RIIO-GD1: Initial Proposals - Overview
Submission from London First
21 September 2012

London First is a business membership organisation with the mission to make London the best city in the world in which to do business. We represent around 200 of the capital's leading employers in key sectors such as financial and business services, property, transport and infrastructure, ICT, creative industries, hospitality and retail. In the energy sector specifically, National Grid and UK Power Networks are both members of London First.

We support the heightened emphasis placed on stakeholder engagement through the RIIO process. We have participated in National Grid's programme of London stakeholder events across their networks and have held bilateral briefings and discussions with National Grid on their proposals for gas distribution. We welcome the opportunity to now respond to Ofgem's consultation on its initial proposals for the next gas distribution price control (RIIO-GD1).

Well-functioning infrastructure networks are an essential component of London's world city status. Our members depend on reliable supplies of gas and electricity to support their businesses on a day to day basis. We therefore welcome National Grid's plans to renew and replace the gas distribution infrastructure supporting London, which in many places dates to Victorian times.

First, we support Ofgem's intention to fund the decommissioning of all gas holders over the next two price control periods. We have held specific discussions with our members in the property and development sector about gas holder decommissioning in London and there is significant appetite for the land that would thereby be freed up. Given the significant potential benefit to jobs and housing in London we would urge Ofgem and National Grid to front load the decommissioning process as much as is possible.

Second, we see that Ofgem proposes lower levels of iron mains replacement than proposed by NGGD and the other gas distribution networks. We note the uncertainties highlighted by Ofgem around the Government's future heat and energy strategies, as well as in relation to the current condition of the assets and expected deterioration rates. Overall, however, our members believe that in London the balance of risk should err in favour of there being adequate and well-maintained capacity to support growth and maintain resilient supplies - even if this means a modest cost on bills. We believe strongly that this is preferable to an approach which seeks to renew or provide additional capacity only at the moment it is needed with absolute certainty – which, if it resulted in disrupted supplies or a serious incident, could have a catastrophic impact on London's ability and reputation as a place to do business. Ofgem's final proposals must enable NGGD to deliver a coherent long-term replacement programme that will meet London's needs.

Third, we would also like to emphasise the interplay between utility networks, streetworks and road congestion in London. According to Transport for London, the Capital has around 20% of the UK's traffic congestion, costing the London economy at least £2 billion a year. Utility and Highway Authority roadworks account for 38% of the duration of the most serious and severe disruption across London, with an estimated cost to the economy of £752 million.

It is vital, therefore, that action continues to be taken to improve the planning and coordination of all roadworks and to incentivise shorter works durations, to minimise as far as possible the disruption they cause. We would urge Ofgem to ensure that wider congestion impacts are taken fully into account when considering the costs and benefits of replacing iron gas mains. Planned replacement can of course have a significant negative impact on congestion through roadworks. However, disruption from ongoing maintenance or unplanned work, caused by the failure of ageing assets, can be significant and in some instances even worse.

We support Ofgem's decision to address street works costs in London through uncertainty mechanisms. The financial costs of permitting and lane rental in London remain highly uncertain, and initial signs from all utilities suggest that they may well be higher than initial TfL estimates. We therefore welcome Ofgem's proposals for incentivising innovation and would encourage Ofgem to specifically consider whether the GDN's could be allowed additional funding to stimulate innovation in the way streetworks are planned, managed, mitigated and communicated so as to bring down costs overall in the medium term.