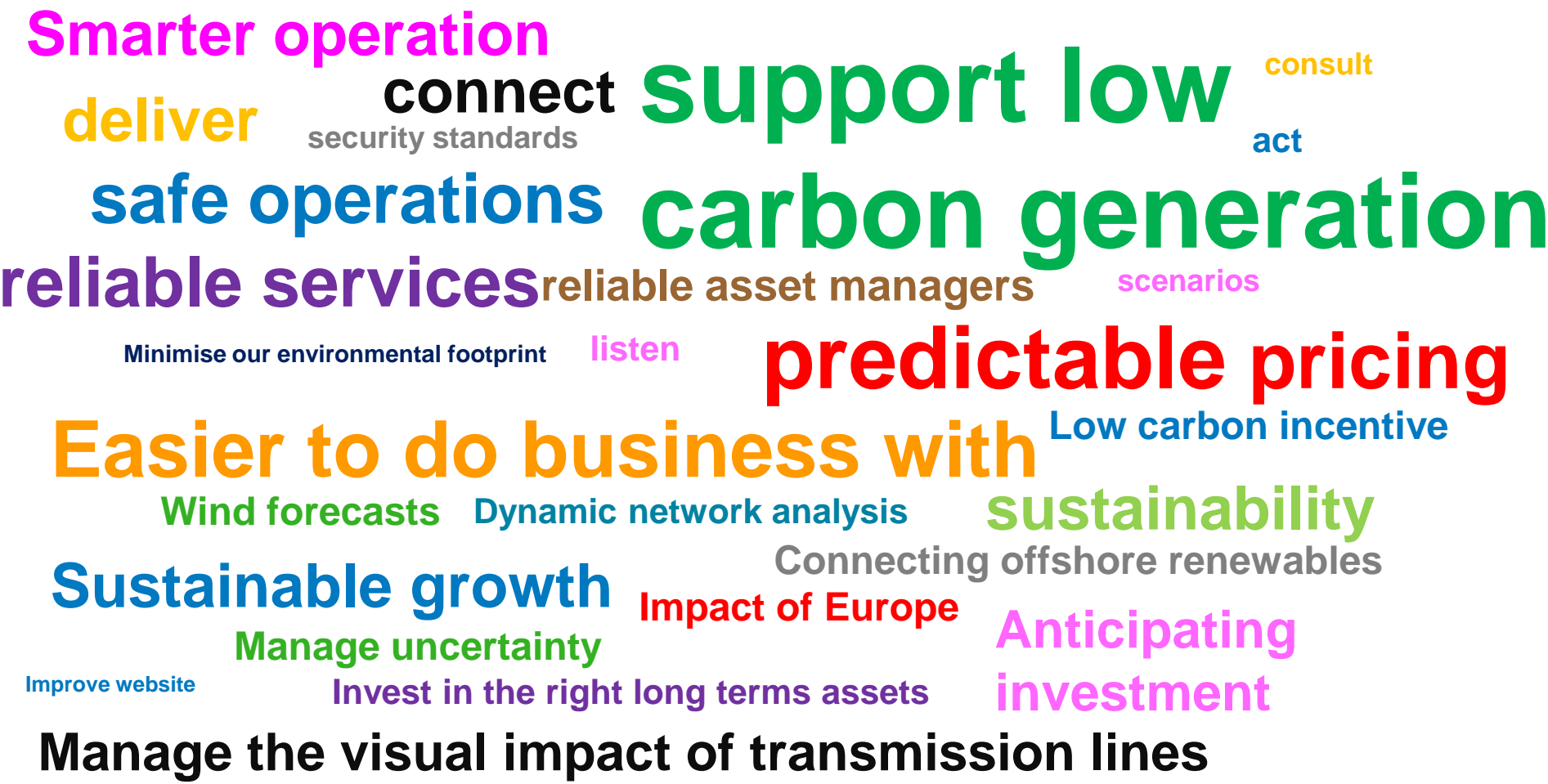


Major areas of investment to deliver outputs

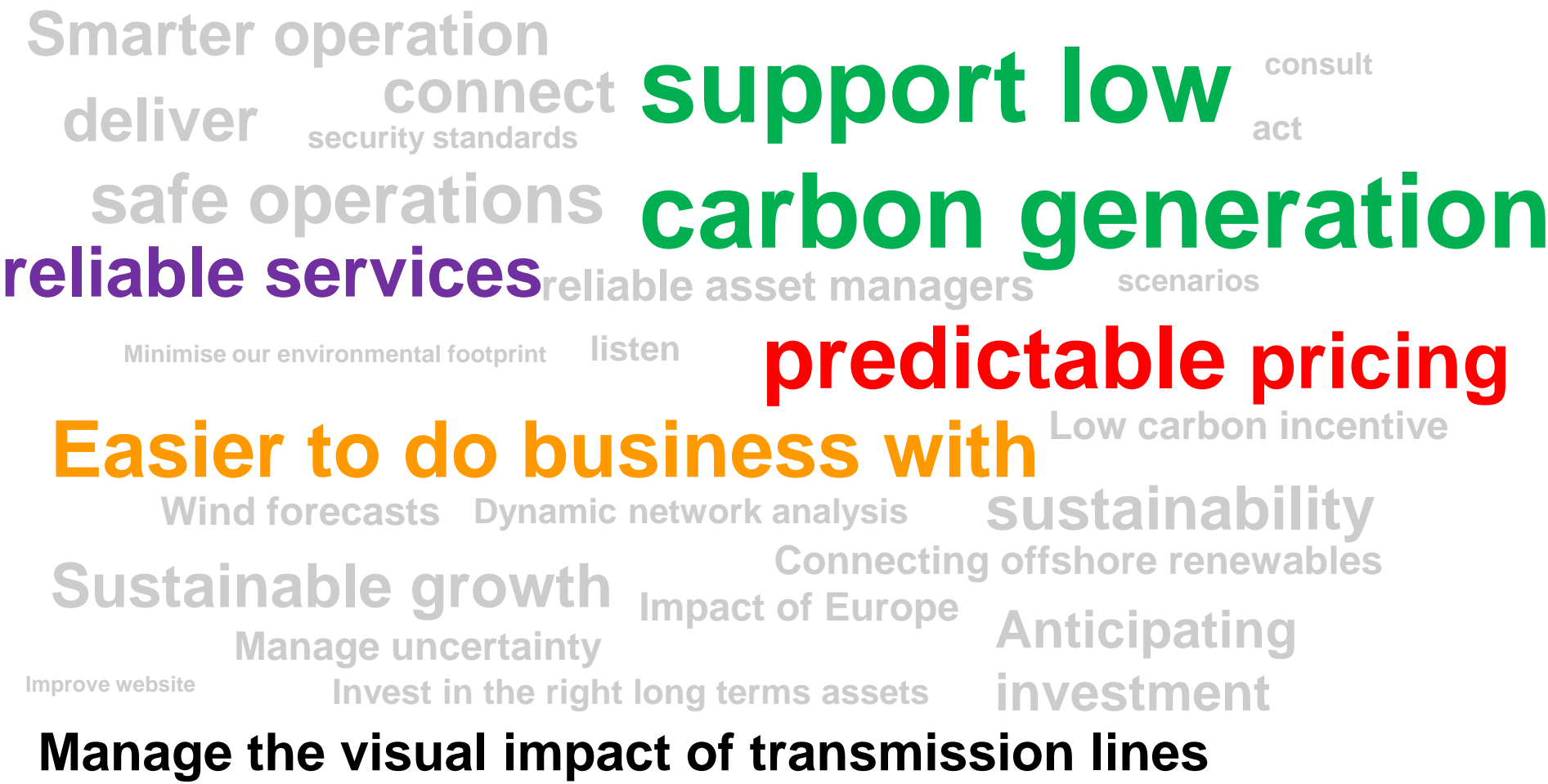
**Plus:
Network flexibility**



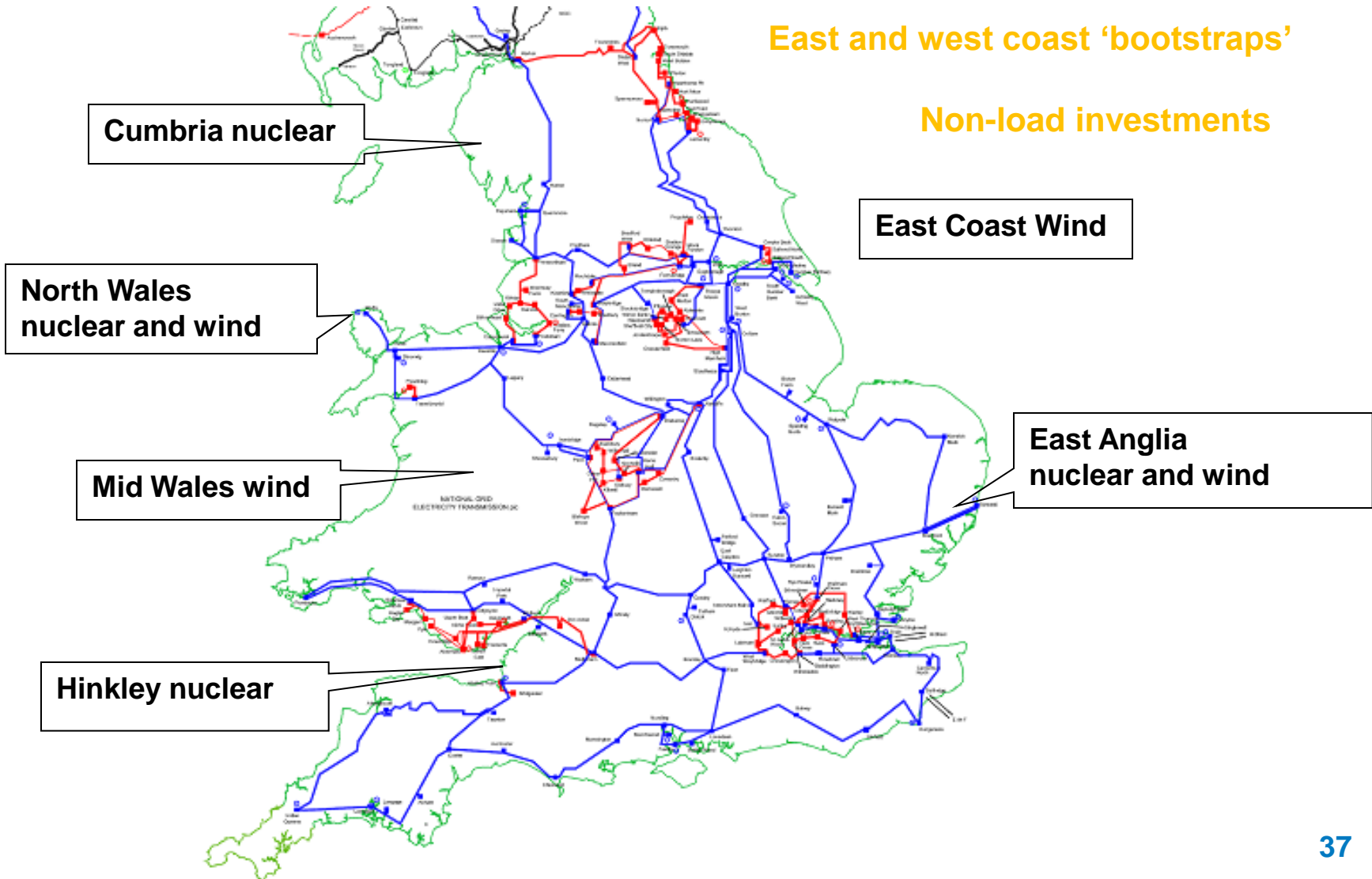
What you have told us: electricity



What you have told us: electricity



Major areas of investment to deliver major connections



Next steps

Incorporating your views

- Consultation issued
- Understanding consumer views
- Ongoing engagement
- Building views into the business plan
- Publish our plans to illustrate how your views are reflected

Ongoing engagement

- Follow up sessions: autumn 11 and thereafter
- Ongoing customer programme & surveys
- **Seeking your views on how you want to be engaged**



SP Transmission

Presentation to Price Control Review Forum

24 May 2011

Stakeholder Engagement - Progress



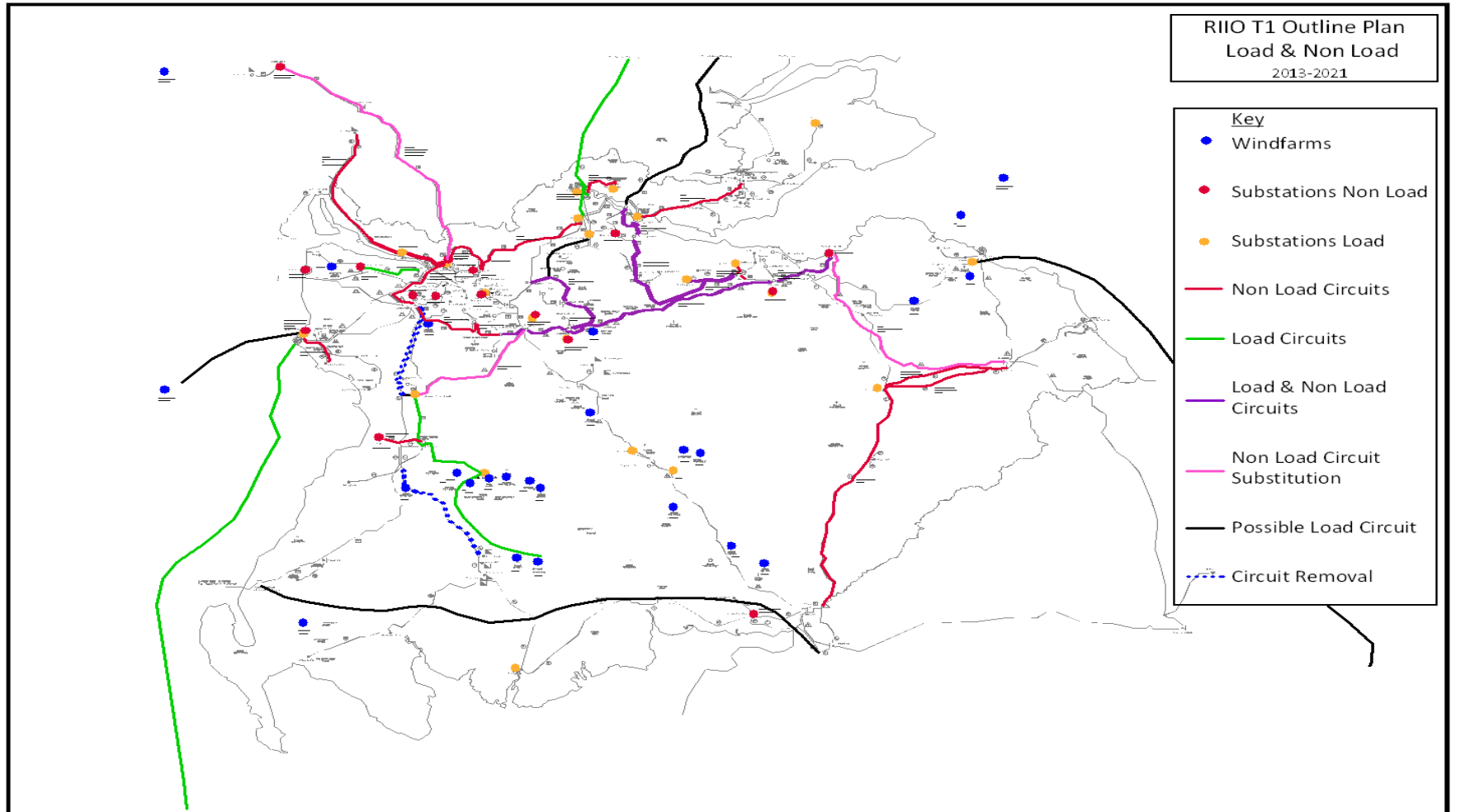
- SPT has completed the first stage of its Stakeholder Engagement for RIIO T1.
- The main messages from our stakeholders are:
 - maintaining the current levels of security of supply is very important ,
 - the connections process from application through to completing a new or modified connection is too complicated
 - recognition of the challenges faced in transitioning to a low carbon economy including:
 - the need for wider system reinforcements
 - the challenging supplier market
 - the difficulties with the consenting regime across GB.

Stakeholder Engagement – Next Steps



- A further stakeholder workshop has been arranged for 7 June,
- Meetings are being held with key stakeholders,
- Our July RIIO T1 business plan will reflect stakeholder feedback
- We will work closely with National Grid, SHETL and Ofgem on the development of an appropriate customer survey, and
- Working within our business, we will ensure that stakeholder engagement is ongoing and effective.

Development of SPT Business Plan



Scottish Hydro Electric Transmission Limited (SHETL)

Aileen McLeod

Stakeholder Engagement Process

Step 1: Stakeholder Mapping & Consultation Planning

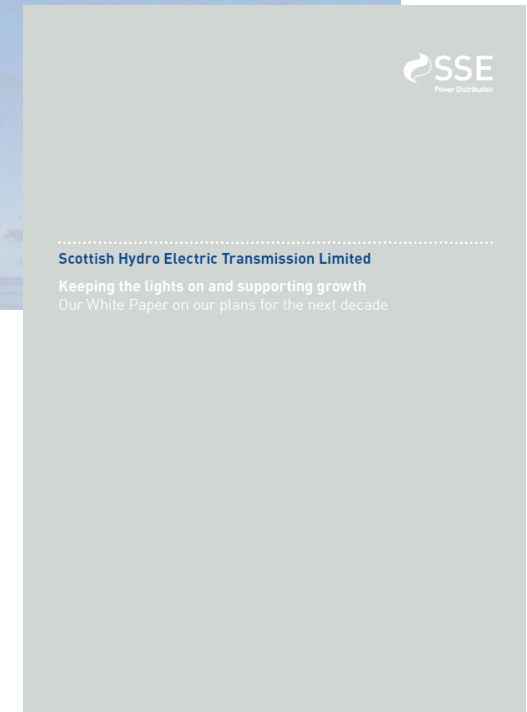
Step 2: Pre-Consultation Engagement

Step 3: Refinement of Consultation Plan and Stakeholder Map (on basis of pre-consultation)

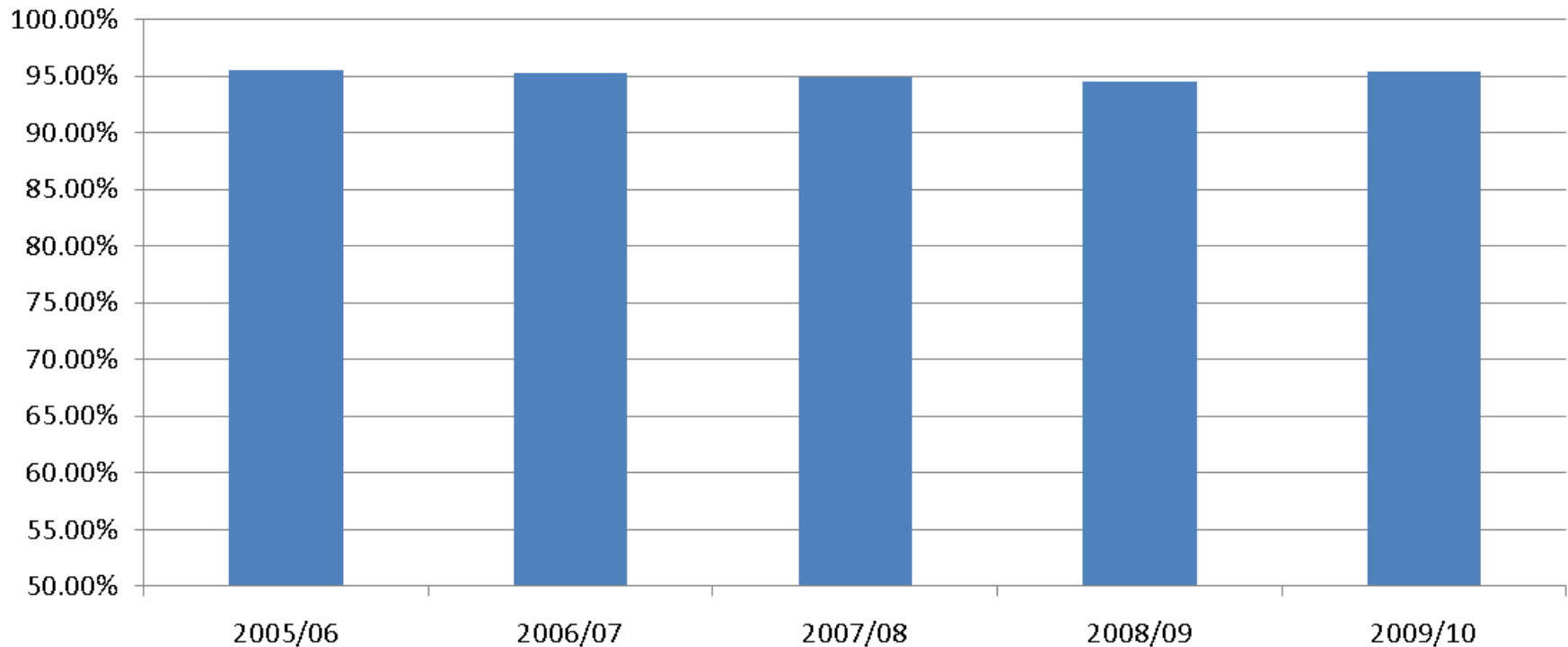
Step 4: Consultation on basis of Green Paper

Step 5: Development of White Paper informed by consultation on Green Paper:
Consultation on basis of White Paper

Step 6: Using consultation feedback to inform completion of Business Plan
(and ongoing future consultation planning)

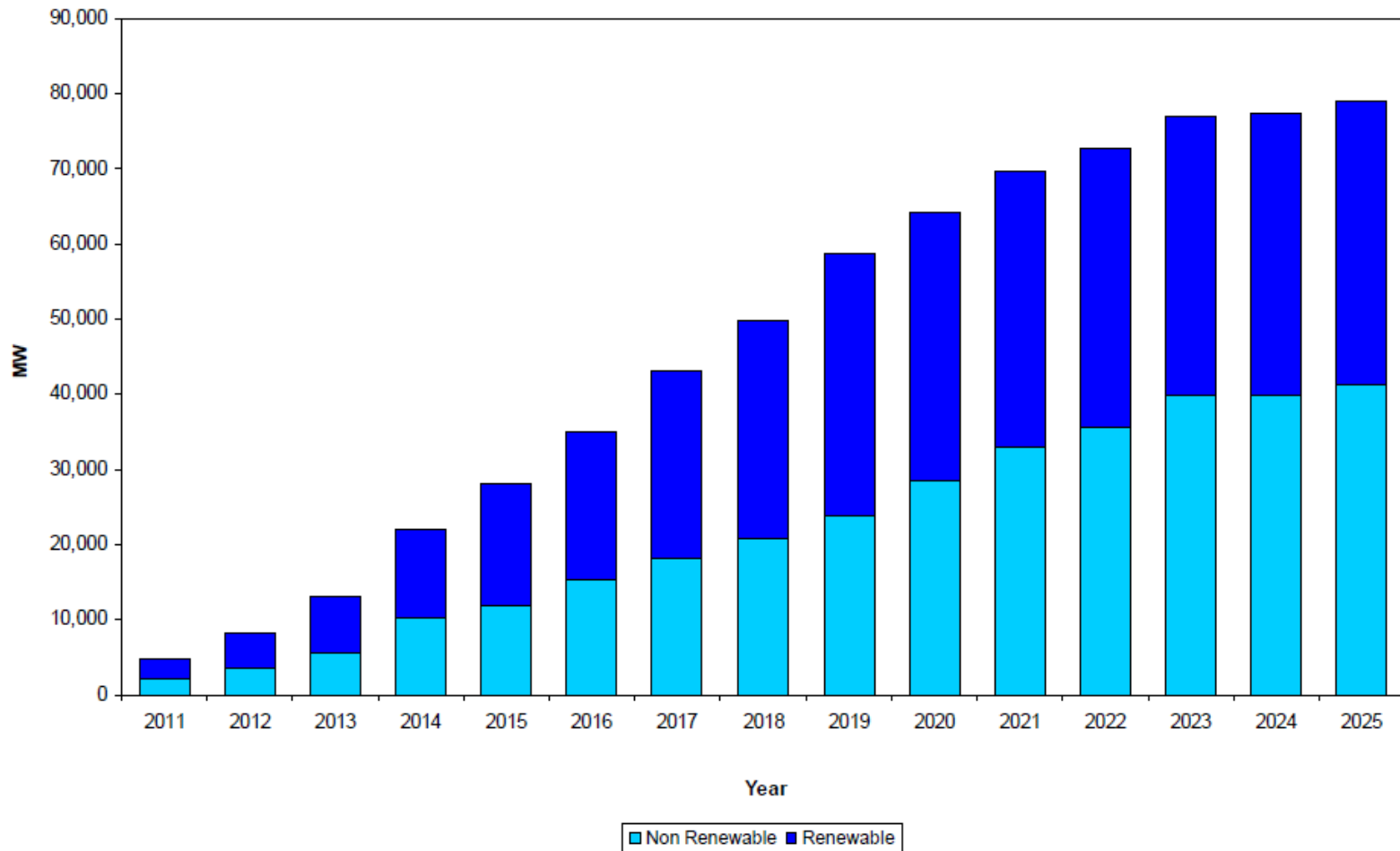


% Annual GB transmission availability



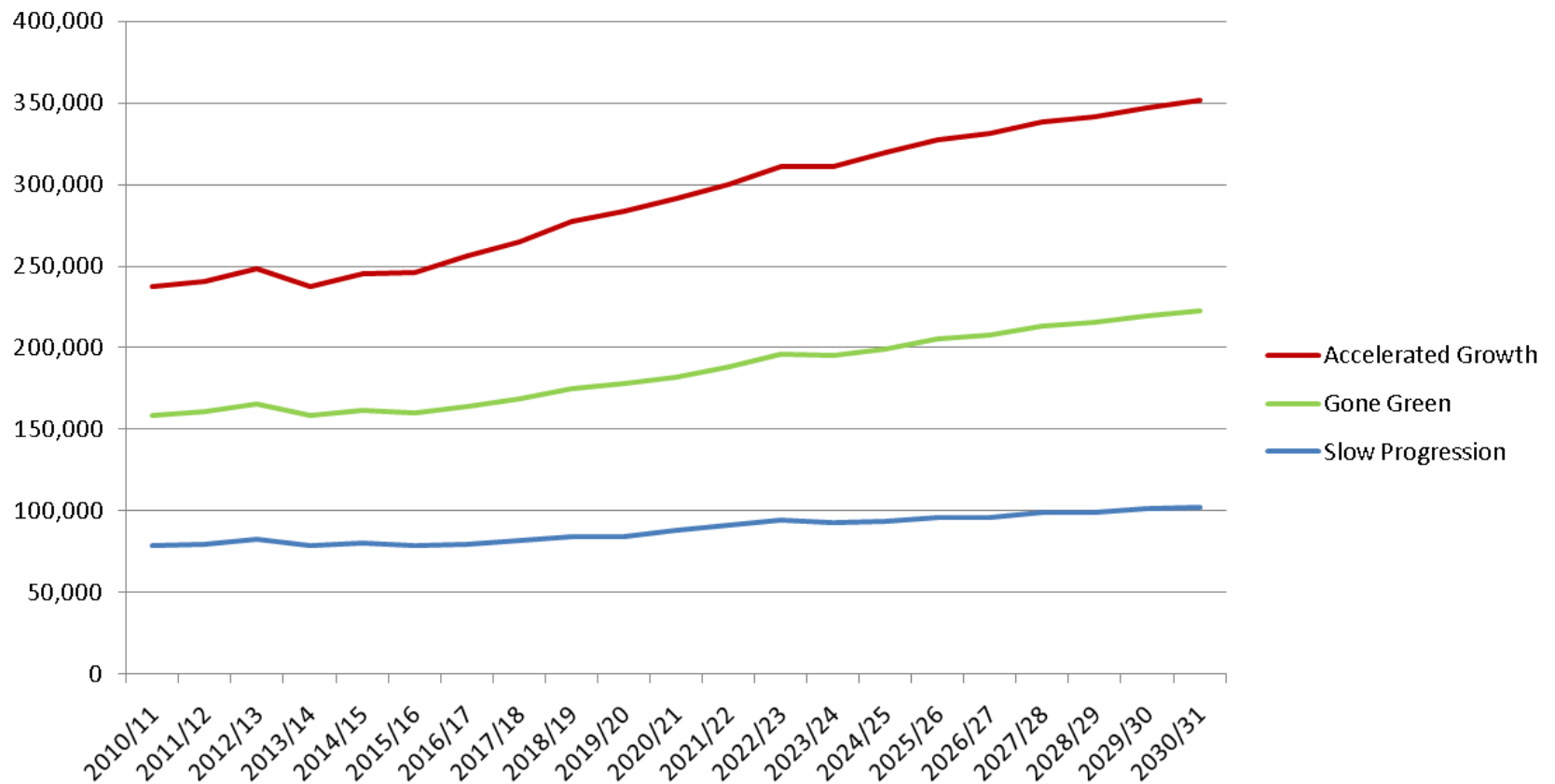
Source: National Electricity Transmission System Performance Report, 2009-2010

New generation (cumulative) expected to connect by 2025 in GB



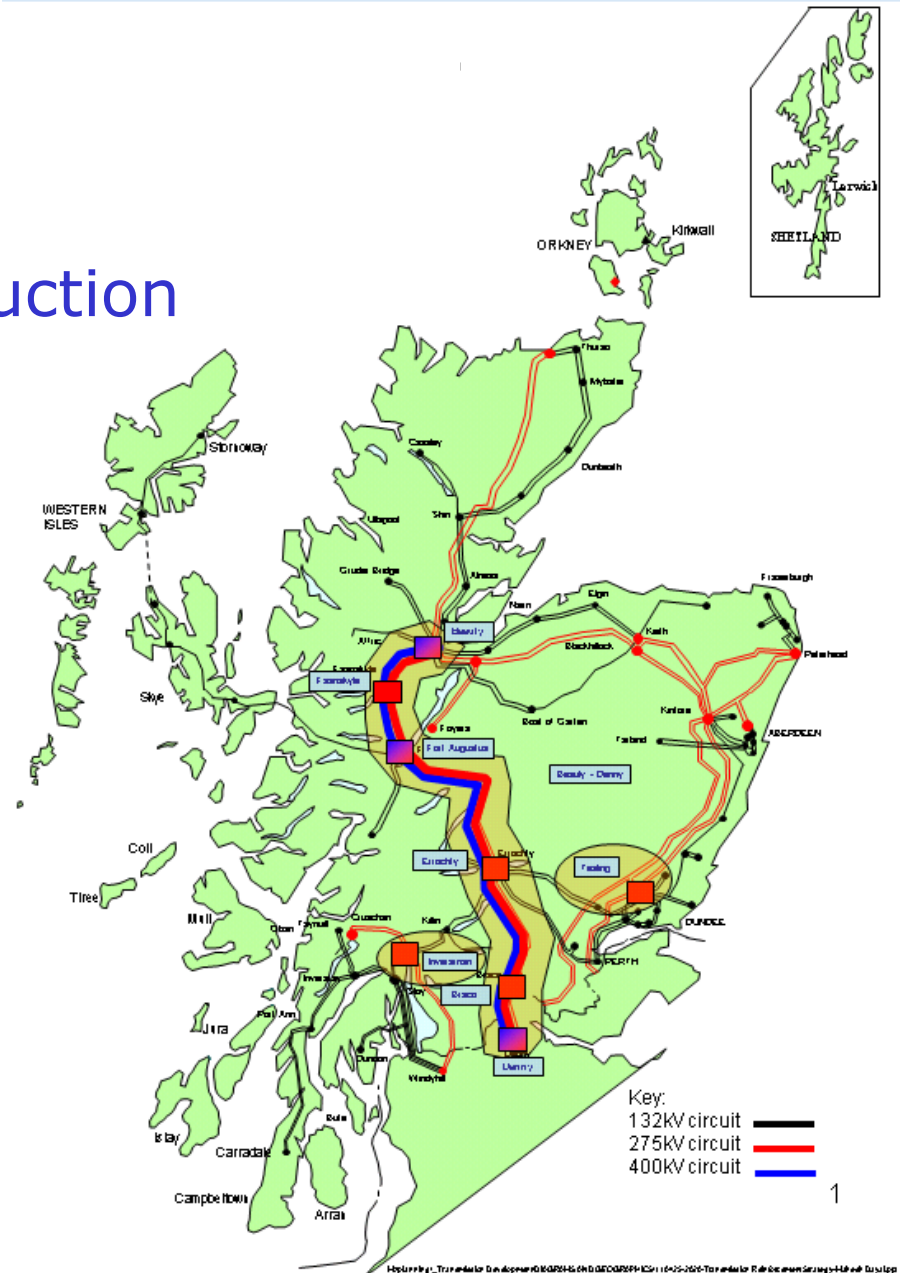
Source: National Grid's Transmission Networks Quarterly Connections Update, April 2011

Industry derived scenarios of GB 'green' generation connection



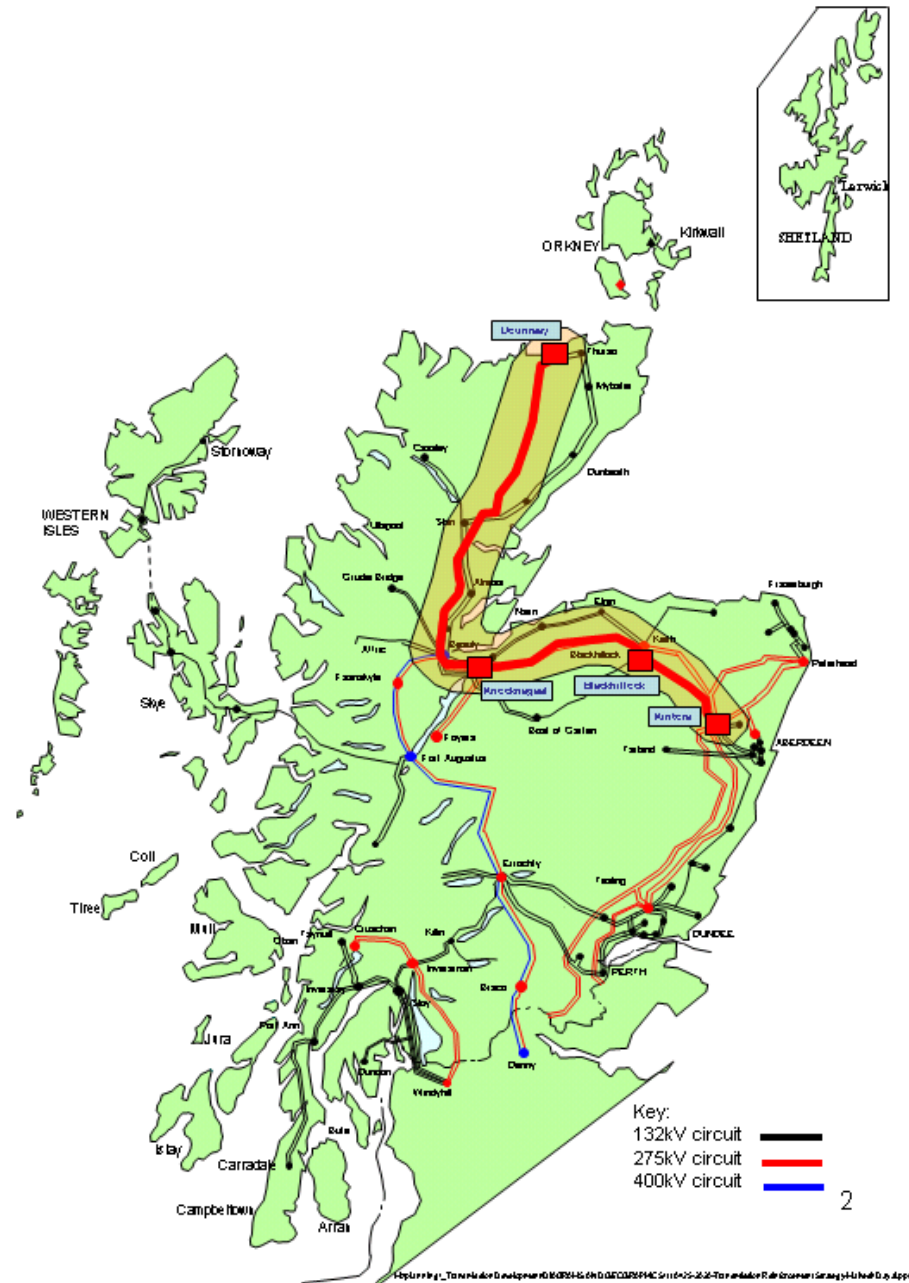
'TIRG' Projects

Complete or in construction
£570 million



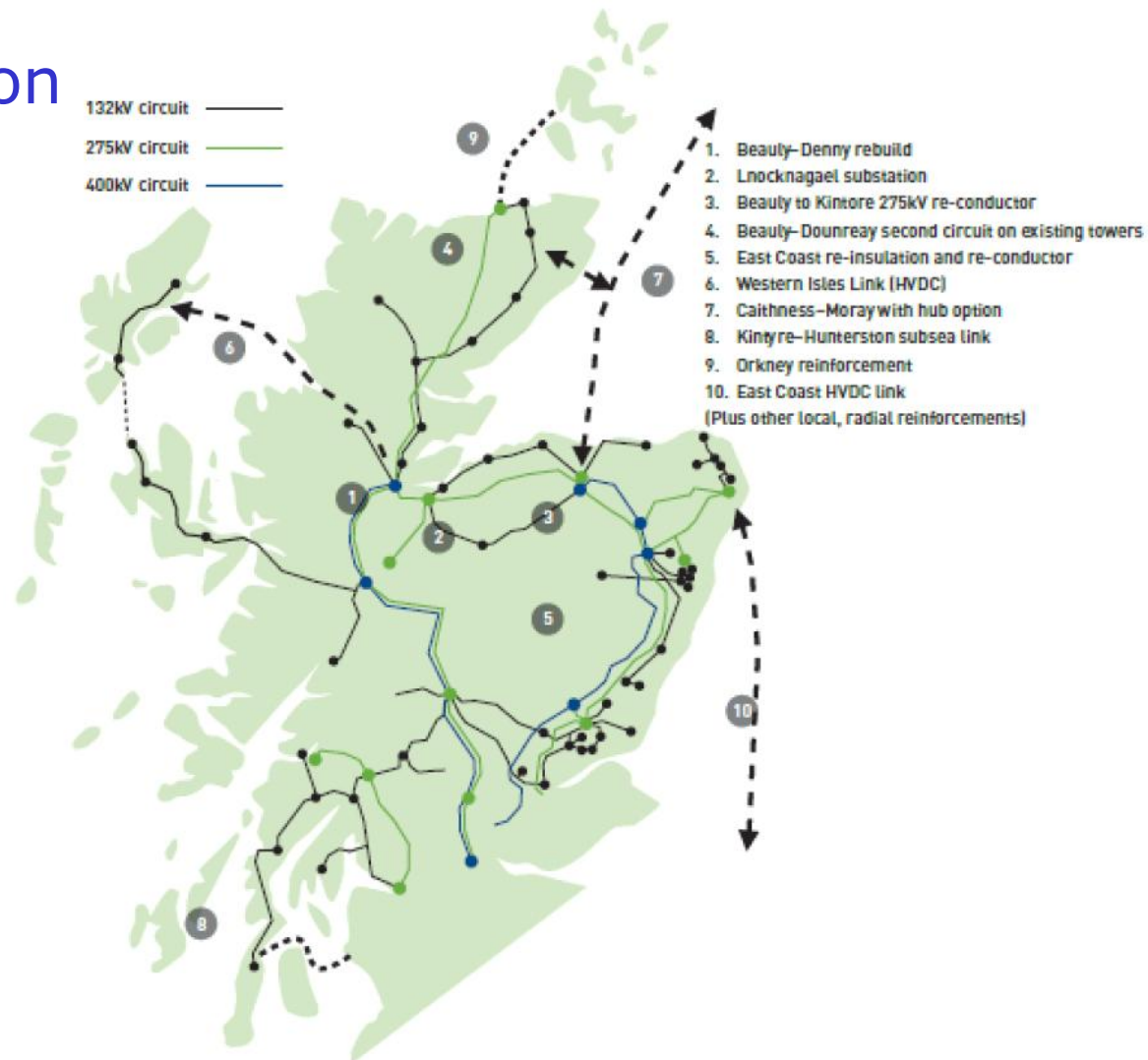
'TII capex' Projects

In construction
£200 million



Potential RII0-T1 Projects

In pre-construction
£2-5 billion



Session 5: Visual amenity – RIIO-T1 update

Visual amenity (1)

- Ofgem's principal objective to protect the interests of existing and future consumers
- Duties also relevant to this issue include:
 - to contribute to achievement of sustainable development
 - to preserve amenity of national parks (NP), areas of outstanding natural beauty (AONB), and biodiversity
 - to protect consumer interest including security of supply and carbon emissions reduction

Visual amenity (2)

March 2011: RIIO-T1 Strategy Decision Document

- Existing infrastructure: allowance based on customer willingness to pay to address impacts in NP and AONB
- New infrastructure: continue to consider funding requests on case by case basis to facilitate timely delivery of critical infrastructure
 - Additional guidance on what's required in well-justified business plans on this issue
 - onus on companies to demonstrate needs case for higher levels of funding