Presentation to PCRF

RIIO-ED1 revised business plan

23 April 2014

UK Power Networks
Delivering your electricity

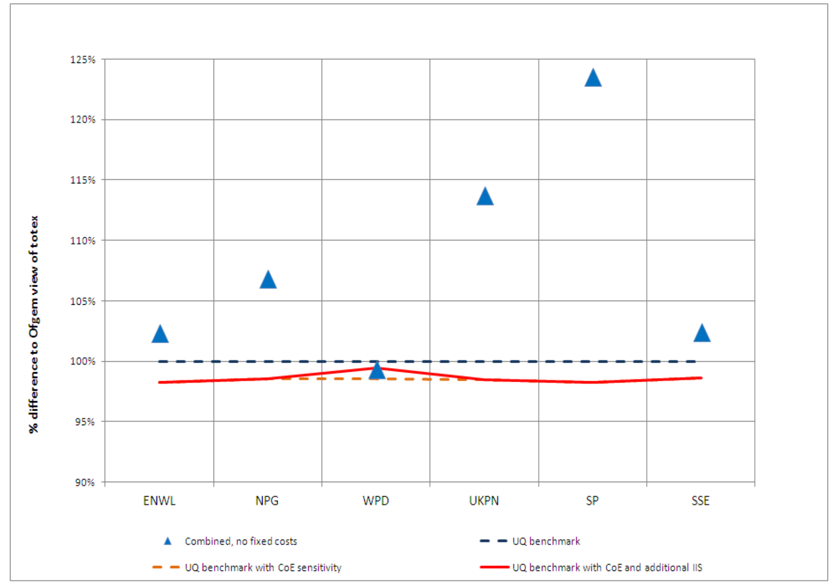
Agenda

1. Fast track assessment reminder
2. Resubmission – areas of focus
3. Summary of revised plan
4. Expenditure and cost to customers

Fast track assessment reminder

DNO Group	Licensee	Process	Outputs	Resources – efficient costs	Resources – efficient finance	Uncertainty and risk
Western Power Distribution	WMID					
	EMID					
	SWALES					
	SWEST					
Electricity North West Ltd	ENWL					
Northern Powergrid	NPgN					
	NPgY					
UK Power Networks	LPN					
	SPN					
	EPN					
SSE Power Distribution	SSEH					
	SSES					
SP Energy Networks	SPD					
	SPMW					

Source: Based on Ofgem (2013), 'Assessment of RIIO-ED1 business plans and fast-tracking', November, p. 4.



Source: Ofgem fast-track assessment model, 6 Dec 2013

We have listened to Ofgem's feedback, and updated our Revised Plan accordingly

Business plan resubmission - areas of focus

- Load related expenditure (31% of the gap, £287m)
  - write and externally review 264 individual load related scheme justification papers
  - include cost benefit analysis justification
- Non load related expenditure (35% of the gap, £345m)
  - review initial submission to address volume justification gaps identified by Ofgem
  - review “electricity safety, quality and continuity regulations” jointly with Ofgem and the HSE
  - further cost benefit analysis provided
- Other capital expenditure (8% of the gap, £78m)
  - review civil works costs
  - increase in investment associated with CNI
- Network operating costs (3% of the gap, £32m)
  - review and enhance justification for central London plan
- Indirect costs (20% of the gap, £198m)
  - review Ofgem model and justification for increased spend in ED1 compared to DPCR5 (smart metering, volume of work etc)
- Other DNO costs (3% of the gap, £30m)
  - reduction in indirect costs associated with smart metering
  - increased investment in replacement of RTUs

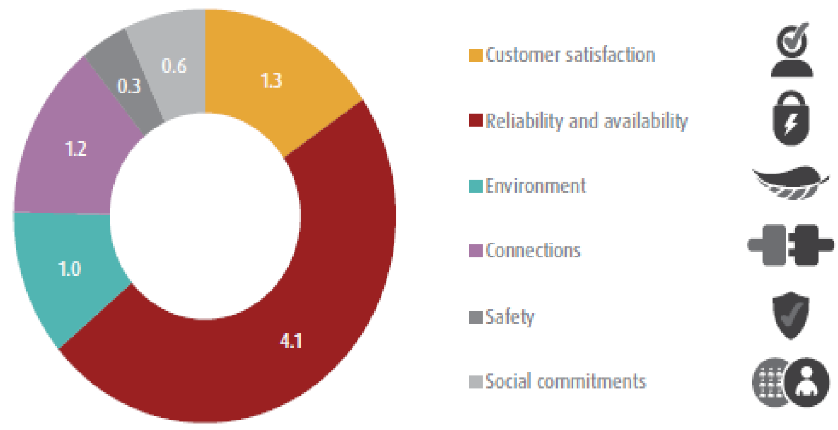
UKPN summary of revised business plan

- Our £6.6 billion of forecast expenditure (excluding pensions) is a 3% increase on our final DPCR5 forecast expenditure but a 2% reduction (£113 million) from our July 2013 plan
- We will maintain the health of our network and reduce network utilisation in RIIO-ED1, optimising work volumes to ensure we only do what we need to do, and applying unit costs that are efficient
- We have built on our industry-leading track record in innovation and include £141 million of smart savings (up from £135 million in our July 2013 plan)
- Through our £50 million shareholder funded Business Transformation project we are currently upgrading our systems and processes to further improve customer service and will be scoring an average of 8.2 by March 2015
- We will build on our good safety record and continue with innovative internal safety programmes
- We will raise £2.9 billion of debt and £0.6 billion of equity capital to finance our plan, at a cost significantly below our cost of capital for DPCR5
- Our plan reflects two years' detailed work by staff from across our entire business, and challenged by external experts, giving us the confidence we can deliver it for the benefit of our customers.
- Our plan has been significantly influenced by feedback from our extensive engagement process with hundreds of stakeholders, including further consultation on our revised plan

We have retained our 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 – welcome pack, phone number
- Top 100 companies for employee engagement

Commitments



14
8
7
25
7
16

Our total expenditure of £7.3bn DUOS funded & £1.2bn connections contributions

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
- 23 CIs and 30 CMLs in London
- 51/49 CIs and 35 CMLs in EPN and SPN
- 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

Our totex is efficient vs. WPD & NPG

	UKPN	WPD (=UKPN)	NPG (=1/2 UKPN)
Customer # (m)	8.1	7.8	3.9
RAV (£bn)	5.31	5.77	2.58
Network length overhead(km)	47,000	92,000	28,000
Network length underground (km)	139,000	129,000	66,000
Avg. Domestic price in ED1	£78.3	£97.9	£82.2
Totex[*1] (£bn)	6.65	7.12	3.26
Load	1.35	0.92	0.30
Non load	1.90	2.28	1.23
NOC’s	1.30	1.39	0.77
Closely Associated Indirects	1.28	1.45	0.53
Business Support	0.59	0.76	0.30
Non-op CAPEX	0.23	0.32	0.13
% Indirects/directs	31%	36%	30%
Average CIs in 22/23	41	60	59
Average CMLs in 22/23	33	38	49
Average ED1 BMoCS	8.3 (8.1 LPN)	“The Best”	8.5 by 2018

Total allowances must pass a common sense test

Thank you

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UTILITY OF THE YEAR

UK Power Networks

Delivering your electricity