

Committee(s):	Date(s):	
Policy & Resources Committee	14 th February 2013	
Subject:	Public	
City of London response to UK Power Networks draft London business plan for 2015 - 2023		
Report of:	For decision	
City Surveyor CS: 048/13		

Summary

The following report outlines the City Corporation's response to UK Power Network's (UKPN) draft London business plan, for the period 2015-202. The City is at risk of not having sufficient network capacity to support future growth, due to the current "just in time" approach which the existing regulation promotes, and the City Corporation's response to the business plan has identified the following as being the most important areas relating to the Square Mile:

- Need for investment ahead of need in network capacity to speed up connections to new development sites.
- Ofgem should allow customers to bear the risk of stranded assets to enable investment ahead of need. (The City Corporation will continue to lobby Ofgem on this critical matter).
- Greater investment needed to decrease power outages, including transient faults of less than 3 minutes, which are highly disruptive to City businesses.
- The City Corporation supports UKPN's "agreed time to connect" metric, which uses developer's programme as a basis for delivery.

Recommendations

- i. It is recommended that Members agree to this report being submitted as the City Corporation's response to UKPN's London business plan consultation.
- ii. That CPAT reports back to Policy & Resources Committee to inform of UKPN's further consultation on the final version of their London business plan in April 2013.

Main Report

Background

1. The following report seeks to inform Members of the City Corporation's proposed response to UK Power Networks' public consultation on their draft London business plan for the next electricity distribution price control review period (2015-2023) which is known as RIIO ED-1. This process involves UKPN submitting their business plan to Ofgem for approval, and offers an opportunity to enable better long term strategic planning to provide greater resilience, and network capacity to support the City's future office growth and employment projections.
2. This report seeks to provide Members with the City Corporation's response to the questions asked in the consultation. Appendix 1 sets out a detailed response to each of the questions

Current situation

3. The "Electricity Regulation Working Party" has been established to feed into the RIIO ED-1 process, and comprises representatives from the City Property Association, Westminster Property Association, City of Westminster, London First, Greater London Authority, the City Corporation and UKPN. The Working Party has been instrumental in shaping some of the proposals in UKPN's London business plan, including the need for greater investment ahead of need, to allow network capacity to be provided on demand to speed up new connections to development sites.
4. The GLA has recently set up a separate high level working group to review power provision for London, which both UKPN and Ofgem sit on. CPAT represents the City of London as part of this group, along with Westminster City Council, and Hammersmith & Fulham Borough Council.

RIIO ED-1 timescales

5. UKPN will consult on their draft London business plan until February 2013, and publish their final business plan for further consultation in April 2013. UKPN will submit the final plan to Ofgem in July 2013, which if agreed will allow UKPN to start the new price control review period a year early from 2014. If Ofgem do not find the plan acceptable UKPN will need to submit a further business plan in December 2014, with Ofgem's final decision being made in April 2015.

Ofgem response to investment ahead of need funding mechanism

6. Ofgem do not agree with UKPN's funding mechanism for investment ahead of need, as it is predicated on the risk of any stranded assets (due to developments not going ahead) being borne by customer bills. Ofgem has suggested that some of the risk should be underwritten by advance contributions from connecting customers acting as a consortium, however given the fragmented nature of City ownership it is unlikely that this would present a workable solution to overcome this issue. It has also been confirmed that UKPN cannot speculate as a business, as a consequence of them having to guarantee agreed returns to investors. Any changes to this arrangement would affect their ability to fund future investment.
7. The Electricity Regulation Working Party will need to further consider the most appropriate way of lobbying Ofgem and wider Government departments on this issue, and may well need to seek a delay to the adoption of the business plan, to allow further discussions to occur. Appendix 2 provides a copy of a letter, soon to be sent to Ofgem on behalf of the Electricity Regulation Working Party, which rejects the alternative funding mechanisms suggested by Ofgem, and calls for customer bills to underwrite the risk of stranded assets.

UKPN London business plan – key points

8. A summary of key points outlined in UKPN's London business plan for Central London is set out below:
 - UKPN's London network does not perform well against other networks and there is a critical need for greater capacity and resilience to be built into the network.
 - UKPN forecast an additional 1.5 gigawatts of new capacity across Central London for RIIO ED-1 period.
 - Investment is required to increase automation and remote control of substations, to provide greater resilience and improved quality of supply to customers.
 - For larger connections UKPN is promoting "agreed time to connect" for, where timescales are to be agreed with developers in line with an agreed delivery programme.
 - Proposals to accommodate low and zero carbon generation onto UKPN's network to increase capacity and avoid the need for widespread reinforcement.
 - Through UKPN's Low Carbon Networks Fund, trialling low carbon solutions for Smart Grid and demand side management to more efficient use of energy and carbon savings.

Proposed £170m of investment ahead of need to build 6 new substations to support forecast growth (including new substation to serve the City near St Katherine's Dock

City Corporation consultation response

9. UKPN has set out a series of 23 questions which seek views on the specific measures proposed as part of the draft business plan. The paragraphs below provides a high level response to the questions raised within the detailed responses set out in Appendix 1

Reliability of supply

10. **More needs to be done reduce fault rates and build greater resilience to provide a more robust network for the Square Mile, given the hugely disruptive effect of supply failures on City office buildings and associated business activity.** The City Corporation supports UKPN's investment in greater automation and remote control functionality at substations to reduce faults
11. UKPN should look to improve their reliability performance rather than hold it constant, and the City Corporation considers that **London's electricity network should provide a level of security of supply which is in proportion with the importance of its customers operating in London's Central Business District.**

Strategic investment

12. **There is a clear demand for Central London to be provided with a "plug and play" network, offering enhanced capacity, ahead of need,** with office space in the Square Mile set to grow by 1.1m sq metres to accommodate an additional 55,000 jobs,.
13. Growth predictions for remain unclear beyond the 2018-19 period, and City Corporation questions whether a more flexible approach could be added into the regulatory framework, to allow changes to funding arrangements to accommodate changes in the office market.

Risk of stranded assets

14. **The City Corporation considers that UKPN's proposals to build 6 new substations in Central London should be funded ahead of need by customer bills, and that the risk of any stranded assets should be underwritten by customers,** given that they are direct beneficiaries of development, as it supports the future employment and growth needs of

London as identified in the London Plan, which also provide for additional tax revenues that benefit the London region.

15. Failure to develop additional electrical infrastructure would mean that the delivery of electricity supplies to new developments would not be significantly enhanced, to the detriment of London as a place to do business, and would mean that other opportunities to increase capacity through the private sector will need to be explored.

Quality of service / faults

16. City occupiers continue to suffer “transient” faults (lasting seconds), which are caused by voltage dips over UKPN’s network, and cause significant difficulty for banks operating trading floors, whose systems are more sensitive to supply loss. The City Corporation therefore considers that UKPN’s measures of quality of service **should be extended to include customers experiences supply failures of fewer than 3 minutes.**

Connections

17. The City Corporation agrees with UKPN’s view that the **“average time to connect” incentive** (as proposed by Ofgem), **is not practical for large connections in Central London, and that an “agreed time to connect” based on delivering power to the developer’s programme would be more affective.**

Renewable / distributed generators

18. The City Corporation is of the view that all customers in the London region should bear the cost of additional investment to accommodate greater renewable / distributed generation, to facilitate the de-carbonisation of London’s electricity network.

Smart Grid technology

19. The City Corporation supports future innovation such as the introduction of smart grid technology over UKPN’s network, which could be used to harness local unused generation to provide greater network capacity. UKPN needs to be aware of the potential conflicts between air quality and use of local generation to achieve carbon reduction targets.
20. Heat pumps and electric vehicles are unlikely to have a substantial effect on the network in Central London, with office buildings continuing to dictate the need for greater network capacity. **Greater demand side management and policing of the size of new connections to large office developments in Central London will do much to realise the true benefits of smart**

technology, reducing energy and carbon consumption across UKPN's network.

Customer Service

21. **UKPN should modify their proposed “Self Serve” customer portal to be more focussed upon the needs of large businesses and developers** in Central London, providing real time information on the progress of faults and restoration times, and also to update on connection timescales.
22. Developers feel that they are powerless to make UKPN perform in line with the delivery needs of their development, and **the business plan should incorporate a number of Key Performance Indicators (KPI's), that UKPN's customers could use to assess they are performing against targets set out in the business plan**, which should be linked to financial penalties or incentives based upon performance.

Street Works

23. UKPN should be incentivised to reduce the number of excavations per year, and **should be required to outline specific KPI's concerning the minimising of street works year on year**, and how Lane Rental and permitting costs will be minimised, given that they will be passed directly onto bill payers.
24. UKPN should work alongside the City Corporation in identifying and removing disused cables from under the highway, and from City Corporation owned pipe subways, to provide space for future utilities services.

Consultations

25. The City Surveyor's department, Department of Built Environment, Town Clerk's department, Remembrancers department, and Community & Children's Services have all been consulted in the writing of this report.

Conclusion

26. The City Corporation is concerned about UKPN's business plan as currently proposed, and Ofgem's position on investment ahead of need. Officers will continue to make further representations together with the Electricity Regulation Working Party, to Ofgem and Government, to seek their agreement for the need to allow stranded asset risk associated with investment ahead of need, to be underwritten by customer bills.

Appendices

27. Appendix 1 – “City of London response to UK Power Networks London Business Plan.”

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Appendix 1

Draft consultation for UK Power Networks London business plan for 2015-2023

Section 1 - Reliability and Security of Electricity Supply

Q1. Are you satisfied with the reliability of your electricity supply? If not, please let us know why not, and what specifically you would like to see us do better.

- Whilst the City's electricity network is largely stable we continue to see the occasional supply failure, which is hugely disruptive and costly to businesses operating in the City, especially banks that have a critical need for a constant supply of electricity to support trading operations. In the last 4 years a number of high profile City buildings such as the Bank of England, London Stock Exchange and the Broadgate Estate have suffered supply failures lasting 3 days or more, requiring the use of back up diesel generators to maintain supply to critical systems, which shows the magnitude of disruption caused to businesses operating in the Square Mile.
- The City of London Corporation (CoLC) is broadly satisfied with the reliability of network, however we are acutely aware that the age of the network in many parts of the Square Mile, is approaching 50-60 years, and therefore likely to cause greater fault levels in the future. Whilst the 33KV network, and capacity transfers from other substations outside of the City, will assist in reducing the stress already placed upon the existing 11KV network.
- City occupiers continue to regularly experience "transient" faults, which causes severe disruption and is referred to in question 4.

Q2. We propose to hold our reliability performance approximately constant in future years. Do you agree with this or do you think that we should spend more to reduce either the number or the duration of power cuts, even if this would mean higher charges?

- Given London's considerable contribution to the UK economy, and that network reliability is an area which UKPN wishes to perform within the top 3 of the UK's 14 DNO's, CoLC considers that London's electricity network should provide a level of supply in proportion with the importance of the customers who operate within London's Central Business District (CBD), and that UKPN should make sufficient investment so that the reliability of the network in Central London is improved over the course of the RIIO ED-1 period, rather than remaining constant.
- Fig 6.3 does not represent a clear picture of what UKPN is doing to improve asset health, and it would be more useful present data combining the health of the asset with the size of the cable capacity and the geographic location of the cable, so that UKPN could gain a full understanding of how much electrical load is provided to large energy users in Central London over aged assets, which would provide greater insight into the need for asset replacement. Those assets located under strategic junctions (where any emergency repairs would be hugely disruptive to traffic) could be given a higher score so that they are treated as a priority for asset replacement.

Q3. Do you support our plan for Central London, including new strategic capacity, increased resilience, and improved customer service, and do you think it has the correct priorities? Who do you think should pay for the investment required (e.g. between existing and connection customers, or between different geographies or categories of existing customers)?

Strategic capacity

- CoLC, along with London First and the City Property Association has recently

commissioned the “Delivering Power” study, following universal concern from developers around untimely delivery of connections, and a perceived lack of capacity in UKPN’s network. The principal recommendation of the study was the formation of a joint working group (The Electricity Regulation Working Party) which has worked alongside UKPN and has been instrumental in calling for greater anticipatory investment in network capacity, to support the needs of developers in Central London.

- With office space in the Square Mile alone set to grow by 1.1million sq metres to accommodate an anticipated additional 55,000 jobs by 2026, and UKPN’s network in the Square Mile running at a peak load of 500MW, there is a clear need to provide Central London with a network that is capable of providing enhanced capacity to provide for identified need. Ideally this capacity should provide for the demand needed on a “plug and play” basis rather than property developers having protracted discussions about reinforcement of network capacity to provide for identified needs to prevent extended uncertainty and to allow their investment to proceed. It is not clear whether the proposed strategic capacity will actually result in an improvement in the network or whether it would simply maintain the current levels of headroom capacity. The current and proposed levels of headroom capacity should be clearly identified to allow thorough analysis and evaluation of your plans.
- CoLC full supports any additional anticipatory investment in the London network however would wish to discuss how UKPN has predicted future capacity for the RII0 ED-1 period and whether a more flexible investment programme could be adopted, that would allow further investment to accommodate changes to the office market.
- CoLC is concerned that UKPN’s proposed funding mechanism for investment ahead of need (namely the ability for customer bills to underwrite the risk of stranded assets), has not been viewed favourably by Ofgem. CoLC does not believe that contributions from consortiums of developers would be an effective way of spreading risk due to the number of developers operating in the Square Mile, and varying geographic locations of developments in proportion to UKPN substations.

Increased resilience

- Whilst CoLC supports the implementation of greater automation at substations, the **“Increased resilience for London”** section does not represent how such investment is likely to benefit UKPN’s Customer Interruptions and Customer Minutes Lost metrics (PE)
- CoLC supports further investment in an alternative “supergrid” connection point from New Cross, which will provide greater upstream resilience in to National Grid’s transmission network.
- CoLC has worked alongside UKPN in lobbying Ofgem for greater network resilience to be built into substations serving the City (and parts of Westminster) to protect against “High Impact Low Probability” (HILP) events, such as a terrorist attack or flood. Whilst representations by CoLC, and a number of City banks including the Bank of England have so far been unsuccessful, CoLC understands that the plan for Central London will deliver the majority of benefits that the HILP proposals would have provided, allowing power to be restored within considerably quicker timescales. It is therefore imperative that Central London is afforded this level of resilience to ensure that business operations will be maintained, in the event of a High Impact Low Probability event.

Improved customer service

- CoLC welcomes UKPN’s proposals to provide faster response to faults, and wider information regarding the level of available capacity in London’s network. However given that the majority of the City’s network is at capacity, the latter may not be practical until anticipatory investment in spare capacity is made. Any such information would also need to provide the developer with an understanding of whether the capacity would be “interactive” i.e., whether any other developer would be looking for connection from the same substation which could affect the level of capacity available.

- UKPN's existing regulatory framework also further complicates matters in that they must provide the customer with the lowest cost solution, and so the provision capacity availability is unlikely to have any notable effect on the developer's connection options, until this element of regulation is revised.

Q4. Do you think we should broaden our measures of quality of service to include additional customers? In particular should we measure customers that experience a power cut of less than three minutes?

- City occupiers continue to suffer "transient faults" over UKPN's network, caused by voltage dips, which UKPN has in the past stated they do not include as a measure of quality of service under their licence. Such faults cause significant difficulty for banks operating trading floors which require highly rated UPS systems sensitive to any degree of supply loss. Many City occupiers are having to install new technology in the form of DRUPS (Diesel Rotary Uninterrupted Power Supply), which provides a seamless supply of electricity, preventing voltage dips from affecting occupiers
- It is surprising that power cuts of less than three minutes are not included under Customer Interruptions (CI) and Customer Minutes Lost (CML), given that transient faults are a regular occurrence on UKPN's London network. The City of London Corporation (COLC) believes that UKPN's network should provide a level of supply commensurate with customer needs, and the requirements of City occupiers are for uninterrupted highly resilient electricity provision. COLC therefore believes that UKPN should extend their measures of quality of service to include customers experiencing power cuts of less than three minutes.
- UKPN is unlikely to perform well against this measure of quality of service, unless significant investment is made into additional network resilience to avoid such faults being as prevalent.

Q.5 What do you think is important to customers when they request a new electricity connection, and what should we focus on improving? For example, the cost, the time to connect, the quality of our customer service?

- The time to connect has been the primary concern of the developer community in the City although cost and quality of service have also been identified as being a key concern. Whilst CoLC accepts the physical constraints of delivering utilities services in Central London, especially with regard to physical installation of cables through congested streets, there is a clear desire for UKPN to invest ahead of need in network capacity and spare ducts to expedite connections to major development sites in the City.
- The "*Delivering Power*" study (referred to in question 3), launched in April 2012, encompassed the views of all commercial office developers operating in Central London, and major City occupiers such as UBS, Deutsche Bank and Goldman Sachs, and identified the following:
 - Universal concern from developers and businesses regarding last minute untimely delivery and cost of connections to UKPN network.
 - Widespread concern that capacity in London's CBD's electricity network insufficient to meet future need.
 - Inadequate stakeholder engagement regarding updates on progress of connections, transparency of costs, demand modeling and future network capacity.

- UKPN is not incentivised to undertake anticipatory investment in areas of expected high load.
- Another key finding of the study was that developers would pay more to secure connections in a guaranteed timeframe. CoLC is happy to work alongside UKPN in undertaking their “Willingness to Pay” survey with City developers and businesses, to further explore how developers could pay a premium to receive their connection in a faster timeframe. Developers are also likely to be supportive of the reverse second comer rule, which will negate the need for them to pay expensive reinforcement costs.
- Whilst UKPN has never been responsible for a development being cancelled, through untimely connections,, (although it is not known how many owners of buildings have decided to progress the simpler option of refurbishing premises as a consequence of the known difficulties with achieving a timely connection), such delays can cause significant disruption and additional cost to development programs, and also affects businesses’ confidence when making strategic property decisions.
- CoLC considers that the “average time to connect” will not provide a suitable incentive for the large scale connections of over 10MW which we are now seeing delivered to new developments in the Square Mile. CoLC supports UKPN’s proposals for an alternative “agreed time to connect” incentive based around the developers programme for delivery of the building for large scale connections.

Q.6 Do you think we should proactively provide more electrical infrastructure, before the capacity is required, so that electricity connections can be made more quickly or easily? In particular, is London a special case and, if so, why?

- Yes. CoLC, has worked alongside developers and UKPN (and their predecessor EDF Energy) for a number of years in assisting them to expedite connections to new development sites. During this time there have been numerous occasions where UKPN has experienced difficulty in delivering the connection on time due to there not being, available network capacity, finding space within heavily congested streets and due to the inability to invest ahead of need in spare capacity in case of stranding of assets.
- In a recent meeting with Ofgem and other UK DNO’s on the 1st August 2012, Ofgem however stated that they have never clawed back revenue, due to stranded assets, (and would not do so unless it was a case of serious mismanagement of funding), and that Ofgem would always consider whether the assets would be used with the following price control review.
- The existing regulatory framework which UKPN currently works to, has therefore created a “hand to mouth” approach in terms of new connections, which has provided a damaging perception amongst developers and the property press, of the inherent difficulties in procuring a new connection to a development site in Central London. Failure to develop additional electrical infrastructure would mean that the delivery of electricity supplies to new developments would not be significantly enhanced, to the detriment of London as a place to do business and mean that other opportunities to increase capacity through the private sector will need to be explored.
- Strategic investment ahead of need is therefore urgently needed in substations supporting known areas of high development growth to ensure that the delivery of electricity connections to new developments is not delayed in future. Investment in spare ducting under known supply routes in London is also needed ensure faster delivery of supplies, and to reduce the level of disruption caused by associated street works.
- CoLC, Westminster City Council, and the GLA has amended their planning policy so that developers must specify the level of electricity which they require at the planning application stage. This information will be fed back to UKPN to inform of expected

growth, and the likely need for future strategic investment.

- London is a special case in comparison with other parts of the UK, given the density of office space and the fact that some buildings can now require exceptional amount of electricity to support power intensive IT equipment, and associated cooling for trading floors. Many occupiers also require dual supplies to their buildings for additional resilience. Given London's growth projections (see Q3 for City of London figures), and the fact that Central London contributed around £5.1bn to the UK economy in 2011, it is essential London is afforded the necessary investment, and suitable regulatory reforms to support the expected level of growth.

Q7. Do you think we should invest more in the electricity network to make it quicker or easier for renewable or distributed generators to connect?

- As well as the Government's Carbon Plan, UKPN should seek to address the GLA's (more challenging) carbon targets which seek to achieve an overall reduction of 60% in London's Carbon Dioxide emissions by 2025, and for 25% of London's energy to be generated by distributed generation by 2025. It is widely accepted that decentralised energy is the only practical way of making significant carbon savings in dense urban areas and therefore, if the above targets are to be achieved, there will need to be significant progress made in the development of such technology throughout the lifespan of the RIIO-ED1 period up to 2023, and this will require UKPN upgrading their network to accommodate new generation of this kind.

Q8. Should any investment to make connections quicker and easier be subsidised by all customers in the region, or purely paid for by those wishing to make new connections?

- CoLC is of the view that all customers in the London region should bear some cost of the additional investment which UKPN must make to upgrade the network to accommodate connections for renewables / distributed generation, in order to facilitate the de-carbonisation of London's electricity supply network. Customer in London and the regions are potentially direct beneficiaries of development as it supports the future growth needs of London identified in the London Plan. In addition to supporting new jobs, growth also provides for additional tax revenues that benefit the London region
- However given that most renewable generators are privately funded organisations with separate connections arrangements with their customers, there will need to be some element of contribution from those connecting to UKPN's network. In order to ensure that network capacity is made available in a timely manner so as not to limit the development of new renewable / distributed generation throughout London, CoLC suggests the adoption of a similar version of the "reverse second comer" rule which is being proposed to developers to fund network developments costs, whereby UKPN would fund the necessary investment from customer bills which could be reimbursed from connection charges from new renewables / distributed generators.

Section 2 - Incentives and Innovation (optional)

Q9. Do you think our approach to innovation and change is sufficient? Do you think we should be researching additional areas in relation to change and innovation, and if so what?

- CoLC supports future innovative projects such as the Bankside heat transfer, and

proposes that similar projects are adopted at City of London substations such as Seacoal Lane, Finsbury Market, Devonshire Square etc, which are closer to significantly large office buildings which have considerable cooling loads, and which could use absorption chillers to transfer waste heat to cooling for IT equipment.

- If Government and UKPN carbon reduction targets are to be achieved UKPN need to increase their efforts to encourage greater innovation in energy efficiency across their network. CoLC has met with UKPN's Low Carbon London team to discuss the potential for smart grid technology to be trialed in the Square Mile to harness unused local generation (such as spare capacity at CHP stations and standby back up diesel generators supporting buildings in the City) to provide greater network capacity, that would negate the need for UKPN to build additional substations and allow efficiency savings owing to the generation being close to the point of connection. CoLC is willing to discuss these proposals in greater detail.
- CoLC supports UKPN's consideration of possibly moving to become a DSO to support smart grid technology, however we do not support the view that new connections for heat pumps and electric vehicles will have a substantial effect on greater demand in Central London. More so, we believe that greater demand side management and better policing of the size of new connections to large office developments in Central London, will do much to realize the true benefits of smart technology, reduce energy and carbon consumption across UKPN's network. CoLC is happy to discuss the above further with a view to potentially sponsoring a "Considerate Energy User" award for City businesses.
- CoLC also fully supports UKPN's exploration into electricity storage, which we believe would provide flexible capacity to further support London's business needs.

Q10. How much of a priority should each of the following areas be for us in 2015-2023?

- Facilitating renewable generation
- Facilitating new demand sources such as electric vehicles, heat pumps, etc.
- Empowering customers with information
- Managing customer demand to avoid the need for network reinforcement
- Improving electricity network service and reliability
- Increasing network control and automation in preparation for a 'smart grid'

The above areas have been ranked in priority order 1-6.

- Facilitating renewable generation **5**
- Facilitating new demand sources such as electric vehicles, heat pumps, etc. **6**
- Empowering customers with information **4**
- Managing customer demand to avoid the need for network reinforcement **2**
- Improving electricity network service and reliability **1**
- Increasing network control and automation in preparation for a 'smart grid' **3**

Customer Satisfaction and Social Obligations.

Q11. What do you think we should do to improve customer service and to measure the satisfaction of our customers?

Improving customer service

COLC considers that UKPN's proposed "Self Serve" portal should be modified to be more business / developer focussed (as it is presently based around the residential user), which provide greater information in the event on a fault, or in updating the progress of connections.

Measuring satisfaction of customers

- The “Delivering Power” study, found that GSOP’s were not applicable to large energy users in Central London and that an alternative way of measuring customer satisfaction was needed for this user group. Such surveys should also be undertaken on a more localised basis, rather than across all three of UKPN’s network, which has been carried out in the past and which presents an inaccurate picture, given that customers using the Eastern Power Network will not be subjected to the various constraints which UKPN experience in operating in London. Separate Central London customer satisfaction metrics are therefore needed in order to ascertain performance against outputs for the RIIO ED-1 period.

Q12. How can we make it easier for our customers to communicate with us, either in a power cut situation, for a new connection, or for a general enquiry?

- UKPN’s customers would greatly benefit from being able to log into a real time customer portal that would update on:
 - Progress of a connection
 - Network health / capacity
 - Faults, reasons behind them (which is very important to Building Managers), and when power will be restored to buildings
- The latter is very important to City businesses, who when transient faults occur (as mentioned in Q4, often think that they are experiencing a full supply failure and manually switch over to standby generators.
- CoLC mentioned the need for a customer portal in our representations to (then EDF’s) DPCR5 public consultation, and we were informed that there was not the investment for such a system, and that EDF’s own internal system was somewhat antiquated. It is our view that UKPN must take the initiative to integrate new technology into their internal systems, which would allow a more interactive customer experience. Mobile app’s should also be considered so that customers can access the portal via mobile telephony in the event of a power cut to gain an understanding of when their supply is likely to be restored.

Q13. Do you think there are additional services we should be providing to vulnerable or fuel poor customers?

N/A

Safety

Q14. Would you value more engagement or information around safety and electricity?

N/A

Q15. We believe we have improved signage and security around our excavations on the public highway. How should we improve the safety of employees and the general public?

- CoLC is working alongside UKPN in producing better on street signage to advise the general public of the reasons why an excavation may be left open for a period of time.

Q16. What should we be doing more of in the future? For example:

- **Greater prevention of metal theft and vandalism**
- **Additional safety education programmes.**

N/A

Environment

Q17. What are the current initiatives and issues that concern you surrounding our impact on the environment?

- Whilst Pg 29 section 6.3 refers to the challenges associated UKPN's operations in Central London relating to street works, the business plan does not specifically mention how UKPN is being incentivised to reduce the number of excavations per year. The business plan should outline specific KPI's surrounding minimising street works year on year and how UKPN will minimise Lane Rental (TMA) and LoPS costs, given that they passed directly onto bill payers.

Q18. What should we be doing more of in the future? For example:

- Extending our programme of undergrounding overhead electricity lines beyond areas of outstanding natural beauty to other sensitive areas
- Installing equipment with lower lifetime carbon impact
- Increasing our programme to actively remove oil filled equipment
- Change our monitoring of SF6 (a greenhouse gas commonly used in electrical transformers)
- More challenging targets for our carbon footprint

- UKPN should work alongside CoLC in identifying and removing disused cables under the highway in areas where open excavations are being made and from utilities cables such as the City's pipe subway network, to provide more space for future utilities services. The increasing value of scrap metal would provide an additional financial incentive for UKPN to undertake this work.
- As referred to in Q9 UKPN need to harness future smart grid technology to ensure that electricity is used as efficiently as possible across their network, and that there are not customers who pay to reserve capacity that is unlikely to be used in the future.

Expenditure (optional)

Q19. Do you think our proposed level of expenditure is appropriate to meet the output targets in our business plan? If not, please be specific as to your views on what should change?

- UKPN should be incentivised to invest in a percentage above existing headroom capacity, in line with growth projections over the RII0 ED-1 period.
- The business Plan needs to clearly identify the headroom capacity available to the network at the start of the plan period in comparison to the available headroom capacity proposed at the end of the Plan period. Without this comparison it will not

be possible to determine whether the expenditure is appropriate.

Financing

Q20. What do you think about our financeability assumptions regarding the financing of our activities and our proposed revenues and prices?

N/A

General

Q21. Was this consultation helpful? What could we have done better?

N/A

Q22. Do you have any general comments you would like to make about our forecast business plans for our electricity networks?

The plan does not provide any clarity regarding existing headroom capacity and what the headroom capacity they are seeking to achieve at the end of the life of the plan. The lack of this information means it is not possible to get a clear understanding of what the proposed measures will deliver in terms of a properly planned and enhanced network.

One of the major frustrations of developers is that they do not feel that there is a useful mechanism for getting UKPN to perform in line with their delivery needs. The business plan should therefore incorporate around 12 KPI's, that UKPN's customers could use to see how UKPN is performing against their targets, which should be linked to financial penalties or incentives based upon performance.

Q23. Please let us know if you have any other thoughts or comments on the points raised in this document, or if you would like to highlight any other issues you consider important

- The business plan document is not very well laid out and some of the consultation questions do not relate directly to their relevant section in the plan. The plan also assumes in some areas that the stakeholder has a prior knowledge of the issues at hand.
- **Pg 4 “What does UK Power Networks do”** would not be easily understood by stakeholders who do not already have an in depth understanding of UKPN's role as DNO for London, and does not represent clearly who their customers are, and that the 18 per cent electricity distribution costs included in domestic bills, is paid directly to UKPN for the upkeep of their networks. The second paragraph on pg 4, whilst explaining UKPN's role in running London's network does not refer to planning to accommodate future supply
- **Pg 6 “Summary of all consultation questions”** is out of place and should be located at the end of the document.
- **Pg 10 “Our Plan lays the platform for a low carbon future”** – the sentence “*We are expecting growth in electric vehicles and domestic heat pumps, and connecting*

these technologies will lead to new demands on our networks. We are planning now for these to appear on our networks to ensure we are prepared for and can ensure we build the capacity to accommodate them” should be omitted as it is referring to general growth, not how the growth will be provided for, which are two separate things.

- **Pg 11 “Expanding our networks to reflect customer needs”** – This paragraph refers to both “customers” and “stakeholders” without specifying the difference between the two, or stating where UKPN’s shareholders fit in.
- **Pg 11 “Our London Plan”** – This section appears to present the challenges associated in delivering services to customers in a way that will gain sympathy from the regulator. There should be more emphasis on exactly how UKPN will overcome these challenges through their RIIO ED-1 business plan.
- **Pg 15 “Our plan for Central London”** – This section should go first, ahead of the “Focus on London reliability” section.
- **Pg 26 figures 6.1 & 6.2** – presents different Ofgem target projections for unplanned CI & CML to those shown in figure 4.1
- **Pg 30 Asset replacement** – The fourth paragraph under this section refers to UKPN making efficiencies in the need for investment and does not specify the link with figure 6.3 i.e. the overall asset health of the network at the end of the RIIO ED-1 period.
- **Pg32** The second paragraph refers to an increase of 11 per cent in the overall number of faults in the RIIO ED-1 period, even though the overall health of the network shown in fig 6.3 appears to remain relatively constant. The business plan should clearly show how the proposed increase in faults relates directly to figure 6.3

Appendix 2 – Letter to Ofgem

Anna Rossington
Head of Distribution Policy
Ofgem
9 Millbank
SW1P 3EG

Telephone:

Date:

Dear Anna,

UKPN London business plan / proposed funding mechanism for strategic investment

I am writing further to Ofgem's recent decision to reject UKPN's funding mechanism for strategic investment as part of their London business plan submission. Following your attendance at the Mayor of London's "High Level Working Group" on the 15th January, I am sure you will have noticed the overwhelming stakeholder opposition to this approach, from the London property industry, London Boroughs and the GLA. The prospect of the existing connections methodology remaining in place throughout the RIIO ED-1 period, stands to greatly jeopardise the creation of an expected 377,000 new jobs and 4.1 million square metres of new office floor space, across London over the next 20 years.

You mentioned in your letter to me on the 30th October 2012, that Ofgem would take stakeholder engagement into account when assessing UKPN's business plan, and whether it is of sufficient high quality to merit proportionate treatment. I now understand that Ofgem is concerned that agreeing UKPN's funding mechanism for strategic investment, could create the opportunity for misuse by other DNO's, (with customers bearing the risk of stranded assets), which implies that you are not prepared to allow proportionate treatment for UKPN and their plans to support the future growth of London. The Electricity Regulation Working Party is therefore greatly concerned that Ofgem does not view Central London as deserving of special treatment given its unique contribution to the UK economy,

You further mentioned in your letter, that Ofgem viewed strategic investment as a useful tool to manage uncertainty, and that you expect DNO's to use this tool when in the interests of customers. Yet despite key London stakeholders making the case that there is a clear need for strategic investment to speed up connections to new developments, we feel that Ofgem has been overly cautious in not agreeing for the risk of stranded assets to be borne by DUOS charges, which is likely to have a damaging effect on the ability for UKPN to provide for the needs of London as a global financial centre.

It has been acknowledged that the funding for Crossrail (Mayoral CIL and Business Rate Supplement) and Thames Water's Thames Tunnel, have been spread across the generality of customers in the South East, providing broad based benefits, even though some customers may benefit less than others. In the same way, UKPN customers will be direct beneficiaries of strategic investment, given that it supports future growth needs of London and provides for additional tax revenues, which in turn will be spent on provision of services providing a public benefit.

The Electricity Regulation Working Party has considered the alternative funding mechanisms suggested by Ofgem and UKPN, and our views are as follows:

Consortiums under commercial arrangement (Section 22)

Up front commitments from a “consortium under commercial arrangement” (Section 22), may work on brownfield sites with 2 or 3 developers acting in partnership, however this is unlikely to be a workable solution in areas such as Central London, due to conflicting delivery timescales, the number of developers operating in the area, and the fragmented nature of property ownership. An example of this would be the City of London, where over 70 developers are operating on separate development sites (in an area of just over a mile square), all of which have different timescales for delivery, are in varying geographic locations, and are unlikely to need their electricity connections at the same time.

6 month “vintaging” concept

UKPN’s proposed 6 month “vintaging” concept (where a developer will request a connection, and neighbouring developers are invited to connect within a 6 month window), is likely to be equally ineffective, as it would be entirely reactive to customer demand, and therefore does not promote strategic investment to speed up customer connections. Similarly, developers would not be prepared to wait 6 months for the certainty of knowing when their connection can be delivered.

The attached “eastern City cluster” map, which represents over 6 million square feet of new office space coming forward between 2013 and 2017+, shows the difference in timescales between development sites coming forward, and therefore it is unlikely that either of the suggested alternative funding mechanisms would allow a proactive approach to shortening connections and creating greater certainty for developers. Furthermore, the enclosed “Residential Distribution map” demonstrates (in shades of green) the absence of residential property in the Square Mile, and the City’s predominance as a business centre, where some large developments are requesting connections of over 10 megawatts, which takes up a considerable amount of local substation capacity.

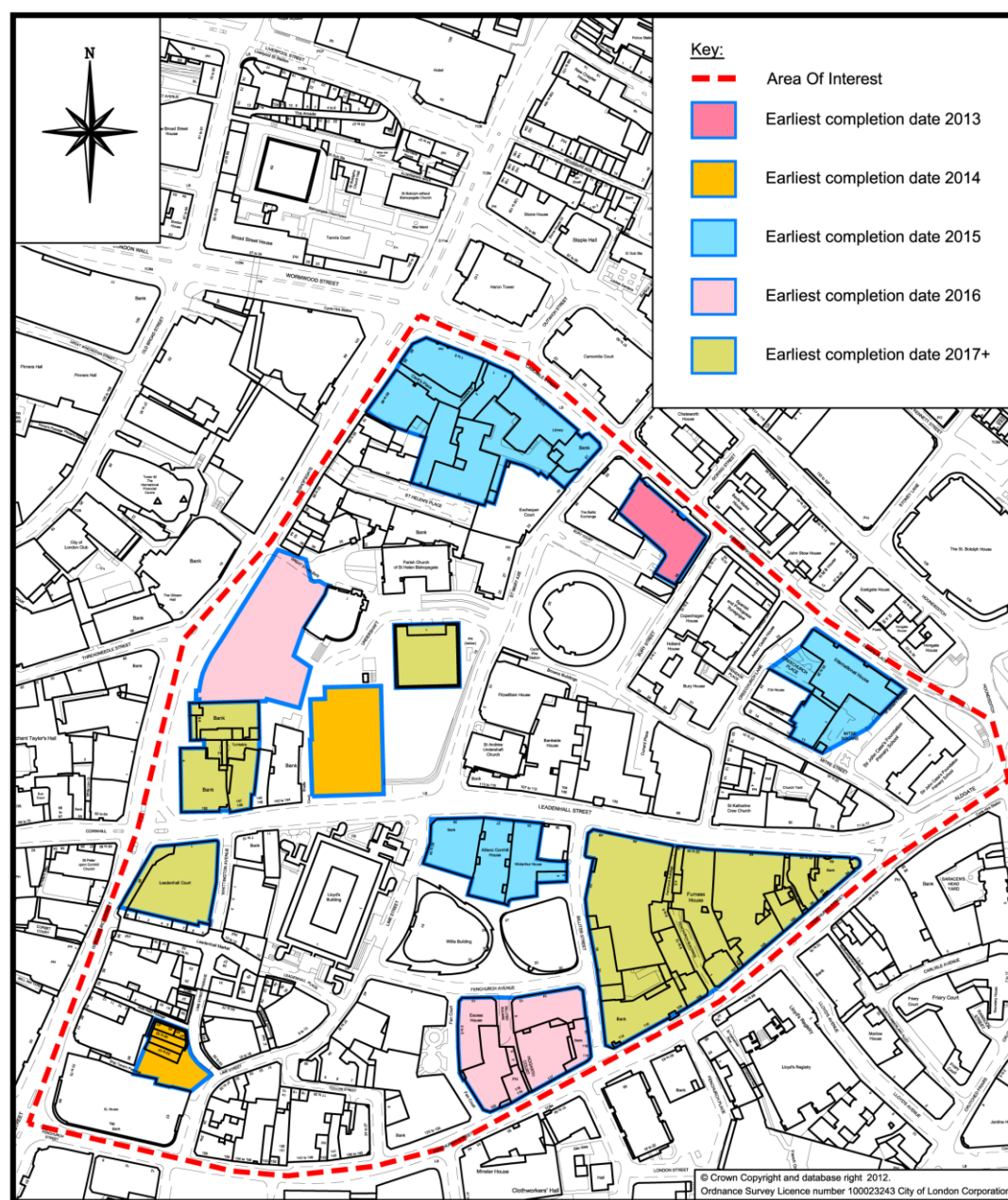
In conclusion, the Electricity Regulation Working Party questions Ofgem’s approach in promoting progressive new regulation to support the future growth of London, only to refuse the most pragmatic form of funding to enable strategic investment, and we would welcome further discussion on this matter.

Yours sincerely

Philip Everett
Director of Built Environment
City of London Corporation
(Sent on behalf of Electricity Regulation Working Party)

cc: Hannah Nixon

Eastern City cluster map



Address :

Bishopsgate,
Fenchurch St and
Bevis Marks area,
City of London

Title :

Q4.2012 v3
Development Pipeline
extract



P.G.Bennett, MA (Cantab) FRICS
City Surveyor

CITY SURVEYOR'S DEPARTMENT
Property Projects Group :
Cartography, CAD & Research Section

Print Scale :	NTS
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Date : 01.2013

Drawn by : NJF

Drawing No :
4-C-36327-01

Residential Distribution map.

