

Session Panel:

How regulation can be a win-win for stakeholders

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National Grid - Connecting you to your energy today, trusted to help meet your energy needs tomorrow



Our role in our community:

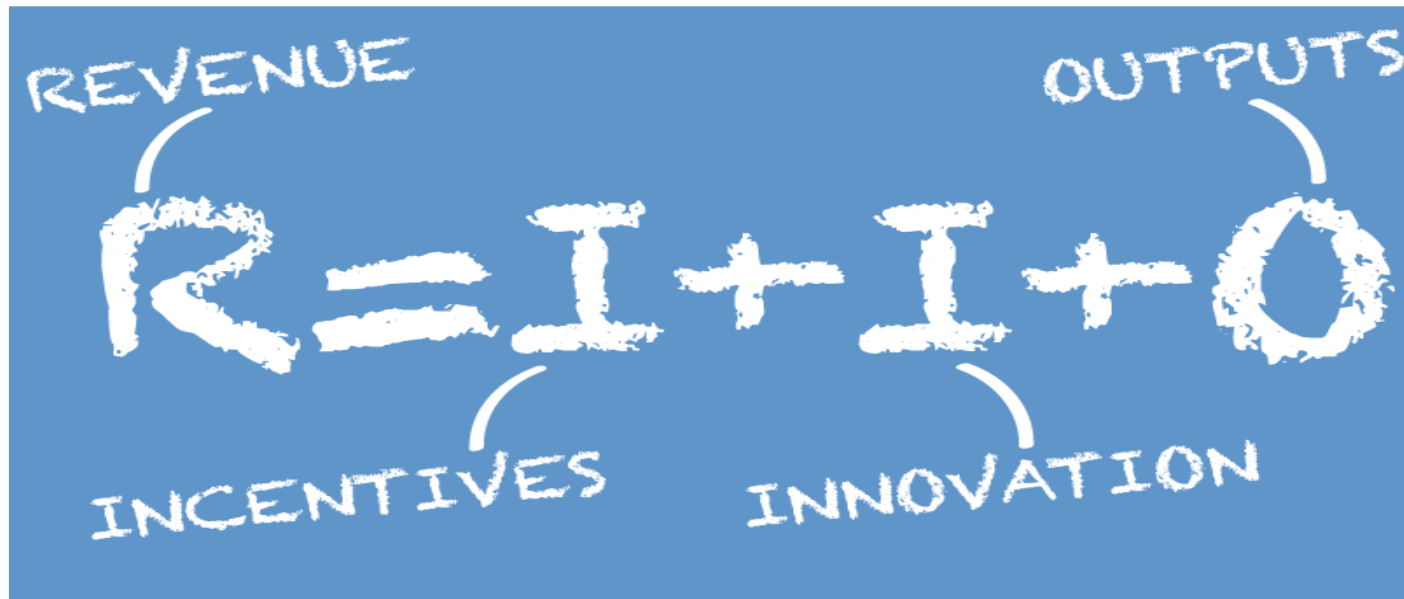
- Our job is to connect people to the energy they use.
- We own and manage the grids to which many different energy sources are connected. In Britain we run systems that deliver gas and electricity across the entire country.

Who are our stakeholders?

- We define our stakeholders as anyone who is affected by or has an interest in what we do, or whose activities or interests overlap with ours.
- At National Grid we believe that improving the way we work with our customers and stakeholders is not only the right thing to do, but it is critical to ensure we continue to be a successful and sustainable business.



RIO – the bits you need to know



RPI-X vs RIIO

RPI-X

RIIO

- ~~5 year price control~~
 - Allowance framework set up-front
 - Uncertainty mechanisms
 - ~~Capex and opex~~
 - Strong efficiency incentives
- **8 year** price control (April 2013 to 31 March 2021)
 - No change
 - **More** uncertainty mechanisms
 - It's now all about **totex**
 - Yes, but **greater focus on outputs and stakeholders**

Our outputs and incentives - Transmission

- Transmission output categories

Safety

Reliability /
availability

Environmental
impact

Customer
satisfaction

Customer
connections

- Based on what stakeholders want



- Our **allowances** are linked to delivering **outputs**

- In addition, there are **output incentives**

Introduction to Strategic Wider Works arrangements

Strategic Wider Works (SWW)

- Ofgem introduced Strategic Wider Works (SWW) arrangements to allow Transmission Owners (TOs) to deliver additional large network investments
- New transmission infrastructure to facilitate the connection of new low carbon generation
- Typically major distinct projects (>£500 million) and uncertainty in timing
- Outputs are the delivery of increased boundary capability by agreed dates
- No regulatory funding provided up front. Managed through a separate and 'new' defined process.
- It is for the TO to decide when it is the right time to initiate a new project.
- Area Ofgem intend to compete onshore Transmission

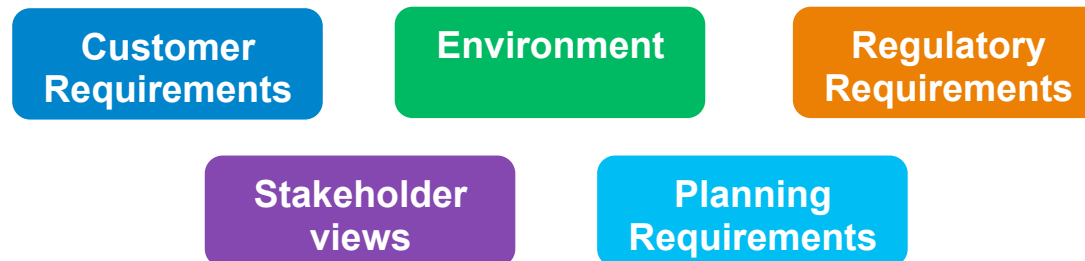
TOs SWW Project value threshold

Company	Project value forecast
National Grid (NGET)	£500m
SP Transmission Ltd (SPTL)	£100m
Scottish Hydro Electric Transmission Plc (SHE Transmission)	£50m



Unprecedented levels of investment required from the private sector, therefore uncertainty must be removed

- Critical time in the development of the energy system to ensure we retain secure supplies, therefore it is vital that complexity is removed from the delivery of major infrastructure.
- We balance a range of factors



- To reduce the risk of delay need a coordinated framework (planning and regulation). One positive steps has been the introduction of an Initial Needs Case.
- Any delay, customers and consumers are likely to be paying for the additional costs of uncertainty created.