

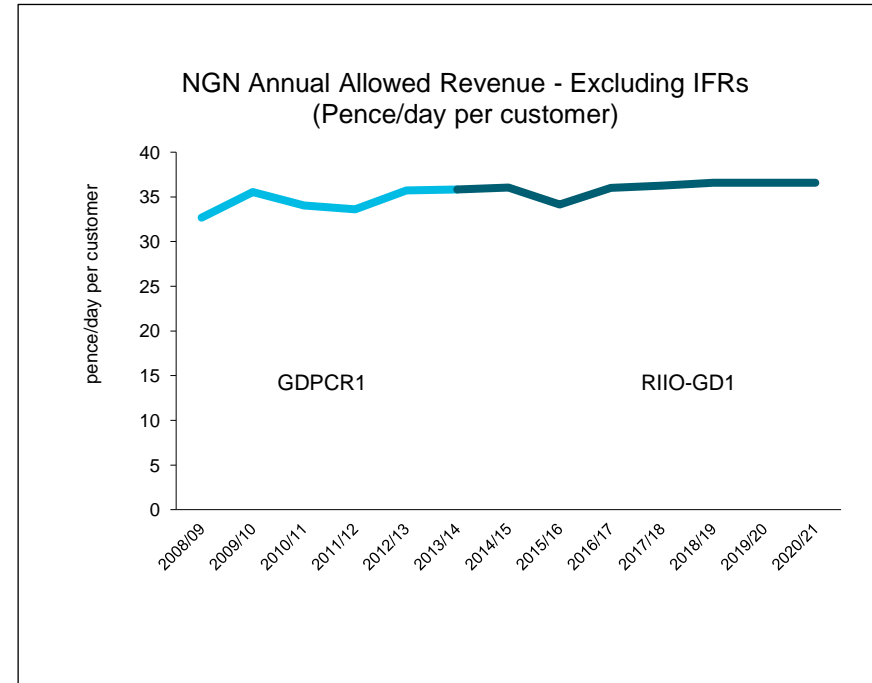
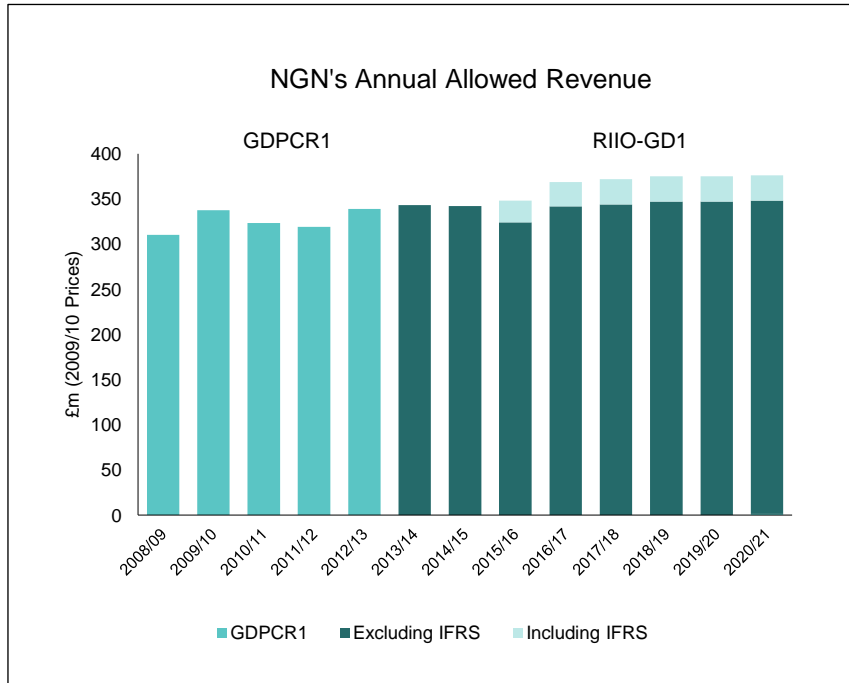
RIO-GD1

Price Control Review Forum

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Regulation Director
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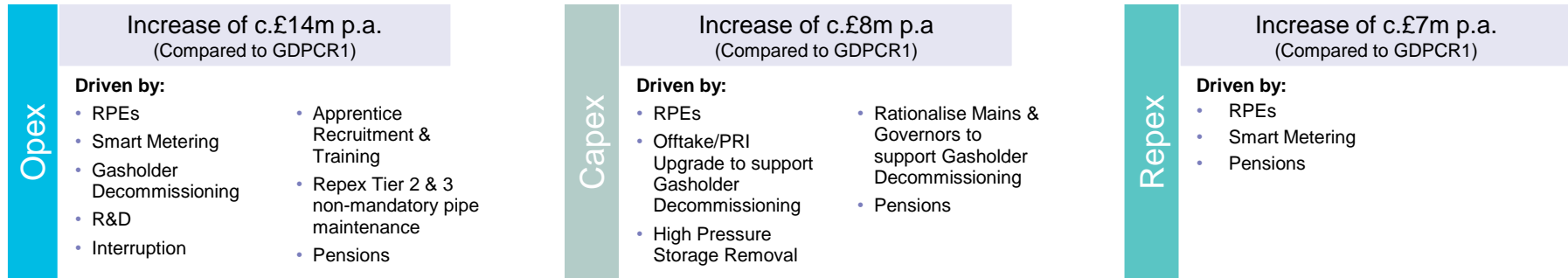
NGN's average allowed revenue requirement for RIIO-GD1 is £342 per annum



- Average revenue of £342m p.a – includes all forecast expenditure items in our business plan (e.g. RPEs & Smart Metering)
- An average increase of £1 on the customers' annual bill over RIIO-GD1 period. Taking the average annual customer bill from £130 to £131 on a like-for-like basis
- Financial strategy & revenue profile designed to address short and long term impact upon customer bills



NGN plan contains efficient levels of investment required to meet future challenges



RIIO-GD1 Investment Plans

- Total Network Investment over RIIO-GD1 is forecast to be c.£1.15bn (£144m p.a. in 2009/10 prices)
- Focussed clearly on delivery of outputs:
 - Maintaining Security of Supply
 - Improving Asset Health & Network Reliability
 - Reducing Environmental Emissions (21% reduction)
 - More Fuel Poor Connections
 - Reduced repairs (2% pa reduction)
 - 3% more risk removed than under previous repex methodology
 - Improved Customer Service
- Trade-offs between investment options fully considered including opex based solutions where appropriate e.g. interruption and reinforcement
- Interaction with NTS to determine minimum investment plan options across Transmission & Distribution
- Embracing new 3-tier approach – reduced expenditure by c.£35m pa compared to previous methodology
- Non-Mandatory investment only included where supported by positive CBA based on conservative 16 year payback period



Future Role for Gas & Expenditure Requirements

- There is significant uncertainty around future of gas in UK energy mix. However, Gas is likely to be a key transition fuel to a low carbon economy and has a significant role to play in future energy portfolio.
- Gas network must maintain its capability in medium term and ability to deliver longer term value within the low carbon future.
- However, appropriate to ensure that investment plans fully consider this uncertainty. NGN have sought to address this uncertainty in key areas of its Business Plan:
 - Use of CBA modelling with appropriate payback periods that minimises investment with long term returns
 - Identifying solutions that extend the life of current assets
 - Where appropriate identifying non-asset based solutions that provide both greater flexibility and lower long term costs for customers e.g. the use of commercial interruption contracts to address capacity constraints instead of network reinforcement expenditure
 - Financing/Transitional arrangements that avoid deferring the financing of increasing Regulatory Asset Value (RAV) into future periods – minimising requirement for significant increase in charges in future periods.

Social Outputs

Carbon Monoxide:

- Following successful completion of a trial NGN will be issuing new gascoseekers to all emergency staff with the capability of measuring not just the levels of natural gas (methane) but also carbon monoxide (CO) and oxygen content.
- At every reported gas escape (c.120k per year) carbon monoxide readings will be taken and recorded.
- Where CO is detected advice will be provided to the customer.
- Follow up calls will be made to all households where CO is detected to monitor the action taken.
- Some marginal increases in the time emergency staff spend on site particularly where carbon monoxide is detected but this will be absorbed through productivity improvements and no additional operating costs have been included in our business plan.
- Alongside ongoing targeted CO awareness & safety campaign

Fuel Poor:

- NGN region having highest levels of fuel poverty in England
- Current economic climate leading to increasing levels of fuel poverty in our region
- Forecast to complete 12,000 additional Fuel Poor connections during RIIO-GD1 and provide assistance with in-house works.



