



# UKPN RIIO-ED1 business plan summary

30 July 2013



**UTILITY OF  
THE YEAR**



# Our track record – transformed performance

- Since we became UKPN we have:
  - Reduced customer interruptions & customer minutes lost by 30% & 42%
  - Improved our average customer service scores by 0.50 (7.13 to 7.63 out of 10)
  - Invested £44 million in innovation projects, more than any other DNO group
  - Cut our costs, whilst delivering our DPCR5 output commitments ahead of plan, so that we are on track to deliver £200 million of cost savings
  - Reduced our business carbon footprint by 25 per cent
  - Connected more than 4,300 MW of new customers
  - Successfully delivered the power to major events including the London Olympic and Paralympic Games, a Royal Wedding and the Golden Jubilee – challenges faced by no other DNO group

# UKPN is now the most reliable, most innovative, lowest price network group

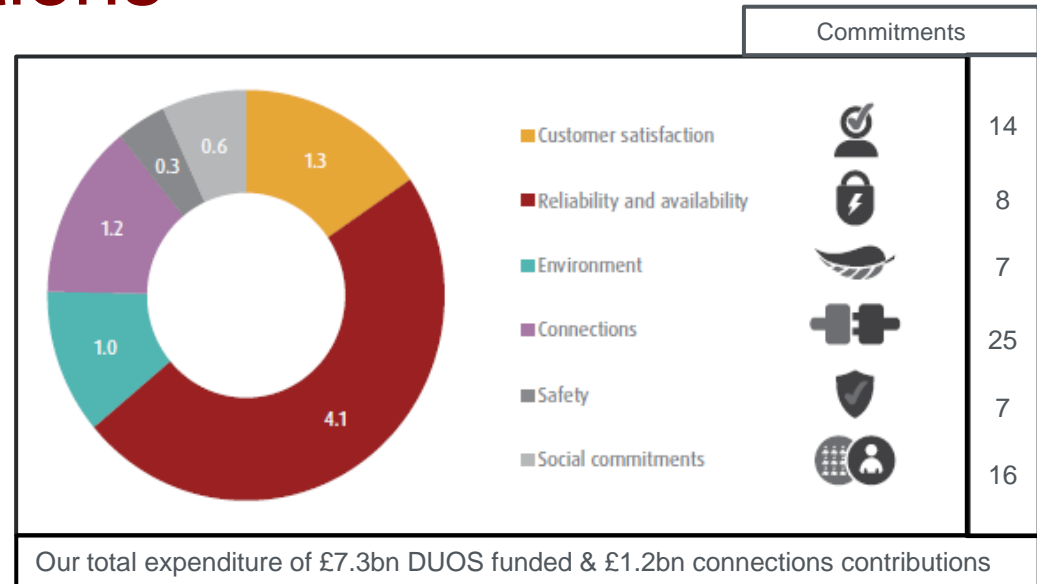
Group	Average customer minutes lost			Average revenues per domestic customer			Innovation funding	
	CML 11/12	CML 22/23	Rank DR5	£ p.a. 12/13	£ p.a. 22/23	Rank DR5	£ million	Rank
UKPN	40.5	33	1	82	84	1	44	1
WPD	41.7	38	2	105	102	3	39	2
SP	46.0	39	3	111	101	5	11	6
ENW	47.6	38	4	108	81	4	16	5
NPG	66.5	49	5	92	85	2	27	4
SSE	68.7	55	6	124	123	6	27	3

We could not have said this three years ago

# 77 outputs: specific, measurable and meeting stakeholder expectations

## Customer service & social commitments

- 8.3 average BMoCS score, 8.1 LPN
- Provide multiple customer channels
- Contact all customers within 24 hours of work completion
- Answer calls in less than five seconds
- Resolve 70% of complaints within one day and 95% in 31 days
- Continue with our critical friends panels
- Improved vulnerable customers services – welcome pack, phone number & proactively contact during power cut
- Extend our local authority joint response trial
- Top 100 companies for employee engagement



## Safety and environment

- Reduce our TRI rate to less than 0.5 per 100k hours
- Reduce our LTRI rate to less than 0.05 per 100k hours
- One year with no RIDDOR incidents to employees/members of the public
- Engage with 2m children and members of the public on safety
- Reduce carbon footprint by 2% p.a.
- Underground 176km of overhead lines

## Reliability & availability

- Reduce customer minutes lost by 19% (EPN & SPN) and 8% (LPN)
- Maintain network health at least at end DPCR5 levels
- Reduce heavily loaded sites (LI4&5) to 21 (EPN), 12 (LPN), 16 (SPN)
- 90% of customers restored with two hours of an HV fault
- 30% fewer 12 hour failures
- Protect 78 sites from flooding

## Connections

- AT2Q of 8.2 days (single), 11.7 days (multiple)
- AT2C of 42 days (single), 53 days (multiple)
- Extended call centre hours, 2 hour appointment bands
- More public information: ask the expert, heat maps, cable diagrams
- Service development plan for major customers, reported on annually
- FPP-style flexible connections offers as BAU
- Supporting competition: convertible quotes, POC self-determination
- End to end online service request

# £135m of innovation savings



Comprehensive innovation strategy with specific supporting annexes

£50m business transformation programme

- Updated processes, systems and data integration
- Specific focus on customer service

We have identified £135m of smart benefits net of costs in RIIO-ED1 plus £16m from smart metering

- smart grid benefits all have specific projects
- smart metering benefits have been allocated to cost activities (faults & non load capex)

Smart Grid solution (£m)	EPN	LPN	SPN	all DNOs	Running total
Benefit from existing Smart Grid network designs and practices	5	20	5	30	30
Savings in LV reinforcement compared to forecast volumes	10	15	9	34	64
Saving from Demand Side Response schemes	7.1	13.5	17.6	38.2	102.2
Savings in overhead line reinforcements	8.6	-	-	8.6	110.8
Savings from Dynamic Transformer ratings	2.7	4.9	7.1	14.7	125.5
Savings from Partial Discharge monitoring of switchgear	6.5	0.8	1.6	9.0	134.5
Sum of savings	38.1	56.5	39.6	134.2	134.5

Area	DPCR5 total (£m)	ED1 total (£m)	Comment
Investment decisions	Nil	1.5	Current projected low levels of reinforcement mean that the comparable DECC/ENA benefit cannot be fully realised.
Energisation status	Nil	11.1	We estimate that we will avoid around 11,000 visits a year by the ability to test the meter status.
Reduced fault opex	Nil	3.7	Improved fault information and incremental change to our process.
<b>Total</b>	<b>Nil</b>	<b>16.3</b>	

# Efficient and prudent expenditure, and a reduction in consumer bills

£ billion Real 2012/13 prices	DPCR5-regulatory allowance (8 year equivalent)	DPCR5 UKPN actual expenditure (8 year equivalent)	% difference	UKPN RII0-ED1 forecast	% difference between DPCR5 actual expenditure and ED1 forecast
Load related capex	1.35	1.00	-26	1.18	+18
Non load related capex	1.76	1.72	-2	2.02	+17
Network operating costs	1.27	1.40	+10	1.22	-12
Indirect costs	1.87	1.77	-5	1.75	-1
Non-operational capex	0.25	0.27	+8	0.25	-9
RPEs net of future efficiencies	-	-	-	0.03	-
Pensions ongoing costs	0.24	0.24	+1	0.29	+22
<b>Total</b>	<b>6.74</b>	<b>6.41</b>	<b>-5</b>	<b>6.75</b>	<b>+5</b>
Pension deficit	0.49	0.63	+28	0.58	-8
<b>Total incl. pensions</b>	<b>7.23</b>	<b>7.04</b>	<b>-3</b>	<b>7.33</b>	<b>+4</b>

Real 2012/13 prices	2014/15	Average RII0-ED1	% difference between end of DPCR5 and average RII0-ED1
<b>UKPN</b>			
Domestic	81.9	79.3	-3
Non-Domestic	157.4	157.5	-3

# Comprehensive disclosure of our business plan

Download our plans <http://www.ukpowernetworks.co.uk/internet/en/about-us/business-plan/>



Executive summary for our business plan



Executive summary for our South East business plan



Executive summary for our East of England business plan



Executive summary for our London business plan



Our business plan process overview



Our innovation strategy

- 3 DNOs hence 3 business plans – each DNO has its own one-page summary, executive summary, core narrative and a number of specific supporting documents
- However, where appropriate we have produced a single UKPN document, e.g. process overview, innovation strategy etc.
- Not ‘brochure-ware’ – our supporting documents were developed in the business and in many cases are routine business as usual products
- Commitment to openness - Our presumption from day one has been to publish all documents

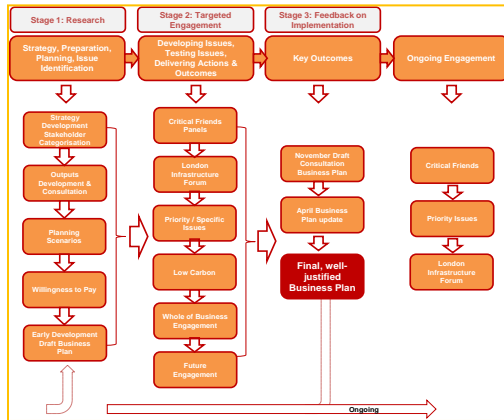
# A well justified business planning process

- Consumer priorities tested through independent qualitative & quantitative research
  1. Minimise any increase in tariffs – little support for increased core expenditure
  2. Improved focus on vulnerable and fuel poor customers
  3. Investment in technologies to detect loss of supply from individual premises
  4. Investment in infrastructure to support low carbon electric heating technologies
  5. Investment in technologies to allow cheaper & quicker connection of low carbon generators
  6. New connections work to be undertaken outside normal business hours – evenings and weekends – shareholder funded
  7. Non-core expenditure programmes have been tested through willingness to pay surveys and cost benefit analysis where appropriate
- Two and half year planning process supported by full assurance programme
  - full board and executive sign off of the plan
  - business plan has been developed in house by the relevant business leads
  - we have had expert panel reviews of the core plan and innovation strategy
  - external experts only used to either challenge ourselves or to provide external benchmarking
  - comprehensive internal and external communication programme

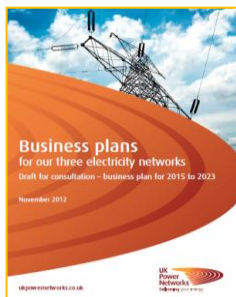




# Stakeholder feedback has influenced the plan



- Introduced additional secondary deliverables to support primary outputs (Community engagement, Fuel poverty commitment, Criticality etc)
- Refined inputs to core planning scenario (household growth, the uptake rate of heat pumps and electric vehicles)
- Refined the scope of investment required to respond to the decarbonisation of the UK economy particularly through the connection of new low carbon technologies
- Refined the scope of the DG Infrastructure investment
- Refined the scope of investment in London network to ensure comparability to other world class cities
- Further developed innovation strategy – peer panel review
- Included greater investment to improve the end-to-end customer connections process. Further improvements will be delivered as part transformation project over the next planning period
- Further reviewed and revised procurement, work delivery, training and contractor strategy
- Expanded the initiatives to support community engagement, vulnerable and fuel poor customers
- Amended the way that we will set our distribution use of system prices to reduce volatility



November 2012:  
published a detailed business plan with revenues

April 2013:  
published an updated plan post consultation with revised revenues

