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Our Reference NG/LAD

Dear Maire,

**Discussion paper: Strengthening strategic and sustainability considerations in Ofgem decision making**

Given our system operator and network asset developer roles, National Grid finds the discussion paper timely and helpful. In particular, as we gear up to perform our EMR delivery duties and extend the scope of our system operator analyses, this transparency in how Ofgem will assess impacts will help us ensure that we provide information in the most useable form and design development options which span identified issues with a sufficient diversity of approach.

At present, and as part of documenting all aspects of our RIIO plan, we are finalizing our network development policy. In its implementation we intend to further develop the approach we followed in our RIIO stakeholder engagement which sought to provide a transparent presentation of cost-benefit information in a manner which encourages stakeholder participation and a discussion wherever possible in quantitative terms. We propose to continue to base our assessments on scenarios developed in public consultations with the assessment of implications facilitated by providing public domain simulation models illustrating how the scenarios would be operated at least cost (and thereby calculating the marginal costs associated with such operation). By this means, we hope to continue the success we have had in encouraging stakeholders to share their own scenarios, sensitivities and development proposals as well as rigorously scrutinizing and critiquing ours.

We intend to use this framework to identify key drivers of national and regional network development, develop a diverse range of potential network responses and establish quantified cost-benefit analyses suitable for present value optimization, least regret selection and identification of strategic pathways. We are ensuring that this framework will be consistent with the guidance recently provided by the joint regulation task force on discount rates and will permit explicit treatment of option values as recently illustrated by Ofgem.

Inevitably much of our attention will be focused on immediate development decisions and short-term issues but we are encouraged by Ofgem's framework that there will be a demand to extend thinking into the mid and longer-term aspects.

Ofgem's proposals offer a consistent and clear assessment framework in which to cover all relevant issues. We are reassured by Ofgem's approach to discussing the framework that it will not just become a filter for removing unwanted options but rather will encourage ideas and their development in to practical and realizable solutions. To this end we look forward to the framework helping with the planning of demonstrations and the establishment of the necessary supply chain capabilities.

To see how the framework will work in practice, we are keen to hear more on how it is intended to interact with the processes and assessments led by other policy makers.

Yours sincerely,

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