

National Grid Gas Transmission draft RIIO2 business plan

16 July 2019

nationalgrid



Welcome



Phil Sheppard



Carole Hook



John Perkins



Jonny Hosford



John Brookes

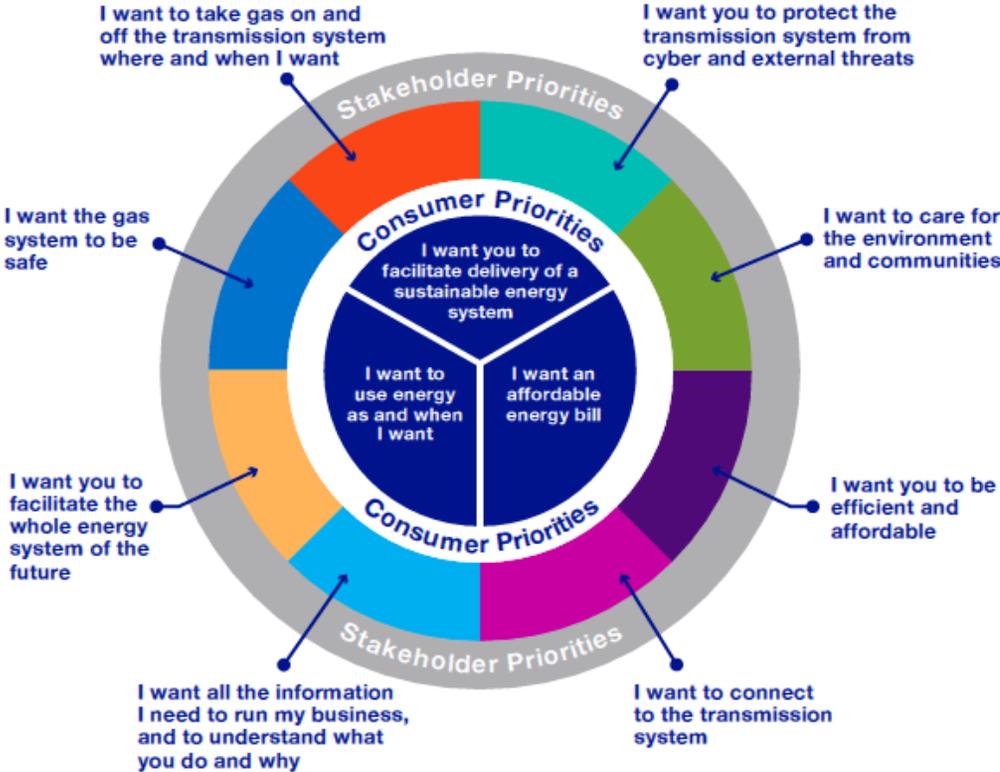
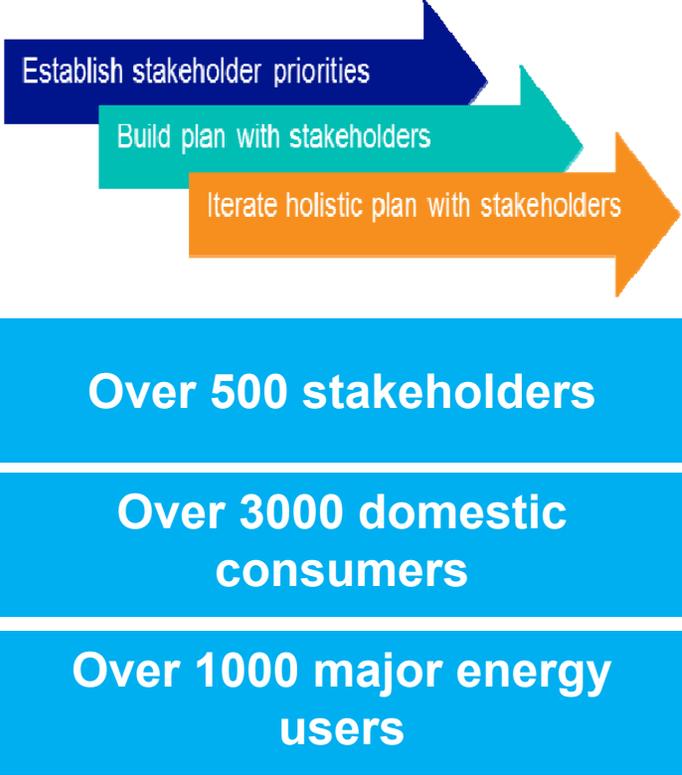
Logistics:

Should last for approximately one hour

We welcome your questions throughout via the chat function

We will have a Q&A session at the end

We have used our largest-ever engagement exercise to create a stakeholder-led draft business plan



We have also received robust challenge from our independent stakeholder user group

Our plan will continue to provide safe, reliable, resilient and affordable energy for current and future consumers

Maintain a safe and resilient network



- Deliver the network capability our stakeholders need now and into the future, keeping options open to move to Net Zero carbon by 2050
- Invest in our ageing infrastructure to maintain our current level of reliability and availability
- Maintain our world class level of safety, pursuing our zero harm goal
- Deliver the cyber resilience and physical security hardening mandated by Government

Deliver an environmentally sustainable network



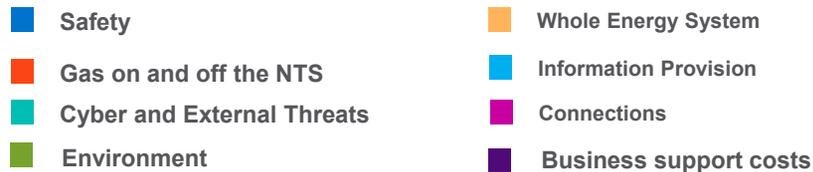
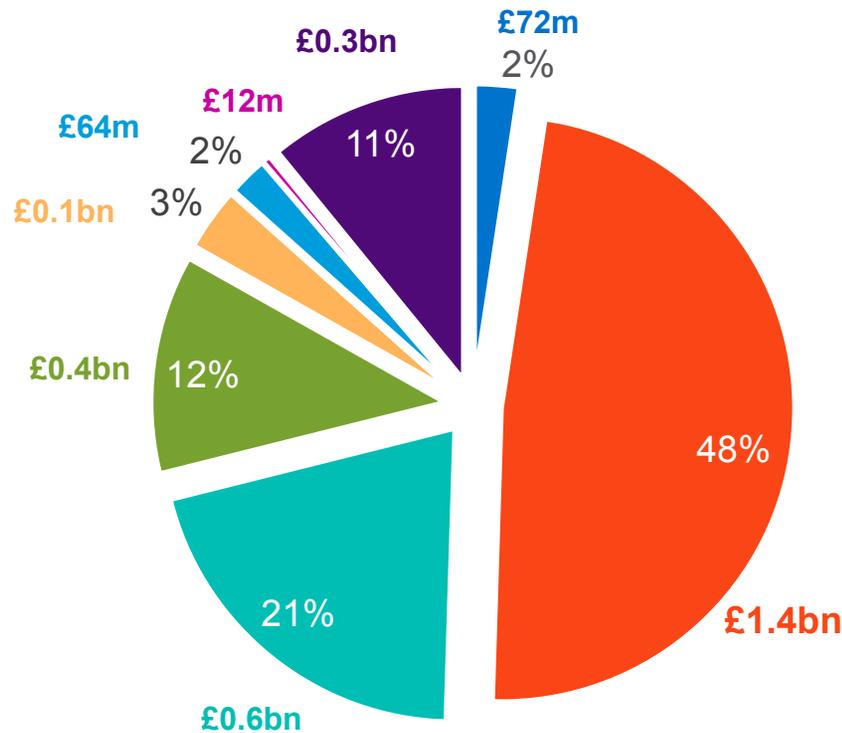
- Deliver the most efficient solution to ensure our compressor fleet complies with emissions legislation – limiting new compressor installations to 2 in RIIO2 and 5 in RIIO3, exploring decommissioning or derogation for the remaining 21
- Play a leading role in the whole energy and decarbonisation debate
- Make clear our climate change commitments, including activities to reduce emissions from other assets and activities

Meet the needs of consumers and network users



- Be more responsive to the needs of connection customers
- Drive efficiencies across our activities
- Enable competition and foster innovation by sharing our data openly
- Drive affordability by facilitating the effective functioning of the gas market

A summary of our spend to meet our stakeholder requirements



Key cost drivers

- Managing an ageing network with many assets at the end of their design life, informed by new NARMS methodology agreed with Ofgem
- Protecting the transmission system from cyber security threats in line with new legislation
- Timely delivery of emissions legislation compliance

We have challenged ourselves to drive efficiencies across our activities

Understanding the capability of the network

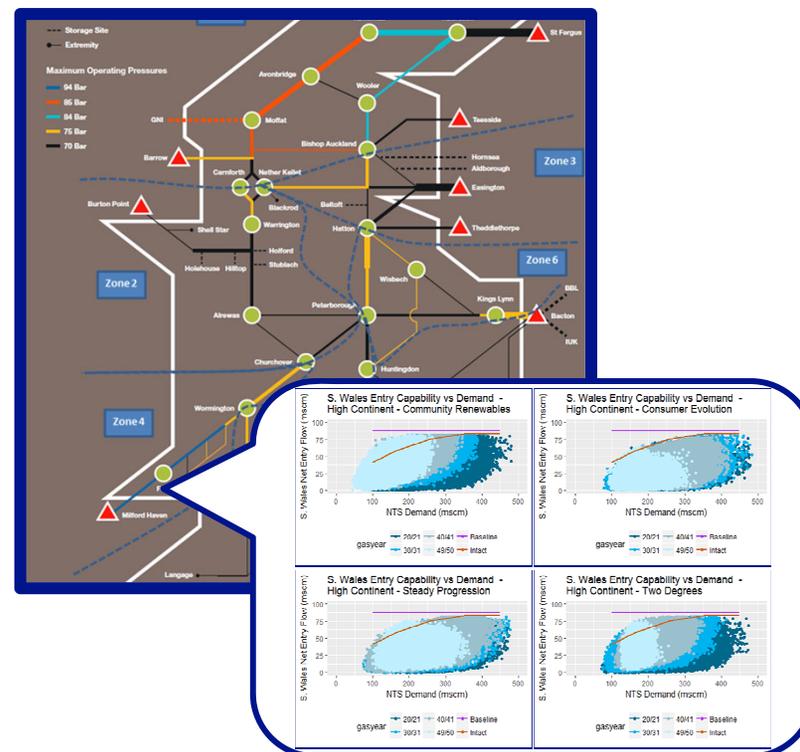
The capability of the network can be measured by its ability to accommodate levels of gas flows onto and off the network. The capability at any entry or exit point that can be delivered in any day will differ depending on the specific situation on the day.

The July draft business plan is informed by:

- Stakeholder engagement
- Network analysis tools – used in RIIO-1

Visual metrics compare physical capability with stakeholder needs now and into the future

Ongoing engagement will inform our October draft business plan



I want the gas system to be safe

We will pursue our goal of zero harm

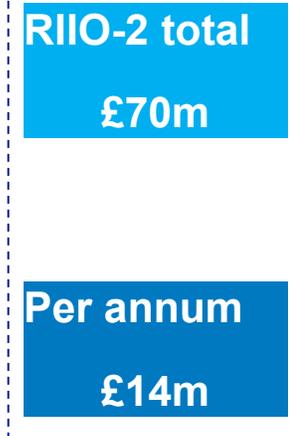
Our draft proposals

- We will maintain our world class level of safety to protect the public, our assets and people
- We will comply with legislation through routine and preventive safety activities including protection from accidental threats
- We will ensure we have 24/7 emergency response processes and training in place to respond to incidents
- We will carry out our Network Emergency Coordinator responsibilities

Consumer benefits

Our focus on zero harm protects society from potential major disruption and damage to public health, business, transport and the natural environment

Our commitment to safety-related inspections, maintenance and asset replacement avoids unplanned downtime of the network, which could disrupt continuity of gas supply



I want to take gas on and off the transmission system where and when I want

We will ensure we have the right gas transmission system, maintained to the right level alongside a complimentary commercial framework to meet stakeholder and consumer needs

Our draft proposals

- Invest £888m in our asset health programme to maintain the current level of reliability and availability
- Maintain efficient system operation and asset management activities

Consumer benefits

It is in consumers' interests to keep future options open which we will deliver by determining the network capability our stakeholders need today and into the future

We enable access to a wide range of gas supplies ensuring lowest cost gas is readily available.



RIO-2 total

£1440m

Per annum

£288m

I want you to protect the transmission system from cyber and external threats

We will deliver the security hardening required by Government to protect the transmission system from external threats



Our draft proposals

- Deliver new, and maintain and replace existing, enhanced physical security measures at designated sites
- Deliver a strategic programme of enhanced cyber resilience for our information technology and operational technology assets in keeping with new Network and Information Systems (NIS) Regulations
- Draft plan is under discussion with NIS Competent Authority. Expect their feedback and guidance to result in updated scope and costs for inclusion in our final RIIO-2 business plan

RIIO-2 total
£617m
Per annum
£123m

Consumer benefits

Improving the resilience of our network to ride through and recover from malicious events will support maintaining the continuity of GB energy supplies

I want you to facilitate the whole energy system of the future – innovating to meet the challenges ahead

We will lead the gas industry through the energy transition in a way that delivers benefits to consumers

Our draft proposals

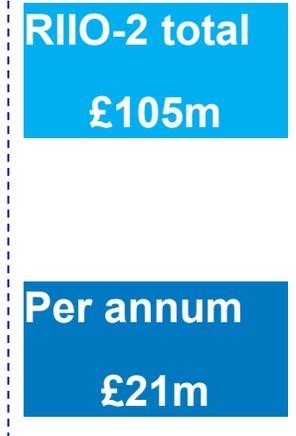
- Play a key role in facilitating the whole energy and decarbonisation debate
- Invest in capabilities and systems to understand the most efficient options for whole energy system
- Lead innovation across the industry, working with other networks and industry partners to explore solutions in whole energy assets and markets.

Consumer benefits

Defining options for decarbonising heat, and providing the costs and implications, will support a pathway that minimises disruption to consumers

Whole energy system collaboration offers networks the potential to respond to changing needs and reduce consumer costs holistically

Focusing on delivering and embedding innovation to deliver the energy transition ensures the most effective long-term solutions are taken forward

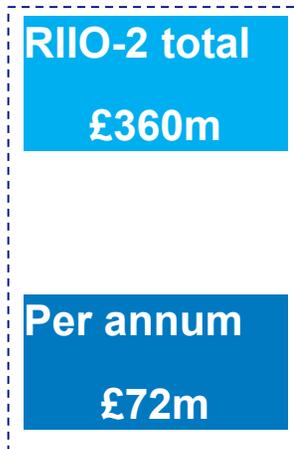


I want you to care for the environment and communities

Reduce our impact on the environment and keep options open to move to Net Zero carbon by 2050 with the lowest societal impact

Our draft proposals

- Deliver 2 new compressors in RIIO-2 and complete 5 more by 2030 to improve air quality and reduce NOx emissions
- Reduce the carbon footprint of our business
- Take action at 77 redundant sites and assets, seeking to enhance the natural environment where possible
- Continue to support the communities we work in, committing 0.3% of what we spend on major projects to supporting community initiatives



Consumer benefits

Cutting emissions reduces our impact on climate change, with clear benefits for society including improved air quality.

Responsible demolition protects future consumers from the costs of disposing assets whilst promoting environmental net gain activities

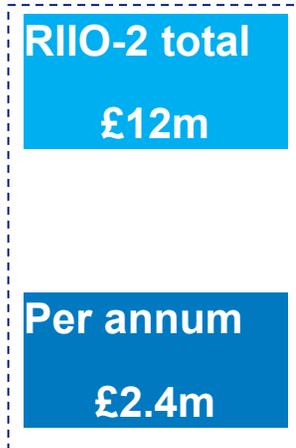
Consumers and broader society will benefit from our contribution and support to communities

I want to connect to the transmission system

We will support the liquidity of the energy market by providing an efficient process for connection to our network, and be more responsive to the needs of our customers

Our draft proposals

- Embed the improvements resulting from our Customer Low Cost Connections project, enabling standard connections for less than £1m in under 12 months
- Deliver information systems and people capability for an improved end-to-end customer experience
- Make best use of the existing network and simplify the regulatory process for substitution of unused capacity
- Deliver more capacity where necessary, informed by robust options analysis



Consumer benefits

Making it easier for new sources of gas to connect supports liquidity of the energy market, keeping costs low for consumers

Making it easier for lower carbon biogas and gas-powered vehicle refuelling stations to connect, assisting decarbonising the whole energy system with minimal disruption to consumers

I want all the information I need to run my business, and to understand what you do and why

We will provide data and insight to the industry allowing stakeholders to operate their businesses efficiently and effectively

Our draft proposals

- Enable competition and foster innovation by sharing our data openly wherever possible
- Collaborate and share data with network companies to build a whole system view
- Invest in our people and capabilities allowing us to support more information sharing
- Provide more transparency around our financial and operational performance



RIIO-2 total
£65m
Per annum
£13m

Consumer benefits

Our information and insights provide value for consumers by ensuring that the wholesale market runs smoothly and promoting competition

I want you to be efficient and affordable

We strive to keep our impact on consumers bills low and we work with our customers to keep energy affordable

Our draft proposals

- Commit to 4% efficiency on our total capex in RIIO-2
- Build 7.4% operational cost efficiency from our RIIO-1 UK efficiency programme
- Commit a further 5.6% operational cost efficiency across RIIO-2
- Continue to benchmark, market test and use native competition throughout RIIO-2

Consumer benefits

By embedding efficiencies, focusing on the most efficient and effective solutions we will keep our costs low for consumers

We are balancing costs between current and future consumers to ensure fairness

Facilitation of the wholesale market has a positive impact on the whole energy cost for consumers.

National Grid



Business support costs to deliver across our business plan

RIIO-2 total

£325m

Per annum

£65m

We will continue the dialogue with our stakeholders as we build the next iteration of our plan



Engage closely on our network capability framework to ensure our plan delivers the network capability needed now and into the future

Explore the potential implications of the government's commitment to Net Zero by 2050

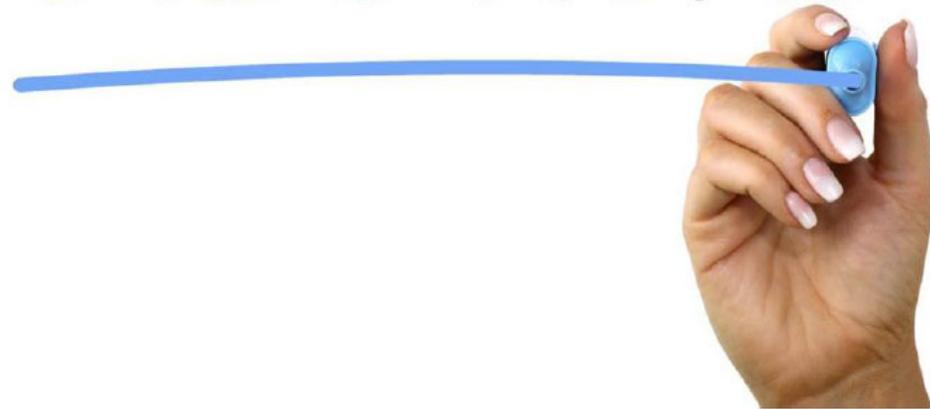
Carry out nationally representative quantitative domestic consumer research to test acceptability of our proposals

Reflect feedback from our independent stakeholder user group and the RIIO2 Challenge Group

Discuss with Ofgem projects that may meet the criteria for competition

Reflect further on Ofgem's RIIO2 decision document

QUESTIONS



Get in touch with our Stakeholder Manager
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