

Andrew Wright  
Chief Executive  
Ofgem  
9 Millbank  
London  
SW1P 3GE

| August 2012

Dear

A handwritten signature in blue ink that reads "Andrew".

### **London Power Networks Business plan (2015 to 2023)**

I am writing with regard to UK Power Networks' business plan for central London for the next electricity distribution price control (RIIO-ED1). The views set out below are informed by extensive discussions with our members, who comprise many of the capital's leading employers in key sectors such as financial and business services, property and development, infrastructure, ICT, creative industries, hospitality and retail. In the energy sector, UK Power Networks and National Grid are both members of London First.

Secure and sustainable power supplies are essential to London's continued competitiveness. The Greater London Authority (GLA) estimates that by 2032, Central London will benefit from around 20% growth in employment and will require up to 3 million square metres of new office floor space – the equivalent of 27 buildings the size of The Shard. Having the right power infrastructure is a prerequisite for such growth, as well as for the continued success of large and small businesses right across London.

Over recent years, our members have reported a number of concerns relating to power supplies in central London. These have focused in particular on the challenges experienced in securing an electricity connection for new developments in London's Central Activities Zone. The fundamental problem is the highly utilised nature of the London network, together with the lack of incentives for investment ahead of direct need to anticipate future electricity demand.

We firmly believe that a combination of forecast demand growth, current asset utilisation and the value of lost load in central London provide a strong justification for additional investment in network infrastructure. We therefore strongly support UKPN's proposed additional investment of £100 million in new substations to reduce network utilisation. We are however extremely disappointed that the £100m figure has been reduced from the original £170 million programme proposed in UKPN's draft business plan so as to comply with the existing regulatory framework. We would be extremely concerned should the proposed investment programme be subject to further downward revision from Ofgem.

We recognise the complexities around changing the regulatory framework, but will continue to make the case for longer term reform to encourage and enable additional investment to take place. As you and your colleagues will know, we have engaged in extensive discussions about these issues with both UKPN and Ofgem, as well as with other stakeholders including the GLA, City Corporation and Westminster Council. We welcome UKPN's commitment to continue engaging with stakeholders like ourselves, the GLA and the City and to publish an Annual Strategic Development Statement so that London's investment needs can be monitored.

We also strongly support the proposed £40 million of investment to improve network resilience and performance, including greater automation in the West End. This is particularly important in central London, given the likely value of lost load to a range of businesses, from banks and offices to restaurants and theatres. We similarly welcome the proposed additional investment in two new central London operational depots and a 24 hour manned fault response service to improve UKPN's operational response to faults in central London by addressing some of the unique and challenging features of operating in such a dense and constrained urban area.

We also welcome:

- the proposed cost reductions, which translate into a price cut for customers – though note that for many of our large business members adequate capacity and resilience are more important than lowest possible cost; and
- the proposed customer service and output commitments, which should further build on the perceptible improvements to service quality that our members have experienced over the past three years.

Acknowledging the current regulatory constraints, we therefore support UKPN's business plan and encourage Ofgem to now agree to it being fast-tracked so that these essential investments and commitments for London business customers can be swiftly realised.

We would of course be happy to discuss any of this further. I am copying this letter to Hannah Nixon and Anna Rossington at Ofgem, and to Sir Edward Lister, Chief of Staff to the Mayor of London.

Yours sincerely

A handwritten signature in blue ink that reads "Baroness Valentine".

**Baroness Valentine**  
**Chief Executive**