

**Minutes and actions of the National Grid Electricity Transmission
Independent User Group (User Group) Meeting 19**

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| Meeting Number: | NG-UG19 |
| Meeting Date: | 10 th May 2021 |
| Location: | Microsoft Teams |
| Start Time: | 9:30 – 15:30 |
| Attendees: | <p>Chair: Trisha McAuley (TM) Technical Secretary: Amelia Affum (AA), Anvinder Thiara (AT)</p> <p>Members:</p> <ul style="list-style-type: none"> • Roz Bulleid (RB), Green Alliance • Julie Cox (JC), Energy UK • Barry Hatton (BH), UKPN • Joe Howe (JH), University of Chester • Denise Massey (DM), Energy Innovation Centre • Zoe McLeod (ZM), Independent Consumer Advocate • Eddie Proffitt (EP), Major Energy Users Council • Ben Watts (BW), ADE • Will Webster (WW), Oil and Gas UK • Andy Paine (AP), Vattenfall • Julian Leslie (JL), National Grid, Electricity System Operator <p>National Grid Representatives:</p> <ul style="list-style-type: none"> • Alice Delahunty (AD), National Grid President of Electricity Transmission • Mark Brackley (MB), National Grid Head of Electricity Transmission Regulation <p>Invitee: For agenda item 2 – Innovation</p> <ul style="list-style-type: none"> • Paul Gallagher (PG), National Grid Electricity Transmission, Engineering Services Manager • Robin Gupta (RG), National Grid Electricity Transmission, Regulatory Innovation Manager <p>For agenda item 3 – East Coast</p> <ul style="list-style-type: none"> - Graeme Cooper (GC), National Grid Electricity Transmission, Project Director Corp: Strategy and Business Development |
| Apologies: | <p>National Grid</p> <ul style="list-style-type: none"> • Chris Bennett (CB), National Grid Director of UK Regulation |

Minutes

| Agenda Reference | Minutes | Action Reference and Owner |
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| 1. | Welcome from the Chair | |

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| | <p>TM welcomed everyone to the meeting and went through the apologies. Members were then asked to declare any possible conflicts of interests.</p> <p>The minutes of the previous minutes were approved for accuracy and actions UG18-03 to UG18-05 and UG18-07 were left open. A further update will be provided on the outstanding actions at the next IUG meeting in July.</p> | |
| 2. | <p>Safety & Customer Moment</p> <p>AP shared a safety moment relating to an incident where a technician sanitised his hands, as procedure required, but went on to touch metal when the alcohol had not quite fully evaporated. This caused a static charge which led to the technician suffering burns. The lesson learnt was in the importance of following procedures fully and correctly, especially with regards to safety.</p> <p>AP also shared a customer moment around the servicing of his boiler. He explained that it took 3 weeks to get an appointment with his service provider, which set an unfavourable tone from the onset. The service eventually received (once the engineer turned up), however, was very good and this helped to change his perspective. The Independent User Group (IUG) discussed the need for companies to consider the importance and the impact of that first customer contact as it sets the tone for engagement between them and their customers.</p> | |
| 3. | <p>NGET Business Update</p> <p>AD provided an update on the NGET business focussing on FY21. She commented on how the COVID pandemic had caused it to be a difficult year and, in particular, a tough final quarter but stated how the business had managed a good outturn for the year despite this.</p> <p>AD shared some performance metrics and updated the IUG on the good results on safety and reliability, with the Business achieving 100% network reliability. She explained how measures put in place for engineers at the various sites had led to low COVID infection rates and she commented on the good scores achieved by the Business on customer and stakeholder satisfaction as well as the reduction in Sulfur hexafluoride (SF6) leakage. AD also talked about the improvements in employee engagement and enablement scores and diversity metrics.</p> <p>AD told the Group that the look forward to RIIO 2 was about transitioning to a new organisation structure in a smooth manner, whilst still coming out of lockdown, and she explained how NGET was clear on their deliverables and objectives.</p> <p>AD informed the Group that the Business will also be looking at the big strategic areas like East Coast and spoke about the Business's plan to support the delivery of net zero.</p> <p>Alice also gave a short update on the acquisition of WPD.</p> <p>Q&A</p> | |

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| | <p>A question was raised on how NGET managed to achieve the reductions in SF6. AD responded by explaining how they have improved their ability to detect leakages, respond quickly and fix first time. She also commented on the plan, moving forward, to take more preventative measures.</p> <p>A further question was raised by BH on the process now being employed by NGET (which was considered outside the norm) for when outages are being sorted. He reported that Distribution Network Operators (DNOs) were now being asked to sign a contract exempting NGET from Customer Interruptions (CI)/ Customer Minutes Lost (CML) implications. AD agreed to further investigate and follow up with BH offline.</p> <p>TM enquired when NGET would provide the IUG with an update on the close out of RIIO 1. MB explained that this was already built into the IUG's workplan. Current proposal is, therefore, to bring this to the Group in September, as there will be data on the regulatory reporting process (RRP) which gets reported to Ofgem in July. MB also informed the Group of a close out / reconciliation process that Ofgem was planning to run.</p> <p>MB then further reiterated the purpose of the Business Updates to signpost how the business is progressing on delivering RIIO 2 and how this would, then, culminate into the full reporting every September.</p> <p>MB talked about the lessons learnt from building the business plan, regarding the need to explain performance more clearly and more frequently in dialogue with Ofgem, instead of the usual once a year reporting. He explained that NGET was, therefore, looking at how they could effectively take key stakeholders, like Ofgem, on the journey as they deliver the RIIO 2 deal and AD gave an example of how this was already happening, where the business now had in place monthly engineering sessions with Ofgem.</p> <p>The Group discussed when feedback would be coming from Ofgem on the enhanced engagement process. ZM updated the Group on an ED-1 presentation which had been delivered by Ofgem providing a review of the engagement process and she shared a copy of the presentation during the meeting.</p> <p>A point was raised on what NGET's role would be with regards to COP26 and AD explained how the business was working towards that through educational campaigns and facilitating the big topic discussions as part of the Responsible Business agenda. It was agreed that this would be covered in further detail in July when the team come to talk about Responsible Business.</p> <p>The Group noted how NGET's investment plan was being delivered to target but queried how NGET would score themselves with regards outcomes and impacts. NGET was also asked what the challenges were with delivering strategy.</p> | <p>UG19-01 AD to further investigate the requirement for DNOs to sign a contract exempting NGET from Customer Interruptions (CI)/ Customer Minutes Lost (CML) implication and follow up with BH offline.</p> |
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| | <p>AD explained how ideas have led to meaningful outcomes, citing the example of smart wires which started as an innovation project and has gone on to enable an additional 1.5 BW of power, thereby avoiding the need to build new overhead lines. She also explained the measures the business was putting in place to build innovation into their standard ways of working.</p> <p>The Group enquired whether there were any areas of struggle or challenge for NGET. AD commented on the strain of the response to the draft determination on the teams and explained how this has led to lessons learnt around the need for improvements in asset data which is now being built into the RIIO 2 plans. This was along with plans to improve systems and processes to make them more efficient.</p> <p>NGET was also asked whether flexibility was being built into the process to accommodate any adjustments in stakeholder expectations during RIIO 2 delivery. AD explained the challenges of planning to a 5-year time frame and re-enforced the point made earlier in the discussion about the importance of bringing stakeholders along the journey, so as to pick up and address the possible impact of changing expectations in a timely manner. MB added that there was a lot more funding flexibility in the framework for RIIO 2 compared to RIIO 1 which, in turn, provides the opportunity to track these changes.</p> | |
| 4. | <p>Chair Updates</p> <p>TM informed the Group that she will chase Ofgem for their formal feedback on enhanced engagement process.</p> <p>TM also informed group that Andy Manning, a former User Group member, was replacing Stew Horne at Citizens Advice.</p> <p>TM then updated the Group on Responsible Business. She informed them that Jeremy Cohen, who was the NG lead, had left the business and the Responsible Business team's plan now was to get the Advisory Group refreshed as soon as the team complete their work to publish their first annual report. In the meantime, TM advised that she had been assured by the team that there should be no issues aligning the work at Group level to the work at Entity level.</p> | <p>UG19-02 TM to speak with Ofgem for their feedback on enhanced engagement process.</p> |
| 5. | <p>Innovation</p> <p>The IUG held a closed session to discuss their key questions based on the pre-read paper. The National Grid representatives then joined the session and PG gave a presentation on Innovation.</p> <p>Innovation Overview</p> <p>PG commenced by reminding the Group of the NGET Board's commitments and explained how the Board will be monitoring delivery through monthly reporting.</p> | |

He talked about the innovation ambition to deliver net zero, the high-level priorities and the steps the business was planning to take in order to deliver the Innovation ambition.

PG then recapped on the current regulatory innovation position and the plan for Ofgem to extend the RIIO 1 funding into RIIO 2. He talked about the Network Innovation Allowance (NIA) for RIIO 2 and the RIIO 1 Network Innovation Competition (NIC) funding which had been secured for the Deeside Innovation Centre. PG also spoke about the plans to seek opportunities to participate in the new RIIO 2 Strategic Innovation Fund (SIF).

PG went on to take the Group through the key innovation themes, which included increasing network transmission capability to facilitate zero carbon connections, whole system solutions and facilitating net zero outcomes and addressing consumer vulnerability. He then went through the current focus areas for NGET.

PG also detailed the engagement being done with stakeholders on innovation, sharing highlights from the April innovation stakeholder webinar. He talked about areas where they are collaborating with other Transmission Owners to deliver value for consumers and he touched on the longer-term plan for cross sector innovation where value could be maximised.

PG expressed how much of a priority it was for NGET to make innovation a way of life. He talked about the work being done to change mindsets, so as to embed innovation and the work being done to establish how improvements could be measured. He spoke about the innovation forum that had already been created within the business and the champions who had been appointed to promote an innovation environment.

PG then took the User Group through the processes NGET was putting in place to manage RIIO 2 innovation projects.

Q&A

A question was raised on a statement made during the presentation about fully utilising the allowance provided. PG explained that this was a great opportunity to make the most of the benefits available with the RIIO 2 funding arrangement, in order to deliver the energy system required by our stakeholders. He also made mention of NGET's willingness to fund from the core business, even if RIIO 2 funding was not available but there existed strong belief that the project in question would deliver value.

The IUG also enquired about level of collaborative working with the DNOs around digital substations, bearing in mind whole systems working and PS explained how this was in train as part of NGET's digital road map.

NGET was asked how they were also reaching out to other parts of the system like demand side and embedded generation to explore

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| | <p>solutions, given the possibility of some of the optimal solutions being non-network related. This led to a discussion on the different working Groups NGET was involved with like the Energy Network Association (ENA) and linkages into the Electricity System Operator (ESO) and the work with NGG on projects like 5G link to digitalisation, as well as the scheme to look at decarbonisation pathways. PG spoke about the considerations being made on how effectively the business could work with demand side and embedded generation, expressing that there was still some way to go. It was acknowledged by the Group that this wasn't just a matter for NG, as addressing this adequately required a collaboration across industry.</p> <p>The Group also raised the point about the need for a clearer distinction between the drivers and leads supporting the innovation ambition and also sought clarity on the process for allocating funds and decision making. AD responded by explaining the different levels of accountability within the new operating model and the process for benefit tracking and PG explained what was being done to promote visibility externally.</p> <p>There was a discussion around how NGET factored in the social return on investment and the Group asked for more information on the inhouse tool which NGET has developed to ascertain the social impact of innovation projects. They also asked to know more about the approach to innovation on consumer vulnerability. PG informed the Group of a framework currently in development with the other Transmission Owners and the Energy Innovation Centre (EIC) and offered to seek approval from the working Group for the related document to be shared with the User Group as it has not been published yet.</p> <p>NGET was asked whether they planned to use the Benefits framework for all projects and not just NIA projects and were also asked how the impact of strategy delivery will be demonstrated in the day to day activity. This led to a discussion on NGET's internal considerations for a performance contract which set out the top-level outcomes to help track impact. AD offered to come back to the Group and share this with the Group at a later date, once it was fully developed.</p> <p>Recommendations Summary</p> <p>Whole system collaboration:</p> <ul style="list-style-type: none"> • The IUG would recommend for NGET to accelerate the whole system collaboration particularly in the area of resilience or at least pull out what is already being are done. • NGET should also be clear on their approach around how they are collaborating with other parts of the system like demand-side and embedded generation, and also non-network solutions, to explore properly whole system solutions at a local level and ensure whole system optimisation and achieving net zero at minimum achievable cost. <p>Demonstrate Golden Thread from Strategy to Outcomes</p> | <p>UG19-03</p> <p>PG to obtain approval to share document on framework with the User Group</p> <p>UG19-04</p> <p>AD to share further detail on NGET's benefit tracking system with the IUG once fully developed.</p> |
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| | <ul style="list-style-type: none"> • NGET should provide further clarity and visibility on correlation between the innovation strategy, ambition, themes and focus areas and to demonstrate the golden thread throughout the strategy on how these lead to the required outcomes, and the governance processes that surround it. <p>Measuring societal Impact</p> <ul style="list-style-type: none"> • NGET should provide more clarity on how societal impact will be measured. <p>Capturing Impact of innovation projects</p> <ul style="list-style-type: none"> • NGET should demonstrate how the benefits from BAU projects will be captured. • NGET should demonstrate / provide evidence of how the innovation initiatives being progressed as part of strategy are changing the ways of working on the ground (e.g. with capital programme). <p>Stakeholder Engagement Insights</p> <ul style="list-style-type: none"> • For future updates on stakeholder engagement, the IUG would like NGET to be clear on what they were engaging on, with whom and to provide greater and to provide greater visibility of the key insights and key messages from stakeholders. | |
| 6. | <p>Safety Moment</p> <p>WW shared a safety moment relating to a health issue he experienced and provided his reflections on striking the right balance between levels of exercise and the impact on one’s heart.</p> | |
| 7. | <p>East Coast</p> <p>The IUG held a closed session to discuss their key questions based on the pre-read paper. The National Grid representatives then joined the session and GC gave a presentation on East Coast.</p> <p>East Cost Overview</p> <p>GC provided a bit of background on himself to the Group on his role as a wind farmer before coming to work for NG. He explained how his approach in progressing the East Coast project had, therefore, stemmed from the nature of his interaction with NG at the time and his understanding of the challenges the industry faced.</p> <p>GC went through the timeline for delivering 10GW of offshore wind over the last 20 years, which was world leading. He, however, highlighted that to achieve the Prime Minister’s ambition of delivering 40GW of offshore wind by 2030, would require the connection of 30GW in the next 9 years.</p> | |

He also explained that to support this, the electricity network capacity would have to double by 2050 and took the Group through the list of projects that would be required, to highlight the scale and complexity of the new transmission infrastructure.

GC informed the Group that a number of projects had been already triggered via the RIIO 2 deal, whereas others were waiting to be approved by Ofgem for pre-construction. He, however, made it explicit that based on current major project timescales, process and policy, the required onshore electricity network infrastructure will not be delivered by 2030, without meaningful action.

He went through the work NGET was currently leading and exploring jointly with others. This included ...

- building an understanding of least regrets 40GW by 2030 NGET infrastructure (at circa £10bn of investment),
- feeding into BEIS / Offshore Transmission Network Review (OTNR) early opportunities. He went through the engineering solutions currently being explored, such as the use of multi-purpose interconnectors, coastal energy hubs, deployment of innovative network solutions and potential future proofing for using higher voltages out to 2050. These have the potential to reduce the volume of infrastructure required onshore and offshore.
- Proactively engaging with key stakeholders, local authority officials, councillors and MPs on NOA outcomes, upcoming consultations.

GC then elaborated on three key actions needed to ensure the Government's ambition becomes a successful and positive reality. These were:

1. **The network design blueprint** - He explained that urgent work was required to design and deliver an energy network design 'blueprint' which is optimised not only from a cost perspective, but also from the perspective of strategic coordinated infrastructure and environmental efficiency.
2. **Planning** - BEIS need to appropriately refresh the suite of National Policy Statements (NPS) and ensure they reflect the net zero ambition as well as provide much needed clarity and guidance.
3. **Regulatory alignment** – There was a need for BEIS and Ofgem to review the relationship between the Large Onshore Transmission Investments (LOTI) and the Development Consent Order (DCO) pre-application processes to create greater investment confidence.

Q&A

AP enquired about how involved the business was with OTNR. GC explained that he sat on the OTNR Board and talked about the focus of the working group. He added that he was confident that the right

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| | <p>stakeholders, between government and the regulator, who appreciated the urgency of the 30 by 40 mandate, had been identified and their task now was to establish the scope, following which engagement with industry will commence.</p> <p>A point was raised that the proposals did not seem to include anything about avoiding offshore environmental impact. GC explained how this was very much at the forefront of thinking, although not explicitly mentioned and he went through the approach being taken including the engagement with Greenpeace and Green Alliance through the OTNR, as well as the engagement with Ofgem, BEIS and local government. GC mentioned the involvement of Chris Baines, a prominent environmental expert. TM informed the Group that she would arrange a catch up with Chris Baines to discuss this and it was noted that Chris was also the Chair of the Visual Impact Advisory Group.</p> <p>This led to a further discussion on the nature of the stakeholder engagement required. It was acknowledged that the objective for the engagement should be to obtain buy-in from stakeholders on the expedience of accelerating the time and what would need to change to enable that.</p> <p>BH highlighted that the interconnections that would be needed to support the East Anglia to East Coast linkage could have a knock-on impact downstream, in terms of equipment, and enquired whether there was an intent by NGET to work with the Distribution Networks (DNOs) as has been done previously on lines like the Canterbury /Richborough. GC responded that he hoped this would be the case but was yet to have the high-level discussions with the DNOs.</p> <p>The IUG discussed NGET plans around the flexibility in storage and the implications for networks and some practical steps Ofgem was currently taking to progress things towards the 2030 ambition. Urgency was, however, further expressed by GC on the need for acceleration.</p> <p>This led to a further discussion around the concerns raised in the past about Ofgem being a potential Net Zero blocker. The IUG acknowledged the level of engagement currently underway with some key stakeholders but were also conscious that at some point, major trade-offs would have to be made between the regulatory framework, the cost and the environmental issues. Considerations were, therefore, made around the possibility of inviting Ofgem to discuss with the IUG how the right steps would be taken to ensure the various stakeholder interests were represented and that ultimately, value would be delivered for the consumer.</p> <p>GC then updated the IUG on discussions underway with the UK Government and the actions being taken to help cut through any red tape that could inhibit the delivery of the 2030 ambition. He also talked about the steps being taken to ensure the resources, the skills and the capability required to deliver requirements were all in place.</p> | <p>UG18-05 GC to provide the contact details for the stakeholders at Green Alliance, CPRE, Greenpeace for further insights on the environmental impacts.</p> <p>UG19-06 TM to catch up with Chris Baines</p> <p>UG19-07 TM to liaise with MB offline to agree how best to engage with Ofgem so as to obtain their views on how they are facilitating the ambition to deliver 40Gw of offshore wind by 2030.</p> |
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| | <p>The IUG agreed that it would be worth Graeme coming back to provide an update in the future. It was also discussed that this could include an update on deliverability from the business.</p> <p>Recommendations</p> <ol style="list-style-type: none"> 1. The IUG recommended for NGET to provide ongoing validity and visibility of the range of work being done with the OTNR to ensure considerations and activities relating to delivering the 2030 mandate are all joined up. 2. With respect to the pace and timing of the work, and the considerable number of projects involved, the IUG recommends that NGET provides information on how it is gearing up resources to deliver this as it appears to be step change from the current level of project delivery. 3. NG to clarify how regional voices will be heard and factored into the decision making and to provide transparency about the approach to engaging with the wide and diverse range of stakeholders involved and how it is planned that the trade-offs between the various interests will be identified and addressed transparently. 4. NGET to provide visibility on the interaction with, and impact on, DNOs. 5. NGET to provide further visibility on how environmental impacts are being taken into account. | |
| 8. | <p>User Group closed session</p> <p>In the closed session the Group reflected on the East Coast presentation discussed that they would welcome an understanding of how the process is being challenged by non-industry experts.</p> | |

Actions Log

| Action No | Meeting date | Agenda item | Status | Action | Owner | Target completion | Comments and updates |
|-----------|--------------|-------------|--------|---|-----------------|-----------------------|----------------------|
| UG19-01 | 10 May 2021 | 3 | open | AD to further investigate the requirement for DNOs to sign a contract exempting NGET from Customer Interruptions (CI)/ Customer Minutes Lost (CML) implication and follow up with BH offline. | Alice Delahunty | 12 th July | |
| UG19-02 | 10 May 2021 | 3 | Open | TM to speak with Ofgem for their feedback on enhanced engagement process. | Trisha McAuley | 12 th July | |
| UG19-03 | 10 May 2021 | 5 | Open | PG to obtain approval from the working group to share document on framework with the User Group | Paul Gallagher | Sept 2021 | |
| UG19-04 | 10 May 2021 | 5 | Open | AD to share further detail on NGET's benefit tracking | Alice Delahunty | Sept 2021 | |

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| | | | | system with the IUG once fully developed. | | | |
| UG19-05 | 10 May 2021 | 7 | | GC to provide the contact details for the stakeholders at Green Alliance, CPRE, Green Peace for further insights on the environmental impacts | Graeme Cooper | 12 th July | |
| UG19-06 | 10 May 2021 | 7 | | TM to catch up with Chris Baines for the VIP advisory Group's views on the possible offshore environmental impact of the proposals. | Trisha McAuley | Sept 2021 | |
| UG19-07 | 10 May 2021 | 7 | Open | TM to liaise with MB offline to agree how best to engage with Ofgem so as to obtain their views on how they are facilitating the ambition to deliver 40Gw of offshore wind by 2030 | Trisha McAuley | Sept 2021 | |