

Report on Northern Powergrid's Customer Engagement Group discussions in August 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.

Since our previous meeting Ofgem had launched a major consultation on the methodology it intends to apply to this price control process, the so called **Sector Specific Methodology**, and we discussed the implications of this. We also discussed the company's strategies for **Resilience** and for **Procurement**. Finally we held a further discussion on their **Communication and Stakeholder Engagement** work.

Ofgem Sector Specific Methodology

At the end of July Ofgem launched a major consultation on the methodology they propose to use for the distribution price review which will determine what companies can charge during the period 2023-28 (the so called RIIO2-ED price control). We discussed the likely implications for both Northern Powergrid and for our work as an independent CEG of the proposals in this consultation.

One important area is the requirement for Northern Powergrid to develop a strategy, for customers in vulnerable situations and for this to be informed by the CEG. We agreed that the company will produce an initial draft and we will then discuss both with them and the separate Social Issues Expert Group that has been advising Northern Powergrid for some years. In this way it will benefit from as much input as possible from informed sources independent of the company.

We advised that it will be particularly important for Northern Powergrid to identify the key risks and uncertainties associated with their business plan, and the associated mitigating actions. We also said that it will be vital to set out clear evidence to support the costs associated with the proposals for Low Carbon Technology uptakes

Finally we reminded the company that all their work should reflect the importance of being able to identify the golden threads first of how stakeholder inputs have influenced business plan proposals and secondly of how innovation is built into them.

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>

Resilience

We discussed a paper on Northern Powergrid's strategy for resilience. The resilience of an electricity network is its ability to cope with extreme conditions outside its normal design parameters (whereas an unreliable one is one that breaks down during normal operating conditions), and the resilience of a company is its ability to cope with extreme events outside the normal run of business and to return its service to normal standards as quickly as possible.

We asked the company to ensure that the influence of future changes in electricity system design and operation (mainly caused by the transition to net zero carbon) on the resilience of supply should be acknowledged in the plan, even though the extent of the developments and their impact are not yet certain. We also asked for the impact on supply resilience of investments 'badged' for other reasons (such as long term network condition) should be made clear in relevant stakeholder engagement exercises.

Supply Chain and Procurement

We discussed a paper on Northern Powergrid's procurement strategy. We encouraged Northern Powergrid to incorporate its wider approach to societal value into the procurement strategy. As an anchor institution in its region it can have a significant effect on the local economy, and adding this into the strategy should allow this impact to be captured and reported. We also pointed out that decarbonisation and the transformation in system operation will require the procurement of very different services in the future, and careful consideration needs to be given to the strategy for this, to avoid the risk of over specifying the services needed.

Communication and Stakeholder Engagement update

We discussed the findings from recent stakeholder engagement events run by the company and their plans for next few months, which are focused on the consultation about to be launched, called Emerging Thinking. We recorded our appreciation of the quality of the documentation produced to support this consultation.

We were pleased to see the proposal for regional conferences and suggested that they would have more impact if the agendas facilitated a real two way process with partners given plenty of opportunity to talk about their work on Local Area Energy Plans. This would also help to develop better evidence on local needs and plans for submission to Ofgem.

We also emphasised the importance of evaluating the feedback received during the next few months before moving to develop the propositions for the draft business plan.