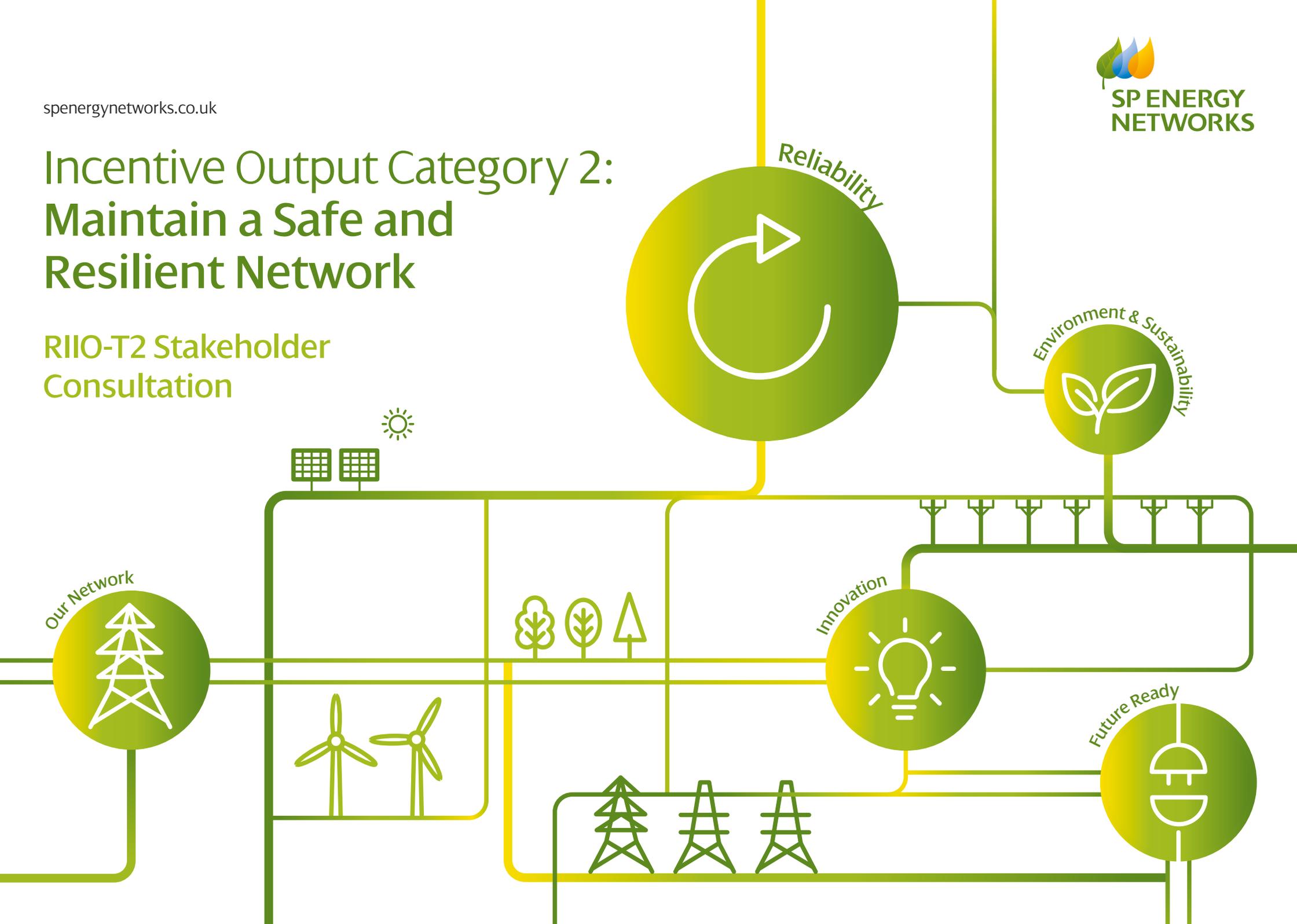


Incentive Output Category 2: Maintain a Safe and Resilient Network

RIIO-T2 Stakeholder
Consultation



Welcome

We are currently developing our 2021-2026 Business Plan for the transmission network as part of the RIIO-T2 process.

Our RIIO-T2 Business Plan will incorporate all the activities we need to fulfil our licence obligations and achieve the priorities our stakeholders want us to focus on.

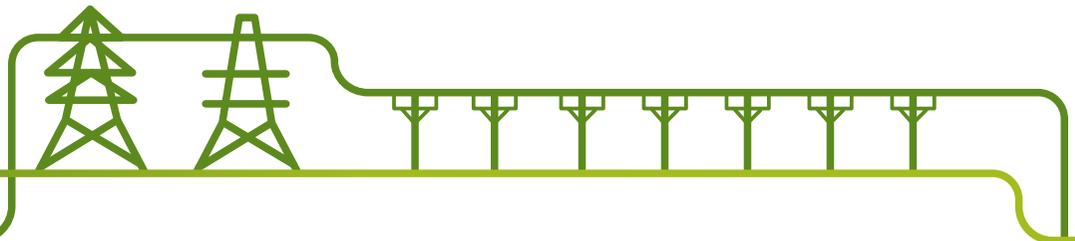
This document provides an overview of the output incentives in one of the three output categories Ofgem have proposed in their recent consultation for RIIO-T2 specifically:

Category 2: Maintain a Safe and Resilient Network

We also have separate consultations available to provide your views on:

Category 1: Meet the Needs of Consumers and Network Users

Category 3: Deliver an Environmentally Sustainable Network



Category 2: Maintain a Safe and Resilient Network

This category includes two output incentives that are part of RIIO-T1. Ofgem recognises the value these have delivered and hopes to build on these.

1. Safety
2. Network Access Policy

Ofgem are also proposing a new incentive in this category:

3. Successful Delivery of Large Capital Investment

For information on the existing incentive we have in RIIO-T1 please see our [“Making Incentives Work for the Consumer”](#) online information leaflet.

We believe these have incentivised us effectively to significantly improve our performance in these areas, and we present some initial views on how we might improve on these to bring more benefit for customers in RIIO-T2.



Output 5: Safety

As a competent responsible network operator safety is our number one priority and agree with Ofgem that introducing a new safety incentive to improve performance is not required. Safety is embedded in 'business as usual' and recognised by our Directors and Delivery Managers as our primary responsibility.

Some examples of where we are leading in the drive to achieve safety for our employees, contractors and the general public are; our public education; school education; and agricultural events. Initiatives such as contractor forums and workshops, including an overhead line working group and vehicle and plan contractor forum.

Our existing safety incentive in RIIO-T1 expects us to comply with the legal safety obligations monitored by the Health and Safety Executive (HSE) as the safety regulator. In RIIO-T1 we have increasingly embedded safety through; observation monitoring and review; establishment of behavioural safety teams; and given legitimacy to good housekeeping. Contractor safety requirements are embedded in procurement processes and therefore priced in by contractors. The Safety Management System (SMS) is embedded across the Iberdrola group, which we are a part of.



Output 6: Network Access Policy (NAP)

Our RIIO-T1 “Availability” incentive requires us to have a Network Access Policy (NAP) and to perform in line with the principles of our NAP. It is a reputational incentive with no financial incentive associated with this output.

The purpose of the incentive is to increase co-ordination and engagement with the GB System Operator (National Grid ESO) in managing network outages on our system to do the work to connect and maintain our assets. This can reduce overall costs for consumers and mitigate the impact of outages for our connected customers.

The incentive has provided a good basis to establish the joint Scottish NAP and industry working group. It has ensured improved co-ordination in outage planning and process between the two Scottish TOs and the ESO. We have undergone a step change in the engagement we have with the ESO throughout RIIO-T1 and have delivered an ever increasing number of system outages with more and more complexity associated with them year on year, since the start of RIIO-T1. This has been critical to our ability to deliver our outputs for connecting new generation, upgrading our network and maintaining our existing assets.

In RIIO-T1 we have established biannual series of engagement with all our connected parties to explain in detail our annual outage plan, identifying where this may have an impact on their connection. This supplements the formal outage communication lines the customer will have with the ESO. We welcome Ofgem’s proposal that the NAP should be developed to document this type of engagement with third parties.

We think the impact of this incentive can be made more valuable to stakeholders and customers in RIIO-T2 by introducing a better reporting approach. This would require identification of relevant metrics, such as those included in the C17 National Performance report including “System Availability”.

The opportunity to reduce the impact of outages on constraint costs is an area we have been working on with Ofgem and the ESO over the course of the RIIO-T1 period. The challenge remains to effectively implement a mechanism that provides infrastructure solutions to mitigate the risk of high constraint costs. We are committed to developing this with the help of stakeholders, the ESO and the other TOs to develop a whole system approach that realises the potential of this opportunity.

We therefore recommended this incentive should be retained for RIIO-T2 and adapted as required to incorporate the separation of NGETO and ESO. Ideally, this would lead to a joint NAP for all three TOs (this was discussed at a recent NAP meeting where it was confirmed this would not be possible for RIIO-T1).



Output 7: Successful Delivery of Large Capital Investment

Ofgem are proposing a new incentive in this area for RIIO-T2. However, as part of RIIO-T1 we already have licence obligations to deliver our large capital delivery projects which may be subject to enforcement if breached.

The reputational factors affecting our flagship projects, commercial contracts, and own cost expenditures amount to a massive incentive for us to deliver these projects to meet forecast completion dates.

We also have a regulatory incentive through our Stakeholder Satisfaction Incentive mechanism which has a KPI to measure our delivery performance on large capital projects. This results in a penalty when we are late by as little as a day. It also provides an award if we deliver early. However, the value of the incentive is relatively small; +/-£10k per month in comparison to the multi-million level of expenditure in such projects.

We are proud of our overall delivery performance. For example, we are nearly 60% through our asset replacement programme, which is 19% ahead of our Business Plan at this stage.

Ofgem are proposing an incentive that could be measured against the impact of constraint costs. However, the factors that contribute to constraints are extremely variable in the short term; not least the volume of wind on a given day affecting generation and demand levels. Constraints associated with specific circuits and outages are also extremely difficult to calculate with the ESO typical reporting on GB wide constraints.

Assessing performance of complex, challenging infrastructure projects using this sort of metric may not be in appropriate of in the best interests of consumers.

RIIO-T1 Delivery Highlights

19% ahead of our RIIO-T1 forecast

Our asset replacement programme is 60% complete overall, 19% ahead of our forecast, and we are 75% through our overhead line replacement programme of 800km.

84% of our forecast 1,620MW of new generation connected.

1,361MW of new renewable generation

16 transmission connected wind farms providing 1,361MW of new renewable generation.

860MVA of additional capacity

860MVA of additional network capacity in South West Scotland.

Capacity increase from 2,900MW to 6.6GW

Commissioned our East-West reinforcement, Series compensation and Western Link projects increasing our network transfer capacity from 2,900MW to 6.6GW.

Stakeholder Consultation Questions

1. How would you rate your current level of knowledge of our safety commitment and the initiatives we deliver for staff, contractors and the general public?

2. Would you value increased visibility, engagement or communication with us on these safety related matters?

3a. Prior to reviewing this consultation, to what extent were you aware of Network Access Policy and how the incentive has driven network companies to improve our outage management processes?

3b. How would you rate your awareness now?

4. What has been your experience of any planned network outages that have affected you?

5. What are your views on how the Network Access Policy could be developed to improve performance in this area further?

For example would you value;

- More engagement and communication with us in respect of planned outages?
- Better visibility and reporting of our outage performance including identification of a KPI to demonstrate impact on constraint costs?

6. What are your views on reducing the risk of high constraint costs by introducing asset based solutions?

7. What are your views on introducing an incentive for the Successful Delivery of Large Capital Investment projects?

Please [click here](#) to respond to these questions using our online form.

We also welcome your responses to any of these questions via our dedicated RIIO-T2 mailbox: riio_t2@spenergynetworks.co.uk

