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Dear Sai Wing,

NGET Bespoke Civil Related Works Re-opener consultation

This response is provided on behalf of National Grid Electricity Transmission (NGET) in our role as Transmission Owner in England and Wales. As the party delivering the interventions proposed in the Civils Related Works (CRW) reopener submission, we welcome the opportunity to respond to this consultation.

The funding requested through this reopener is required to enable us to maintain the reliability, resilience and safety of civil infrastructure across the Main Interconnected Transmission System. Civil assets and infrastructure are intrinsic to maintaining safe and effective High Voltage (HV) assets and control systems.

One of the greatest challenges facing network companies, both now and in the future, is ensuring that they are reliable and resilient, particularly considering the age profile of much of the network. It is crucial that our critical infrastructure both continues to function as intended and that it remains secure for the future demands of the transmission system.

Since this consultation was published, we have valued further engagement sessions with Ofgem. We have sought to understand why Ofgem were not minded to fully fund the proposed interventions, especially given that we have significantly enhanced the supporting data required to justify these interventions since the RIIO-2 Final Determinations were published. Moreover, we have met every reopener application requirement as detailed in appendix 2 of Ofgem's consultation document.

During engagement, it has emerged that there were some of our submission which required further clarification with Ofgem. Additionally, since we submitted the reopener in August 2022, both NGET and Ofgem have become increasingly focussed on long term requirements for enabling Net Zero and the impact this has on existing sites and infrastructure. Ofgem are understandably interested in seeking assurance that these investments are in the best interests of consumers in the long term and will represent the most economic and appropriate investment in civils infrastructure.

We have responded to the consultation questions in an annex to this letter. This expands upon the above. Separately, we have provided a file containing some additional insight into ongoing wider considerations for our sites which may impact the appropriateness of some of the interventions.

We hope that the information we have submitted with this letter has provided Ofgem with assurance that we will only deliver the interventions which are in the best interests of consumers whilst managing the risks today. Considering the developing picture around site strategies and their interaction with this portfolio of CRW, we believe the use of a Use-it-or-lose-it allowance for the vast majority of interventions

is optimal and provides the most flexible funding approach. However, we would be grateful if Ofgem reconsider their minded to position and allow funding for those interventions which are:

- not expected to be impacted by site strategies
- expected to be required regardless of development of site strategies
- needed to maintain the asset up to the point of delivery of any site strategy.

We welcome continued engagement with Ofgem to agree the most optimal level of funding for CRW. Please contact Sophie Knee-Higgins, Regulatory Development Manager, with any initial queries in relation to this letter. Email sophie.knee-higgins@nationalgrid.com and telephone 07890 044533.

Confidentiality

I confirm that this response and the annex included can be published on Ofgem's website. However, the accompanying file containing additional information about the wider context of proposed interventions should remain confidential given the extent of commercially sensitive information which it contains.

Yours sincerely,

[By email]

Sara Habib

Existing Network Regulatory Manager

ANNEX: RESPONSES TO CONSULTATION QUESTIONS

Consultation Question 1: Do you agree with our minded-to position on the scope of this re-opener, in line with our original policy intent?

Yes. It was our understanding that the submission would allow scope for replacement of assets where appropriate. This is reflected in our submission narrative, particularly in sections 7 and 8 where we discuss intervention strategy and methodology for selection of options.

Consultation Question 2: Do you agree with our proposed amendment on NGET Electricity transmission licence - Special Condition 1.1.16?

Yes.

Consultation Question 3: Do you agree with our minded-to position on the needs case for the interventions proposed in the Bespoke Civil Related Works Re-opener?

We agree with Ofgem's minded-to position on the needs case for the fixed wiring and unforeseen urgent interventions (categories 2 and 4). However, since Ofgem have published this consultation we have provided further explanations around Plant Status entries and interventions identified as a result of whole site condition monitoring.

We disagree with Ofgem's view outlined in paragraph 2.17 of their consultation document. We have provided a full set of updated asset condition data for establishing the robust need case for interventions identified as part of the Plant Status process. Ofgem stated that the "new civil data" will replace the existing "Plant Status" database but this is not the case. Given the scale of this work, both the initial capture of data about our assets and the associated condition data is expected to be refreshed on a five year cycle. The Plant Status process will continue to be used to identify interventions in the interim period by site employees as and when they arise. As we further develop and enhance the data we hold about our assets and fully embed our whole site monitoring process, the identification of interventions via the Plant Status process is expected to reduce but will still be required.

Whilst there were a number of Plant Status entries which were identified prior to the RIIO-2 period, all of the condition information has been consistently captured and scored to ensure interventions are appropriately prioritised. All this data was captured during the 18 month period prior to submission of the reopener in August 2022. Whilst we cannot provide historic condition trend data about these interventions in a format consistent with the scoring we have provided for this reopener, we have an accurate recent view and are able to prioritise effectively now and in future. We believe the level of information provided in relation to Plant Status entries fully meets the requirements of this reopener and is substantially enhanced in comparison to what we were able to provide as part of the RIIO-2 submission.

In 2.22 of Ofgem's consultation document they outline their methodology for identifying sites which should still be funded. It is reassuring that Ofgem have relied on our condition scoring to identify the most important interventions. However, we note two key issues with only allowing interventions with a condition score of 80 for Plant Status interventions:

1. Ofgem are minded to allow funding for interventions identified in category 3 – site condition monitoring. There is no fundamental difference between the way these interventions have been

assessed and scored. They have simply been identified through two separate processes. In Ofgem's proposed funding position we would be funded for some interventions, particularly those with a condition score of 60, with inconsistent prioritisation.

2. Making a cut at a condition score of 80 does not recognise some of the complexities in the scoring. It fails to recognise the P-F interval (the time it takes for a defect to degrade to major failure once it is 'detectable'). Some interventions currently with a score of 60 will degrade to a score of 80 more quickly than others.

Since submission of this reopener in August 2022 we have started to focus on site strategies which will support wider regional plans to ensure the transmission network is able to support the transition to Net Zero. It has been during our consultation discussions with Ofgem that we have understood some of their concerns in relation to delivery of interventions which may be superseded by multiple converging drivers for a number of our sites.

During consultation discussions, Ofgem asked how we have determined that our approach to ensuring interventions were in the best interests of consumers prior to the recent early development of site strategies. This was focussed on prioritisation of interventions which would ensure our ability to maintain the safety and reliability of the network. Development of the condition and criticality scoring which is outlined in our submission and in Ofgem's consultation document was key to this.

We have an early view on site strategies which we did not have at the time of submission (apart from in relation to Iver which is detailed in section 12 of our submission). This early view is subject to change as we develop the intelligence associated with the drivers for site strategies, both holistically and for individual sites. Indicative assessments of which site strategies will impact sites where we've requested funding in this reopener have been carried out. We have provided a spreadsheet with additional commentary highlighting those sites which are being considered in the early priority list for site strategies. This data is liable to change as our site strategies are developed and prioritised.

Sites which have been identified as requiring a site strategy have been split into four priority groups from P1 to P4, with P1 being the highest priority. All interventions need to be considered in relation to their priority, the expected time it will take to deliver a site strategy and the nature of the intervention itself. It will sometimes be optimal to deliver an intervention regardless of a site strategy applying to that site. We expect that even in the P1 and P2 categories, site strategies will take anywhere from 8 years from conception to delivery.

Consultation Question 4: Do you agree with our minded-to position on the options to meet the needs case?

Yes.

Consultation Question 5: Do you agree with our minded-to position on the methodology for selection of NGET's preferred option?

Yes.

Consultation Question 6: Do you agree with our cost assessment of NGET's proposed Bespoke Re-opener costs?

We agree with Ofgem's view that the costs provided are the best estimates we can provide at this stage but as per our response to question 3 above, we do not agree with the extent to which Ofgem are minded to reduce the funding for Plant Status interventions.

Consultation Question 7: Do you agree with our minded-to position on the funding mechanism for NGET's proposed Bespoke Re-opener?

Given the varied nature of the interventions and associated costs (along with the context outlined in our response to question 3 above), we agree that a Use-it-or-lose-it allowance is appropriate for the majority of interventions as it provides flexibility to deploy the funding as required for essential works is optimal.