

Mrs Maxine Frerk
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7th October 2014

Dear Maxine

Central London Strategy

I am writing to summarise and consolidate the information we have provided on our commitments to improve performance and sharpen the focus of our stakeholder engagement in central London. These commitments and plans are, of course, subject to appropriate allowances being provided in Ofgem's final RIIO determination, as we have requested in our updated March 2014 business.

Our strategy includes a programme of key initiatives designed to make significant improvements to the central London network's reliability, capacity and resilience. These are:

- capital investment in five strategic development projects which will deliver major capacity increases in key locations on the network (Draft Determination is £9m less than UKPN March 2014 business plan);
- capital investment in automation and unit protection to enhance the resilience of the heavily loaded and technically complex interconnected network in central London (Draft Determination is £32m less than UKPN March 2014 business plan); and
- establishing a new central London presence, including fault response teams staffed on a 24/7 basis (Draft Determination is £2.7m per annum less than UKPN March 2014 business plan).

Taken together these initiatives will reduce the number of faults, improve the response to faults when they do occur, and help ensure the network has the capacity and resilience to meet new demands placed on it in the future. The specific outcomes we have committed to delivering through these improvements are:

- a tightening of the LPN network Quality of Supply targets by 0.5 CI and 0.8 CML's, The CI benefits would be achieved by the start of ED1 and the CML benefits would be phased in over the ED1 period. This phasing would result in an initial 0.4 CML

reduction in 2015/16 and an annual incremental improvement of 0.0575 CML. These benefits translate into an improvement of 13 CMLs for our central London customers over the current proposed Ofgem ED1 targets;

- 259MVA new firm capacity through the 5 strategic substation projects;
- annual inspections on the 3,416 linkboxes and 4014 substations serving the central London area. Outside the central London Area these assets are inspected every three years for secondary substations and every four or eight years for linkboxes, depending on location.

Alongside our commitments on network performance, we are committed to building on and sharpening the focus of our engagement with stakeholders in central London. This was commitment 10 in our March 2014 business plan. We therefore plan to publish:

- KPIs and targets specific to central London and report on our performance against them annually;
- an annual Strategic Development Statement for central London; and
- our underpinning strategy and expenditure plans for the central London network.

The proposal to introduce central London KPIs and targets follows discussions with the City of London and other stakeholders on how we might establish a more transparent and objective basis for engaging with stakeholders on our performance and priorities. We are in the process of developing proposals which we intend to discuss with stakeholders in the New Year, once the final RIIO determinations have been made. We are seeking to focus the KPIs on central London stakeholders' key interests in terms of our stewardship of the network, and the quality of service which we provide to them. At this stage, we expect to propose KPIs and targets covering:

- CIs and CMLs; and the number of interruptions over 12 hours;
- the loading on key assets on the network;
- new connections: average time to quote and to complete; and
- customer satisfaction as measured by an independent survey.

We are also exploring the feasibility of a KPI relating to the number of "voltage dips" (very short fluctuations in voltage which can trip sensitive IT installations) and one relating to the "health" of the network.

The Strategic Development Statement will bring together information on progress with the planned investment projects and load forecasts at each primary substation serving central London. We plan to update this Statement each year and use it to facilitate regular engagement with stakeholders, enhancing our stakeholders' ability to hold us to account for our progress in delivering our investment plans. We also plan to update the Statement annually to track how new load actually materialises on each substation compares with the forecasts associated with firm new connection applications and other connections enquiries. Over a period of years this tracking will provide valuable reference information and should help inform future engagement with stakeholders on our network development strategy.

We think there will also be significant benefit to stakeholders in publishing a document setting out our wider central London strategy. This will provide context for the new KPIs and annual Development Statements, and consolidate the relevant elements of our ED1 business plan submissions, in a strategic document focused on central London. It should, therefore, enhance the visibility of our strategy, while annual updates reporting on our performance will enhance our accountability.

We plan to hold informal consultations with central London stakeholders on initial drafts of these documents in the New Year. We then envisage publishing the strategy, including KPIs, the first Development Statement, and actual outturns for 2014/15, in October 2015, with subsequent annual updates.

I hope this summary of our approach is helpful. Please do not hesitate to contact me if I can provide any further information.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K Hutton', with a stylized flourish at the end.

Keith Hutton
Head of Regulation, UK Power Networks

Cc

Ben Wilson, UKPN
Paul Branston, Ofgem
Chris Watts, Ofgem