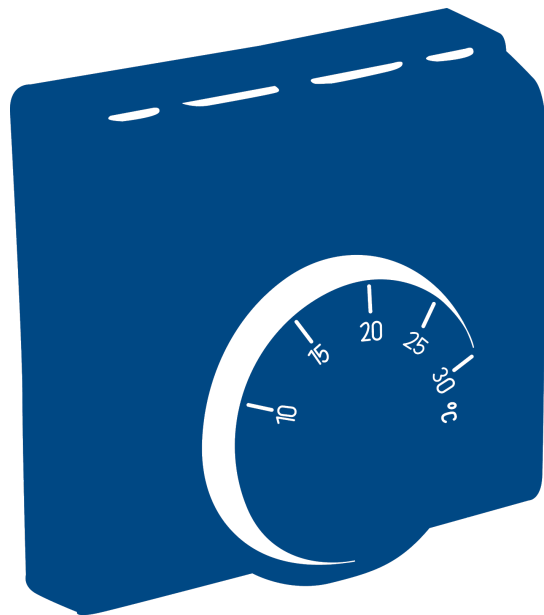


National Grid - Shaping the gas transmission system of the future consultation

Citizens Advice submission
April 2019



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Introduction

The Citizens Advice service provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. It values diversity, promotes equality and challenges discrimination. Since 1 April 2014, the Citizens Advice service took on the powers of Consumer Futures to become the statutory representative for energy consumers across Great Britain. The service aims:

- To provide the advice people need for the problems they face.
- To improve the policies and practices that affect people's lives.

The Citizens Advice service is a network of nearly 300 independent advice centres that provide free, impartial advice from more than 2,900 locations in England and Wales, including GPs' surgeries, hospitals, community centres, county courts and magistrates courts, and mobile services both in rural areas and to serve particular dispersed groups.

In 2017, Citizens Advice Service helped fix 163,000 energy problems through our local network and 61,000 through our Consumer Service Helpline. Our Extra Help Unit specialist case handling unit resolved 8,367 cases on behalf of consumers in vulnerable circumstances, and their Ask the Adviser telephone service handled 2,593 calls from other advice providers in need of specialist energy advice.

Since April 2012 we have also operated the Citizens Advice Consumer Service, formerly run as Consumer Direct by the Office for Fair Trading (OFT). This telephone helpline covers Great Britain and provides free, confidential and impartial advice on all consumer issues.

This document is entirely non-confidential and may be published on your website. If you would like to discuss any matter raised in more detail, please do not hesitate to get in contact.

We recognise that this playback consultation does not include full detail on National Grid Gas' plans. We look forward to seeing more detail and the ability to

comment on your proposals ahead of your final submission to Ofgem in December 2019.

We very much welcome National Grid Gas going out for consultation on this early version of your Business Plan. It encourages transparency and allows a broad stakeholder base to provide comments before ideas are set in stone. We further appreciate the clear understanding National Grid Gas have of the difference between your customers and wider consumer base which depends on your activities.

We have responded to the questions in your consultation below:

Response to questions

Q1. Do you agree with our priority areas for further stakeholder engagement to firm up key aspects of our plan? The areas are (i) Network capability (ii) Asset health – Network-wide and Bacton site (iii) Environment, (iv) External threats.

Although we agree that all the chosen priority areas are of importance to consumers, we did not get a full sense of why these topics were chosen for further, deeper engagement. For example, are they the biggest cost items in your plan, are they the most contentious, or are they the ones with the biggest impact on consumers? Any suggestion for what to engage on should come with an explanation of why other topics are not being engaged on.

Network Capability - We agree that network capability should be properly defined, but should include flexibility of assets. As electricity transmission is also doing this it might make sense to align or use a similar definition.

Asset health - we agree this is an appropriate priority area. Consideration should be given to the future use of gas on the system and whether it is still appropriate to replace or renew assets when they may be stranded in the short to medium term.

Environment - We think National Grid Gas must play a role in decarbonising the energy networks. This does include reducing emissions from your compressor sites, but should also include reducing the impact on the environment when

replacing old assets or installing new assets. National Grid Gas should also look at whether there are no or low regret actions it can take to facilitate a low carbon future - such as the strategic installation of additional valves to facilitate the introduction of hydrogen in parts of the gas network.

External threats - We think this is an appropriate priority area.

General

Q2. Where have we reflected your wants and needs for RIIO-2 well? Are any of your priorities for RIIO-2 not yet reflected here?

We expect company business plans to reflect the following consumer outcomes:

Consumer outcome	Is this reflected in the National Grid Gas playback document?
Reliability - Consumer experience as few interruptions to their energy supply as possible.	Yes.
Safety - Consumers can count on their energy network being safe and secure.	Yes.
Value for money - Consumers receive good value for money from energy networks. Companies run the networks as efficiently as possible to reduce the impact on bills.	Yes.
Quality service - Consumers receive services that meet or exceed their reasonable expectations. If things go wrong they are put right quickly with compensation provided as appropriate. Consumers find energy networks to be accessible and transparent.	Not directly. The consultation makes reference to customer service but doesn't expand on what, if any, consumer outcomes this may deliver.
Impact on our environment - energy networks minimise their direct impact on the environment and assist others	Partially. The priority around "meeting the challenges ahead" is currently very focused on whole

<p>in doing so where possible. They contribute to reducing greenhouse gas emissions and improving air quality in Great Britain.</p>	<p>systems which we are supportive of as a way of working. The ultimate outcome is not very clear however. National Grid Gas could be more explicit in committing to facilitating the energy transition. Please also refer to our response to Q1.</p>
<p>Future-proof - Energy networks anticipate and respond to changing consumer needs and behaviours. Energy networks are highly resilient.</p>	<p>Partially. The consultation outlines the future challenges to the gas network, and how to address external threats. It is not clear how consumers will be engaged in discussions around the future of the gas transmission network.</p>
<p>Fairness - All types on consumers are served well, with those in vulnerable situations receiving additional attention and support. The needs of future energy consumers are considered without jeopardising the needs of current consumers.</p>	<p>Partially. The impact on current versus future consumers is not clear at the moment.</p>

We found the the National Grid Electricity Transmission playback document, which includes coloured boxes in which any activity is linked back to consumer benefits, very useful in understanding consumer impacts, even if those are sometimes indirect. We would like to see similar approach for Gas Transmission.

In addition to delivering positive consumer outcomes, we also expect a monopoly business half funded by consumer money to emphasise how it is acting responsibly and to promote transparency. National Grid Electricity Transmission have put forward a consumer priority around transparency, and are looking to demonstrate a “strong link between performance for customers and the return for investors”. We greatly welcome these proposals as they are steps in the right direction to generate trust in monopoly businesses, and putting consumer needs for information and outcomes on par with that of investors.

Also related to being a responsible business, we note the absence of any mention of sustainable procurement methods, action on equality and diversity in your workforce, or wider social sustainability strategy. This may come out of further developments under your priority “caring for communities”. We would

encourage National Grid Gas to take note of National Grid Electricity Transmission's forward-looking outputs, though we are aware that other network companies too are considering environmental and social sustainability strategies and proposals.

Q3. Do you have any views on our style of presentation of business plan information (via the eight key stakeholder priorities)?

Overall we welcome the approach of presenting your Business Plan along the outcomes you want to achieve. We also welcome the inclusion of stakeholder feedback in every chapter, as this should be reflected in every decision.

As mentioned above, we would welcome if National Grid Gas could pull out the benefits to consumers, where possible. Given the chapters focus on the general stakeholder priorities, it is not quite clear how the plan delivers against the "industrial and domestic consumer priorities" at the top of the priorities diagram.

In a more advanced draft we would also expect to see details of all the options that were considered to achieve a certain outcome and justification of why certain ones were chosen or rejected. Please also make clear where feedback from stakeholders, customers and consumers - or even sub-groups within these - was conflicting and how you came to your final decision.

Q4. Have we provided you with enough information on our business to allow you to understand why and how we are responding to your priorities?

In some cases yes, but please see response to Q2 and Q3.

Q5. What are your views on our direction of travel for RIIO-2?

The direction of travel appears to be positive and it is encouraging to see consumers considered as part of the business plan. However, we believe there is more to do to meet the minimum expected consumer outcomes. Please see our response to Q2.

Q6. What are your views on our initial planning assumptions for RIIO-2?

The initial planning assumptions seem reasonable. However, as the debate and policy on decarbonisation of the gas network is refined this may impact when natural gas will still remain part of the fuel mix.

Context

Q7. Do you agree with our summary of what is important context for our business planning? Are we missing anything from this summary?

The context chapter accurately describes the changes in the energy sector. Given half your revenues come from energy bill payers, we feel it is important to consider the lived reality of consumers as context for your next Business Plan. Considerations include:

- We have seen a decade of static or falling real incomes whilst utility bills are going up.
- Household disposable income is projected to grow modestly from 2020, though this depends on many economic factors, not least the Brexit negotiations.¹
- The UK is the fifth most unequal country in Europe. More than a fifth of the population live on incomes below the poverty line after housing costs are taken into account, even though most of these households are in work. Nearly one in three children live in poverty and the use of food banks is rising.² Incomes may fall for the poorest by 15% in 2020-2021 (compared to 2014-15)³
- Price elasticity of energy consumption is low⁴

¹ <https://obr.uk/efo/economic-fiscal-outlook-march-2019/>

² <https://www.ippr.org/research/publications/prosperity-and-justice-executive-summary>

³ <https://www.ifs.org.uk/publications/8957>

⁴

<https://www.gov.uk/government/publications/economic-growth-and-demand-for-infrastructure-services>

Stakeholder engagement

Q8. How would you like us to engage going forward as we build our business plan for the RIIO-2 period?

Continuing to gather views of consumers and stakeholders is important, and this shouldn't stop once the final business plan has been submitted in December 2019. Consumer and stakeholder priorities will change over time and National Grid Gas needs to ensure that business activities still reflect the needs of those parties.

In the next iterations of the Business Plan we hope to see more detail of your stakeholder engagement approach in the actual document. Through bilateral engagement we have a good idea of which engagement methods you are using. We would further like to understand

- which stakeholder, customer and consumer groups you are engaging on which topic - and in reverse understand which topics you chose not to engage end-consumers on
- how you think your engagement approach is proportional to the size of your company and reach
- to what extent you were innovative in your engagement approach and methods
- to what extent you have (or will) engaged consumers on complex, long-term decisions that involve trade-offs and uncertainties

We understand that your Stakeholder Engagement Group (also known as User Group) is the only one among the transmission companies that has a dedicated consumer representation. This is a very welcome move and should hopefully result in a more consumer-focused Business Plan.

Safety

Q9. What are your views on our direction of travel for safety?

The direction of travel is appropriate. We would suggest that when assessing whether ageing assets should be replaced, consideration should be given to whether a replacement is actually required or whether the same outcome can be delivered in a more efficient way.

Gas on and off

Q10. An increased work programme to maintain the health of, and deliver the right capability from, the transmission network may be beneficial to keeping overall gas costs down for consumers. What are your views on this statement?

Please see response to Q9.

Connecting

Q11. What views do you have on how we could further improve our connections service?

No answer provided.

Information provision

Q12. What information could we provide that would increase benefits for our customers and consumers?

Transparency is a key requirement for network companies, particularly those with a System Operation obligation. Users of the network should have access to data which allows efficient and timely decision making. This could mean that raw data is provided which parties are able to datamine. However, given the complex nature of the energy system, we would expect to see data be made available in a user friendly and understandable format. National Grid Gas should make data available as soon as possible, i.e. in an agile way, and not necessarily wait for systems and platforms to be fully specified and delivered.

Communities and environment

Q13. We must take action to curb our harmful environmental emissions in line with legal deadlines. To what extent should we be more proactive in reducing our overall impact on the environment? For example, reducing methane emissions or going beyond minimum legislative requirements.

Please see our response to Q1. We would expect National Grid Gas to demonstrate the value and cost of going beyond the legal requirements, and consider the value of those actions to current versus future generations. We would also expect your User Group to input into this assessment.

Although we welcome that National Grid Gas is looking to “care for society and community”, we feel this area of the plan is quite weak at present. We are looking forward to National Grid Gas defining together with its stakeholders what its role may be in this regard. At minimum this should involve National Grid Gas considering where it is currently having a negative impact on communities and society and how these could be mitigated. In terms of adding value to society and community, National Grid Gas should consider where it is best placed or has an advantage over other actors.

Whole system

Q14. Where can National Grid Gas Transmission add most value through the RIIO-2 period to facilitate integrated energy systems of the future?

The gas and electricity networks have a symbiotic relationship, but increasingly the role of transport and heat will influence decisions and planning on both. A whole system approach is highly important to ensure future decisions are most efficient for consumers and society.

We support National Grid Gas’ proposal to have a greater coordination and facilitation role in the industry and across sectors. Whilst National Grid Gas may not have direct control of these outcomes they do have a key influencing role to play.

External threats

Q15. The detail of our cyber and physical security plans will be developed confidentially with Ofgem and the Government. How would you like to be kept updated?

No answer provided.

Efficient and affordable

Q16. What are your views on the methods we have proposed to demonstrate efficiency and value for money in our plan?

The methods that are proposed seem reasonable. Transparency is a core consumer outcome and National Grid Gas should seek to continually improve how it demonstrates efficiency and value for money which is easily accessible understandable by consumers and other stakeholders.

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