

Report on Northern Powergrid's Customer Engagement Group discussions in July 2020

Summary

The Customer Engagement Group¹ held further discussions looking at Northern Powergrid's early work on developing its business plan for Ofgem's RIIO-ED2 price control process. This is the plan that will cover the 5 years 2023-2028.

This month we focused on Northern Powergrid's plans for a major consultation exercise on proposals for its draft business plan, called **Emerging Thinking**, and on their approach to dealing with **Local Area Energy Plans**.

Plans for Consultation on Business Plan proposals (Emerging Thinking)

We received a draft of the main document to be used for this consultation, updated to reflect comments which we had previously made. We agreed that the new version does set out the key issues with a clear direction of travel and offers consultees a wider choice than before, but it needs a bit more explanation for the lay reader. In particular, the section dealing with decarbonisation of the electricity system needs to be simplified.

We were pleased to see that the levels of reliability being offered are higher than in the previous version but were concerned that there was not enough information to help people make informed choices about the large costs associated with the long term condition of the network, and its impact on the service people receive. NPg has set up an independent technical panel to scrutinise its proposals in this area and we have asked for and been given access to their work to enable us to check that the final plans do reflect customer needs and preferences.

We noted that the transition to NPg operating as a distribution system operator, which is going to take place over the next few years, will have a pretty fundamental effect on how customers' needs are met, and asked that this be given greater prominence in the document.

In terms of handling the consultation exercise itself, it will be important to keep testing stakeholder preferences as the COVID pandemic plays out in view of current indications that public preferences are shifting, and it is not possible to be sure how they will change over the next few months.

¹ If you want to find out more about the role of the Customer Engagement Group look here:

<https://www.northernpowergrid.com/custom/news/about-the-customer-engagement-group>

Local Area Energy Plans

Local Area Energy Plans (LAEPs) are being developed in many areas to map out the way in which the transition to Net Zero carbon emissions can be achieved. There is a very important link between these plans and the work NPg is doing on a 'Network for Net Zero' that we discussed and reported on at our March meeting (***Link to report on March CEG meeting***).

We recognise that the policy framework for LAEPs is not yet settled but encouraged NPg to take a highly proactive approach to developing local partnerships and stimulating greater collaboration among key players, and suggested a couple of initiatives elsewhere that would be worth studying. We also made some specific suggestions for follow up with those working on LAEPs in the region.

Given the need for capacity building in local government and the lack of resources there, we suggested that NPg should consider testing stakeholder views about the possibility of the company contributing to this capacity building, funded from bills (since the sums involved are relatively modest and the potential impacts on future bills of not getting this right are considerable).

Ofgem Reviews of Charges

We received a briefing from NPg about two reviews of charging mechanisms that will affect customers' bills in future. We were surprised to learn that a recent decision by Ofgem about reallocation of current costs may have a similar impact on many domestic bills to the cost of decarbonisation in ED2. The second review is still underway and there will be an opportunity to comment on Ofgem's draft proposals towards the end of this year.

Stakeholder Engagement

We heard that NPg is reviewing the learning from the stakeholder engagement work it has done so far. CEG members have observed a number of the stakeholder engagement sessions and it was agreed that a detailed discussion should be held soon, to review learning from the work so far and how this will be reflected in the future programme.

Welcoming the work NPg is already doing to test stakeholder attitude and priority changes as a result of COVID-19, we encouraged the company to keep tracking changing attitudes in the coming months and to seek to capture the timeline of results visually to aid interpretation – and if possible to publish them.

