

Welcome to the National Grid Gas Transmission RIIO-2 business plan webinar

- Thank you for joining us
- We will be starting at 10.02
- Please put your phone on mute

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National Grid Gas Transmission RIIO-2 business plan

12 December 2019

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Welcome



Tony Nixon



Carole Hook



John Perkins



Jonny Hosford



Adelle Wainwright

Logistics:

Should last for approximately one hour

We welcome your questions throughout via the chat function

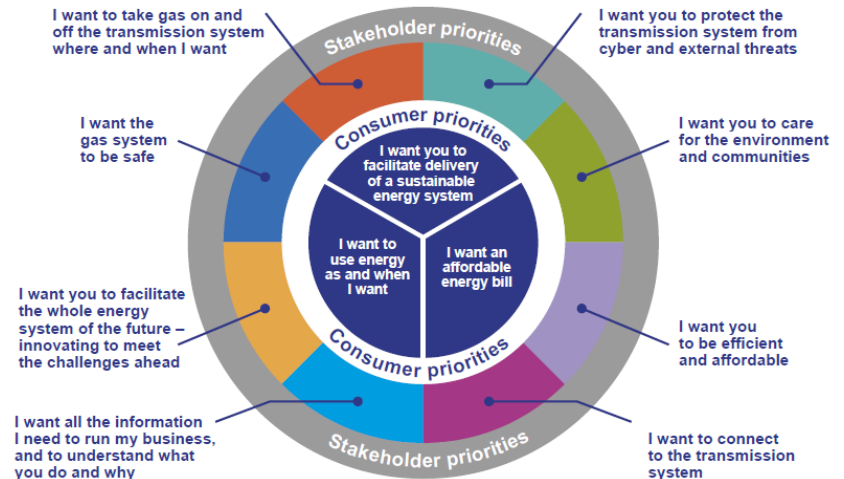
We will have a Q&A session at the end

Thank you for working with us to build our business plan

- On Monday we submitted our RIIO-2 business plan – covering 1 April 2021 to 31 March 2026
- Our plan has been shaped by consumer and stakeholder priorities
- Thanks to everyone that contributed to the development of this plan

Only through working together will we keep finding better ways to bring energy to life in the UK and ensure we have a sustainable, affordable future

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We have worked extensively to ensure our plan meets stakeholders' needs



Establish stakeholder priorities

Build plan with stakeholders

Iterate holistic plan with stakeholders

- We have carried out our most extensive engagement exercise
- More than 800 stakeholders
- More than 13000 domestic and non-domestic consumers
- Underpinned by stakeholder and consumer priorities
- Embraced the enhanced engagement arrangements



Our costs are fully justified

Our plan is deliverable

Clearly defined outputs

- We have thought differently about how we deliver
- We have considered our plan over a ten-year period
- We have proposed clear commitments
- We accompany our plan with engineering justification papers, cost benefit analysis and external benchmarking

Delivering stakeholder priorities

Maintain a safe and resilient network



- Our plan will continue to deliver a safe, reliable and resilient network that can support the changing energy system of the future
- We include significant activity to protect the health of our assets, renew the operational technology and protect the network from cyber threats

Deliver an environmentally sustainable network



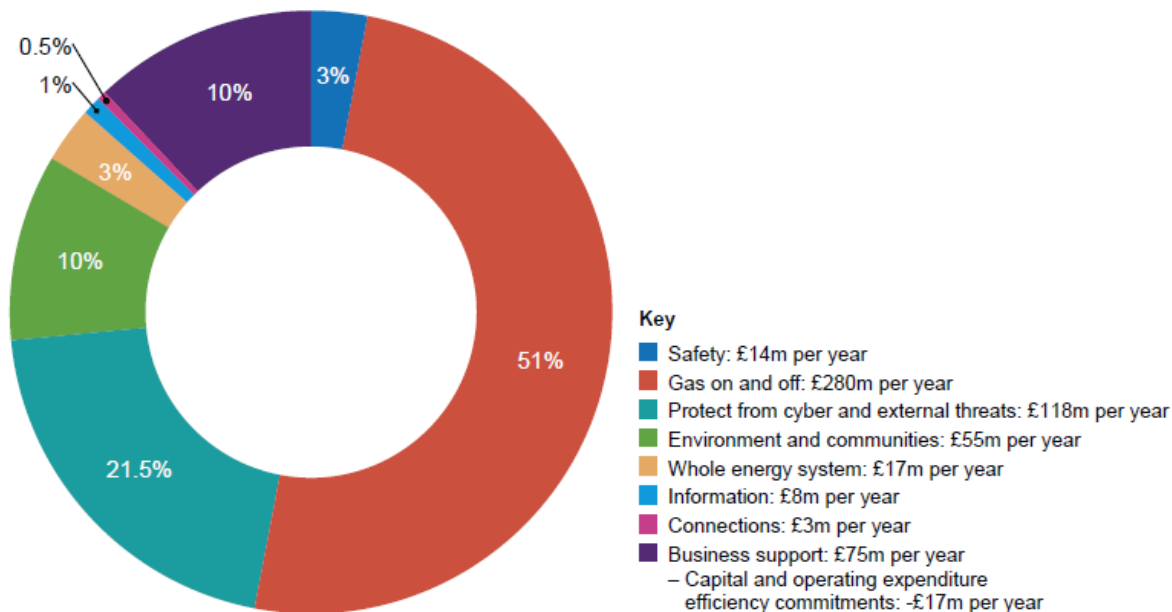
- Our proposals create optionality as we develop the lowest cost pathway to net zero for the UK
- We are committed to a whole energy system approach, having worked with other network companies and government to identify a programme of work needed to test and prove hydrogen conversion options, which are critical to developing a pathway to net zero
- We have committed to a net zero target for our own activities



Meet the needs of consumers and network users

- We will be more responsive to the needs of connection customers
- We will enable competition and foster innovation by sharing our data openly

We are proposing £553m per year of investment to maintain a safe, reliable and resilient transmission system



We have protected consumers by proposing uncertainty mechanisms for less certain costs to ensure if customer or consumer needs change so do our allowances

We have challenged ourselves to be more efficient



- We continue to benchmark, market test and use native competition
- Sustain a £30m per year operational cost efficiency from our RII0-1 efficiency programme
- Deliver a further £6m per year operational cost efficiency across RII0-2
- Deliver a further £11m per year efficiency on our direct capital investments

Resulting in an 8% efficiency ambition on our total costs

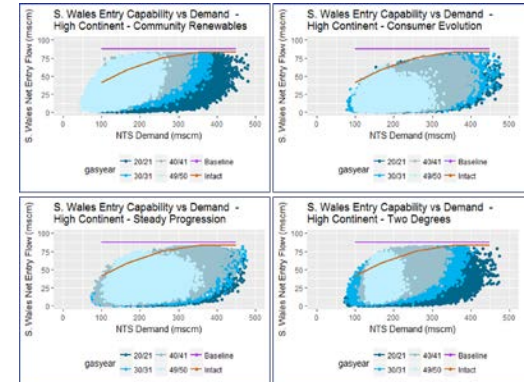
Understanding the capability of the network

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.

- Our plan delivers the level of network capability required by stakeholders and it reduces the level of network capability during RIIO-3
- We have developed new metrics that show level of network capability against stakeholder requirements
- We are proposing reductions in the Entry Capacity Baselines at St Fergus and Theddlethorpe
- We propose to introduce a transparent RIIO-2 annual network capability process

Consumer benefits

- Development of a plan that efficiently delivers the network capability required by stakeholders and represents value to consumers
- Annual process will ensure our plans continue to be aligned with stakeholder requirements



I want the gas system to be safe

Our commitments

- We will maintain our first class level of safety whilst continuing to pursue the highest level of safety culture maturity
- We will comply with legislation through routine and preventive safety activities including protection from accidental threats
- We will provide 24/7 standby cover, emergency planning and training
- We will also undertake our activities associated with our NEC role
- 22 operational sites during RIIO-2 to be refurbished or replaced so they are in a state to protect our people and assets from damage and weathering



Cost per
annum

£14m

Consumer benefits

We protect society from potential disruption and damage to public health, business, transport and the natural environment that could be associated with gas transmission failure events.

Our commitment to safety-related inspections, maintenance and asset replacement avoids disruption to continuity of gas supply

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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 commitments

- Invest £835m in our asset health programme and specific projects to maintain the current level of reliability and availability (includes £165m subject to uncertainty mechanisms)
- Projects to redevelop Bacton terminal and address subsidence at King's Lynn (subject to PCDs and UMs)
- 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

We have applied a whole energy system solution to a resilience activity at Blackrod with a **Consumer Value Proposition** valued at £173m

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Cost per annum

£280m

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

Stakeholders have told us the level of cyber threat is increasing and our response to this risk should be a priority

Our commitment

- Deliver new physical security upgrade solutions where government has determined it to be in the national interest
- Deliver a risk-based strategic long-term programme to replace key Operational Technology used for the safety and control of critical systems, at high-use high criticality sites using PCDs
- Our business IT security plan will implement a suite of initiatives to improve cyber resilience across our enterprise IT environment and implement new capabilities in line with the NIS Regulations
- We will regularly review our programme and utilise Uncertainty Mechanisms to flex our delivery if circumstances change. E.g. change in level of threat or required response

Consumer benefits

Applying innovation to enhance the resilience of our SCADA systems is a **Consumer Value Proposition** valued at £9.2m

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

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Cost per annum

£118m

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 commitments

- Deliver 2 new compressors in RIIO-2 and start work at 3 more sites that need to be resolved by 2030 to improve air quality and reduce NOx emissions
- Reduce the carbon footprint of our business
- Address 80 redundant assets, asset groups and sites 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

A series of **Consumer Value Propositions** covering natural environment improvements, business carbon footprint reduction and community initiatives



Cost per annum

£55m

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 commitments

- We will continue to lead the development of the gas markets framework by collaborating with others to enable the pathway to net zero
- Lead the development of options for decarbonisation of the gas transmission system to facilitate the decarbonisation of heat, industry and transport, including collaborating with others on an agreed hydrogen workplan
- Collaborate across the industry to lead innovation and deliver the solutions for whole energy and net zero
- Invest in skilled people and IT systems so we can lead regulatory change, anticipate future regulatory developments and how these might affect stakeholders and our network

Consumer benefits

Supporting and delivering market changes and solutions will continue to deliver the future energy system

Taking a leading role in decarbonisation of heat for gas transmission could provide a **Consumer Value Proposition** with an order of magnitude of £2.2m

Delivering innovative solutions to deliver the energy transition will minimise consumer bill.

Investing in the digital systems enables the gas market and industry is able to continue providing energy to consumers.



Cost per
annum

£17m

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 commitments

- 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, retaining the independent stakeholder user group



Cost per annum
£8m

Consumer benefits

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



I want to connect to the transmission system

Stakeholders want it to be quicker and cheaper to connect. Stakeholders see our connections service as an enabler for decarbonisation, decentralisation and future energy systems transition

Our commitments

- Continue to support the liquidity of the energy market by providing an efficient process for connection and capacity applications and making process and policy improvements
- Actively promote connection opportunities to new customers including biomethane entry customers and gas-powered vehicle refueling station exit customers
- Be more responsive to the needs of customers, incentivized through an ODI
- Optimise use of the existing system by substituting capacity where possible rather than building new capacity, informed by robust options analysis

Consumer benefits

Embedding project CLoCC could provide a **Consumer Value Proposition** with an order of magnitude of £33m

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

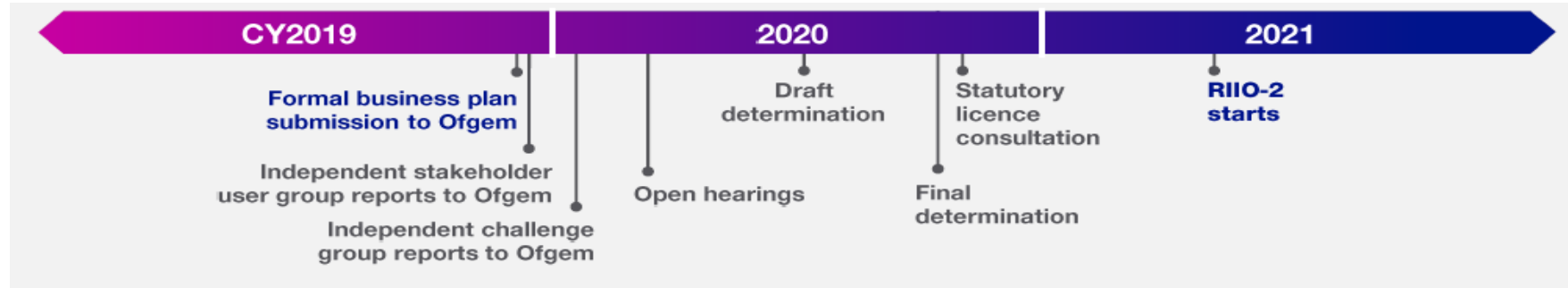
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Cost per
annum

£3m

What next?



- **Ofgem has issued a call for evidence which closes on 10 February**
- **We are committed to publishing additional supporting information about our plan in the coming weeks to help facilitate the open hearings and call for evidence**
- **We will also be holding workshops in the new year**
- **We will keep you updated throughout this process and, as always, if you have any questions or comments please get in touch**

Join us the new year at one of our regional workshops

28 January: Edinburgh

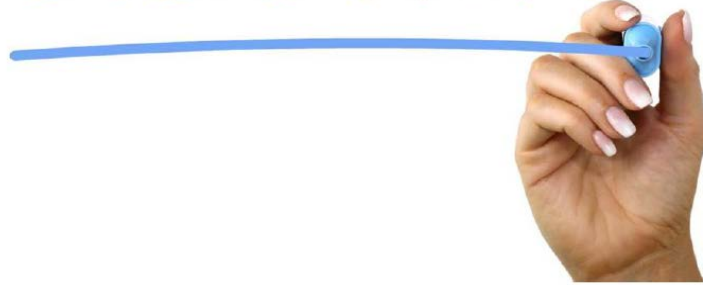
30 January: London

06 February: Cardiff

13 February: Hull

- Opportunity to get a detailed understanding of **WHAT** we have committed to deliver and what that might mean for you. We will share what happens next and how to get your voice heard throughout
- You can help shape **HOW** we will deliver those commitments, including how we will continue to embed your voice into our business
- You will **EXPLORE** key topics such as the road to net zero and our Environmental Action Plan

QUESTIONS



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