

Questions with the Chair

Focus on: The RIIO-T2 Transmission User Group



Foreword

At SP Energy Networks we take great pride in our stakeholder engagement activities. This commitment was reflected in our Transmission business coming first across all Transmission Operators for the Transmission Stakeholder Engagement Incentive for 2017-2018.

We were awarded our highest ever score for this activity, moving to first place in the incentive – and ranked higher than any other electricity transmission or gas network business.

This commitment to stakeholder engagement is especially at the forefront of our thinking when it comes to the creation of our RIIO-T2 Business Plan as we consider the needs of current and future consumers and network users in the context of a transitioning energy system and low-carbon, whole-system approach to energy provision.

As part of our business planning process for the next Transmission delivery period (which will run from 1st April 2021 to 31st March 2026) we have created an independent, *Transmission User Group* to ensure we are incorporating the full range of needs and views of our customers and stakeholders within our RIIO-T2 Business Plan. The Group will provide expert, external challenge and input to our business plan and has been created to include traditional as well as non-traditional stakeholders, such as transmission customers, academics, industry experts and community representatives.

We are delighted to have recruited the Rt. Hon. Charles Hendry as the independent Chair of our Transmission User Group. Charles was the Minister of State for Energy and Climate Change from 2010 to 2012 and so we are confident that he will be able to lead the User Group to robustly challenge us and our RIIO-T2 Business Plan on behalf of those who use our network now and in the future.

Over the coming months we'll be holding short "Questions with the Chair" sessions with Charles to share his unique insight and perspectives on the TO User Group and Ofgem's RIIO-T2 review process. These interviews will broadly correspond with the themes being discussed with the Transmission User Group in our monthly meetings with them. In this first session Charles' explains his thoughts on the formation and progress of his independent Transmission User Group and how this group will interact with industry regulator, Ofgem's, own Challenge Group to ensure a thorough and joined-up approach across the GB Transmission Operators.

Get involved and #ChallengeOurPlan!

Throughout 2019 we will continue to engage with you on the key business areas and themes which form the building blocks of our plan. We will incorporate the feedback and challenges from the User Group on all of these areas, host events and workshops with industry experts and members of the public, run webinars and partake in a number of well-known existing events to maximise the opportunity we have to meet and speak with you about our Transmission Business Plan.

We want to address the issues that matter most to you. If you would like more information on our RIIO-T2 business planning process or to pose a question to Charles and his User Group, feel free to email us via our *RIIO-T2 mailbox*. You can also find a summary of all of our RIIO-T2 consultations and events via the dedicated *RIIO-T2 pages of our website*. We look forward to hearing your views and input throughout the coming months as we continue to place consumers at the heart of our T2 Business Plan.



A handwritten signature in black ink, appearing to read "J Sutherland". The signature is written in a cursive style and is positioned above the printed name.

Jim Sutherland
RIIO-T2 Programme Director

Questions with the Chair

Session 1

Question 1:

Prior to establishing the TO User Group, you had limited involvement with SP Energy Networks and their work. What were your first impressions of the company and their approach to building the RIIO-T2 business plan?

Certainly most of my engagement in the past had been with the generation side of ScottishPower.

I was familiar with SP Energy Networks but I have obviously now been involved with them at a much greater level.

I found SPEN has a team of dedicated people, committed to ensuring the transmission network continues to meet the needs of customers. Also, rather than just trying to go through a bidding process with Ofgem they want to get it right first time, which I think is a credit.

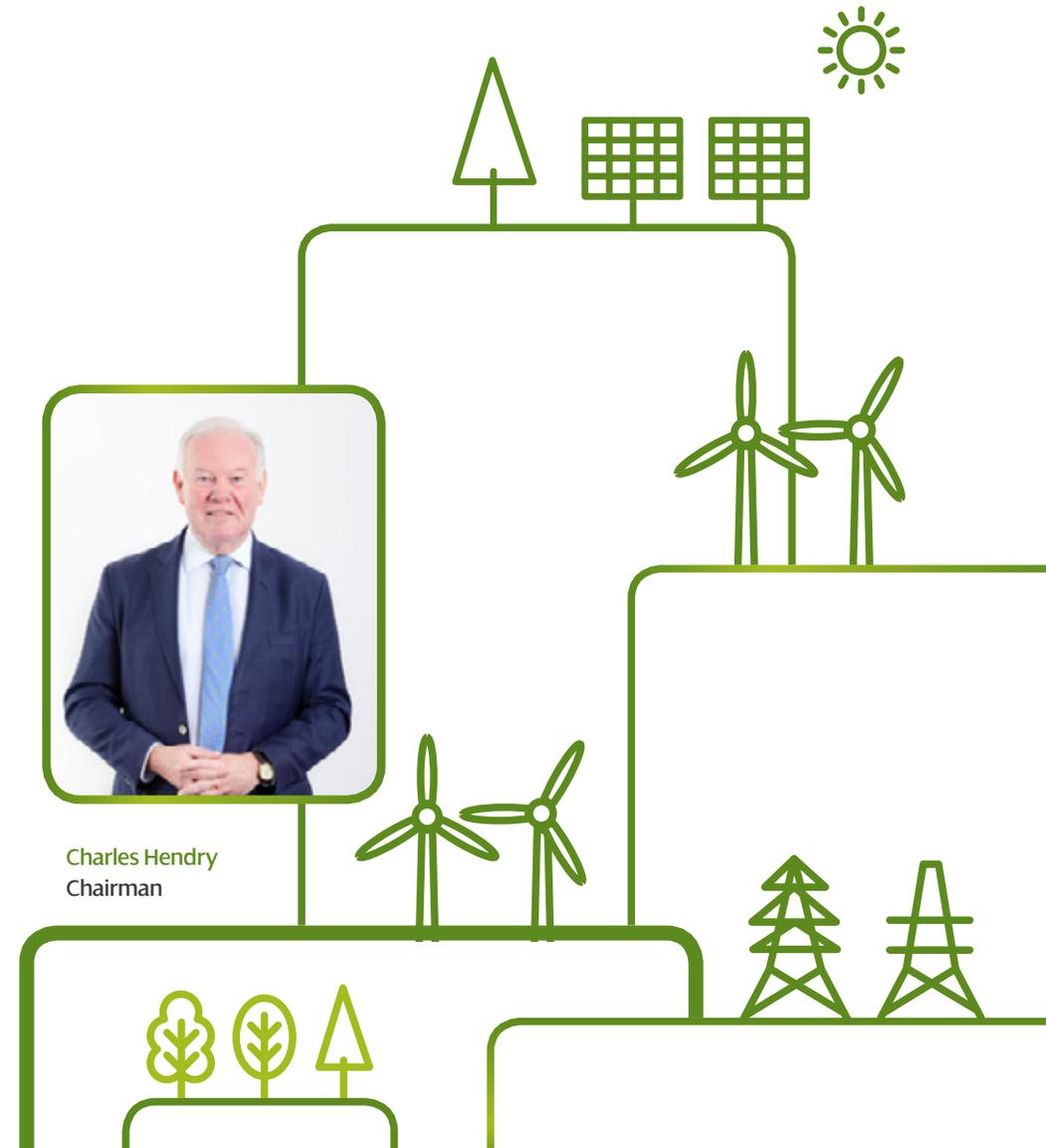
I think this ingrained commitment comes from the responsibility of running something as important and significant as a transmission system. Of course you should take a relatively cautious approach to doing that.

You want to make sure that you've looked at all of the issues and challenges and that you've been as comprehensive as you can be in making sure that that system is safe and robust and that approach then carries through, I think, into a wider business ethic.

From what I've seen so far that the company is going about the RIIO-T2 process in a very serious way, a very structured and strategic way. That makes it quite straightforward for us as a User Group to engage with them.



Charles Hendry
Chairman



Question 2:

What was your motivation for accepting the role of Chair of the SP Energy Networks TO User Group? How does it feel to be involved and overseeing the future transmission investment plans, given your many years of experience in the industry?

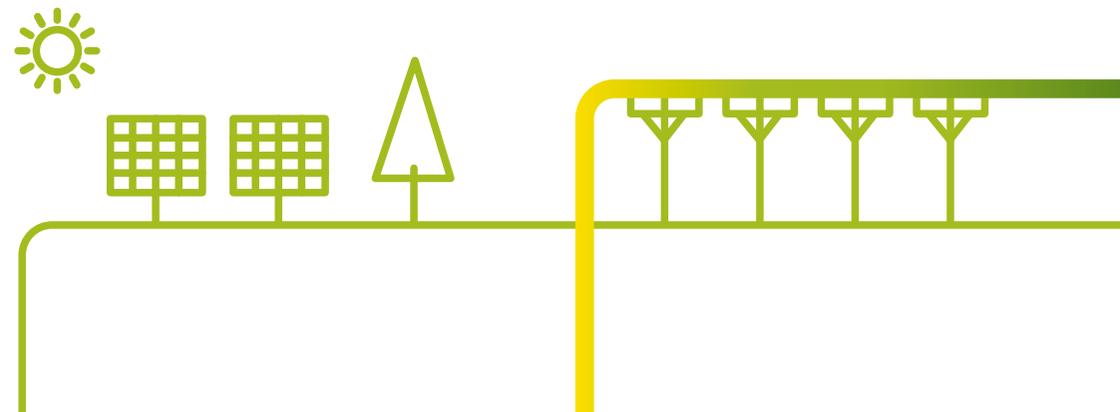
RIIO-T2 is one of the most significant periods for the energy sector. But this type of investment planning activity is not exactly high-profile. The grid is something which people just expect to work.

Therefore, being part of the process which delivers the necessary investment, takes account of all of the uncertainties and the challenges that are faced, and doing that in a way that really benefits consumers, I think is one of the more interesting, intellectual challenges in the energy sector which I am glad to be part of.

Being personally based in Scotland, it was particularly appealing to be involved with a Scottish company and to understand the additional pressures they may face from being in a different political landscape. If we get this process right, nobody will notice and nobody will say thank you. If we get it wrong everybody will notice and we'll all be carrying our share of responsibility in the outcome.

I think what I've been able to do is bring together an absolutely expert group of people who strongly represent the interests of the transmission system, while also recognising the distinction between users of the transmission system and the end consumer.

The distribution network also comes between the users of the Transmission system and the end consumer, however we have to bear in mind that ultimately it is the final consumers who pick up the bill for the investment decisions which are being made. One of our biggest challenges is ensuring that this is done in a way that protects two sets of stakeholders whose interests are not necessarily always aligned.



Question 3:

Do you feel the TO User Group will support the delivery of a robust and transparent business plan and process? Do you feel that it will give stakeholders and consumers' confidence in the legitimacy of the final plan?

That is absolutely fundamental to what we are seeking to do.

We must show consumers that their interests have been taken into account and that this plan is robust, then I think we will have succeeded.

The TO User Group have made it entirely clear that we want to see the impact of the challenges which we've made; to understand where we have pushed back and to see how the SP Energy Networks has responded. We will be publishing a Challenge Log alongside our report so people will be able to see exactly the questions that we've asked and how the company has responded.

This will be a transparent process and it will be something where people will be able to understand the work which we've done. I think that's an important part of delivering the ambition.

There will also be an independent challenge group set up by Ofgem. This presents a double approach in a way that we are there to represent the TO User Group and the users, to question the company and get comfort that they have taken account of their needs. The RIIO Challenge Group will challenge both the company and to some extent our User Group as well, to double check that we've looked at everything comprehensively.



Question 4:

What are your thoughts so far on the progress of the User Group?

It's early days and so, at this stage, we're going through a process of learning a great deal about what the company is proposing, its business model and what it's been doing in the past.

We have got a significant amount of cross-sector expertise within the Group, so we're in a strong position to ensure that we can fully understand everything that the company has been doing and plans to do during RIIO-T2.

As a Group we can say that we find the approach so far to be constructive and collegiate and orientated towards delivering a positive outcome. We are looking forward to the coming months when we'll really be getting into detail and the granularity of what's being proposed for the new investment plans.

Question 5:

The User Group is encouraged to receive external presentations, how do you think involvement from external parties will benefit the Group's work?

At the start of the User Group process we thought very carefully about some organisations who would have a very natural, strong opinion about the company's investment plans and whether they should actually be part of the User Group. We came to a conclusion that there are some groups, like consumer groups, who may wish to present to us in a way that sits with their broader campaigns, which we can take account of.

Therefore, what we've done at the meetings is asked some of those organisations to come and talk to us. We've had consumer groups coming to talk to us as well as the Scottish Government.

The Scottish Government are clearly an important influence in this process: we want to ensure that we are working in the spirit of what it has put in place regarding its ambitions for a low-carbon future, for what it sees as important, for example for electric vehicles and those such aspects.

I think it's easier having parties like the Scottish Government as an organisation which presents to us, and we'll come back to them on more than one occasion I'm sure, to have that active dialogue and feedback with, rather than having them necessarily within the group on a permanent basis. My feeling is that is what will give us the most robust ability to fully factor in their concerns and views.



Question 6:

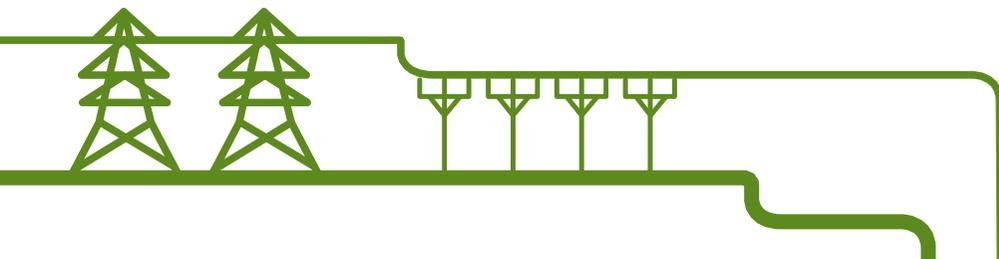
How will you know if your User Group has been successful and what assurances will you be able to make?

We will publish a Challenge Log to show where we, as individuals, and the User Group collectively, have said what we want more information on. All of that will be set out in writing and people will therefore be able to see whether we have residual concerns which haven't been met or whether we are broadly satisfied with the proposals which are being put forward.

The impression which I have from the meetings we've had so far is that SP Energy Network's is keen to do this in a collegiate way, that they are keen to hear our views. The Company also sees this as an important part of getting the process right for the future so that there is a good working relationship.

Ultimately it will come down to the publicly available document, our User Group final report, which we will produce to outline what we think of SP Energy Network's Business Plan.

I hope we'll manage to do that in a way that is harmonious and constructive. It is our job to be robust and challenging in that process and we will most definitely do so.



Question 7:

As you briefly mentioned earlier, Ofgem also established their own RIIO Challenge Group. How do you see your User Group and Ofgem's Challenge Group interacting and what benefits and challenges do you anticipate from the setup of the additional, Ofgem group.

The Ofgem Challenge Group will be looking at the investment plans of all three of the transmission companies and therefore they are able to get a more holistic overview than our User Group can. We, as a group, might have some understanding of the situation within the SSE network area for example, but we're not necessarily able to be aware of the detail and challenges happening across Great Britain as a whole.

Now sometimes that overview is going to be particularly important because, for example, power, which is generated in the north of Scotland, comes through the Scottish Power Transmission network in order to get to customers in England. So having a holistic approach from the Ofgem Challenge Group can be quite important in the business planning process.

I think also having a Challenge Group which isn't building up a working relationship with the company is also important.

We will naturally get to know each other and perhaps start becoming familiar with internal jargon for example.

The Ofgem Challenge Group will see things from one step removed and having a further set of questions and challenges pushing back is going to be an important part of the process in trying to make this review and engagement process as thorough as it can be.

Overall, what Ofgem want to do is to ensure consumers views and needs at all levels have been taken fully into account while looking at the investment needs over the next decade. I think that the two-group process constitutes a way that will actually give the best chance of delivering on that.

I would caution though against seeing Transmission Business Plans as something which can be completely standardized across the whole of the UK. The SP Energy Networks area covers the Central Belt of Scotland for example, so it's got by far the largest population element, whereas the SSE network area covers the whole of the highlands and islands of Scotland. These transmission operators face very different challenges in terms of the reliability of their systems and external challenges such as where generation and demand is going to be coming from.

You therefore can't simply say that one Business Plan and investment approach from the Network Companies will fit all in this regard. A further case in point being electric cars. Will people be more likely to have electric vehicles in the towns and cities than they are in more rural parts of Scotland?

I would have thought the answer to that, with current performances of these cars, is yes. Therefore, you can't have one simple approach which just assumes that the rollout of electric vehicles is going to be uniform in all parts of the country.

Having a User Group for each company, interacting with one single Ofgem Challenge Group, means that we can reflect those individual network area challenges and difficulties. We can then ensure that the solutions which are put in place are most appropriate for consumers in those individual areas but still the most sensible and efficient when considered all together.

Keep up-to-date with the latest information and planned activities regarding RIIO-T2, by **registering as a stakeholder** and **joining our stakeholder online community**. We also welcome your thoughts and feedback via our **RIIO-T2 mailbox**.