

Submitted via email to :- RIIO.ED1@ofgem.gov.uk

12 May 2014

Northern Powergrid's Resubmitted Business Plan

Further to your letter of 31st March 2014, we have considered the resubmitted Northern Powergrid business plan, set out on the Company's website as 'An even stronger plan'.

As we agreed that the original business plan was well-justified and struck a good balance between stakeholders, staff and customers, we are pleased that this Plan has added additional benefits for staff. We continue to believe that the business plan is robust and offers good value to customers: we only wish to comment upon two elements of the plan:

1. Section 1.7 / Annex 1.11 – Real Price Effects
2. Section 5.4 – Innovation

Real Price Effects

As the union representing professional and managerial staff across the utilities sector, we have good quality pay data and negotiate salaries with all DNOs. Due to historical under investment in skills, there are substantial skill shortages for technical and craft staff at all levels in the sector creating significant pressure for real wage increases.

Whilst we have negotiated salary agreements with Northern Powergrid that ensure that salary increases are funded by productivity gains, it is likely that real wage growth will return to the historic position of being ahead of inflation as the economy recovers. Our extensive analysis of engineering safety data, for both DNO direct staff and contractors, also shows no significant regional impact on pay outside Greater London. Given that engineers operate in a national labour market, we expect the pay of engineers to follow national trends with no significant regional variation for the duration of the RIIO-EDI price settlement. Therefore the price settlement should not be based on an assumption that salary costs will fall or remain stable in real terms.

Innovation

We wish to echo the Company's view on the importance of innovation if the electricity distribution sector is to enable the delivery of Government policy on distributed generation, on the decarbonisation of heating and transport, the smarter Powergrid needed to deliver these objectives. There are significant benefits to stakeholders through the application of new technology to restrain generation costs during a period of rising fuel prices and to reduce network investment by making more efficient use of existing infrastructure as an alternative to higher capital investment.

We believe that the benefits of innovation justify further investment and an increase in engineering salaries to retain and develop the same engineering skills required for successful innovation.

I hope that you find these comments helpful.

Michael Macdonald
Prospect Negotiations Officer