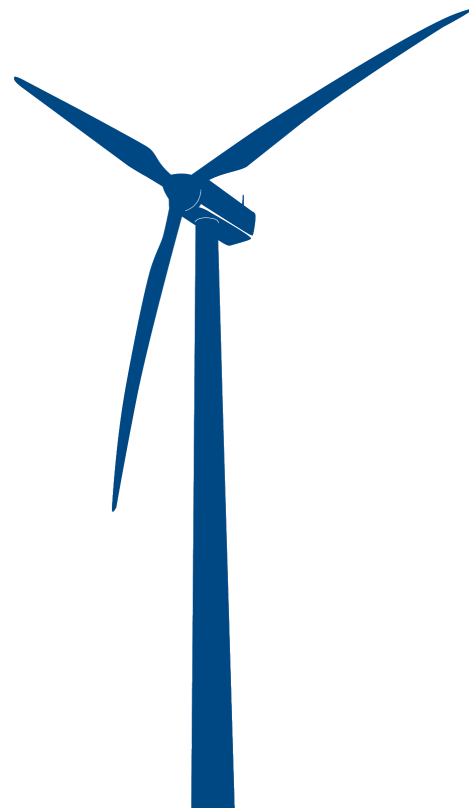


National Grid - Shaping the electricity transmission system of the future consultation

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 Electricity Transmission's 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 Electricity Transmission 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 NGET 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:

General

Q1. Have we understood your feedback and priorities correctly? (Yes / No / Don't know). If no, what would you like us to change?

and

Q2. Have we reflected your feedback correctly in our direction of travel? (Yes / No / Don't know). If no, what would you like us to change?

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	Yes.

as efficiently as possible to reduce the impact on bills.	
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.	Yes.
Impact on our environment - energy networks minimise their direct impact on the environment and assist others in doing so where possible. They contribute to reducing greenhouse gas emissions and improving air quality in Great Britain.	Yes, although sometimes the wording focuses on carbon and not all greenhouse gas emissions.
Future-proof - Energy networks anticipate and respond to changing consumer needs and behaviours. Energy networks are highly resilient.	Partially. It is not clear how consumers will be engaged in discussions around the future of the electricity transmission network.
Fairness - All types of 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.	Partially. Any differential impacts on consumers in vulnerable circumstances should be highlighted, and this includes people on low income. The impact on current versus future consumers is not clear at the moment.

Q3. What else would you like to tell us? What have we missed? What should we change?

Engagement

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.

You state that your engagement focus in the coming months will be reliability, a whole energy system approach and consumer engagement. We did not get a full sense of why you propose to focus on these topics. 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? In our view any suggestion for what to engage on should come with an explanation of why other topics are not also being engaged on.

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

Context

The context chapter accurately describes many of the changes in the energy sector. We noted the absence of any mention of the DSO transition and development of local flexibility markets and wondered whether and how this affects your operations.

Given you are part funded by energy bill payers, we feel it is important to also 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

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

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

Safe and reliable

Q4. What impact do you think our society's dependence on electricity should have on our level of reliability in the future?

Indeed, energy consumers are increasingly relying on household appliances, heating equipment and forms of transport that run on electricity. This means that an electricity interruption become a greater disruption to our lives. We expect NGET to engage with customers and end-consumers to understand whether they put an increasing value on uninterrupted supply. In this it is important to consider that some consumers can cope quite well with an outage of several hours, whereas others will struggle after a few minutes. This was also highlighted by recent Value of Lost Load research by ENWL.⁵ As Electric Vehicle and home battery uptake increase, the contrast between these groups will become even more stark. It is likely that DNOs are also engaging consumers on the same topic so we believe this is an area where shared learning will be important.

Connect to and use the system

Q5. What are your views on our direction of travel in relation to making it easy to connect and use our network?

No answer provided.

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>

⁵

<https://www.enwl.co.uk/zero-carbon/smaller-projects/network-innovation-allowance/enwl010---value-of-lost-load-to-customers/>

Transparency

Q6. What form of performance reporting and development of our annual business plan do you want to see in the T2 period?

We believe that challenge groups such as your Stakeholder Group can deliver great value and ensure that companies deliver good consumer outcomes and value for money. But they need to be part of a wider structure of research, feedback collection and challenge for a company.

In a report we published last year⁶, we outlined that the consumer voice should feed into company activities through three channels: direct end-consumer engagement; input from consumer representatives; and through challenge from consumer champions on challenge panels. Different companies may choose to invite stakeholder input and challenge in different ways, and this has varied depending on whether they are delivering a Business Plan or writing a new one. For example many companies has stakeholder panels they consulted during RIIO-1. In preparation for RIIO-2, Ofgem prescribed that all companies should convene User Groups and Customer Engagement Groups, but there are other models for achieving similar outcomes such as Negotiated settlement (used by Scottish Water) or Constructive Engagement (used by the Civil Aviation Authority).

We would be keen to understand how NGET envisages to invite the consumer voice during RIIO-2, using research, input and challenge. Further, how would the Stakeholder Group fit within NGET's wider activities to gather consumer input, be held to account and quality assure its activities? If the Stakeholder Group continues to operate, it should not duplicate any other groups that NGET convenes. Crucially, it needs a clear mandate and scope of work. For example, would it exist to provide input (i.e. advise NGET what to do) or to challenge (i.e. to evaluate and assess the company's engagement, activities and decisions)?

We have been engaging with NGET on their future plans for reporting, making clear our primary intentions that these provide: clarity of links between activities, operational performance and rewards; transparency around allowed and actual cost differences; and comparability of performance across networks. We look forward to continuing this engagement as NGET moves forwards its plans.

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<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/strengthening-the-voice-of-consumers-in-energy-networks-business-planning/>

Future transition

Q7. What is your view on whether we are considering the right drivers and right level of investment to facilitate the ongoing transition to the energy system of the future?

We agree with the drivers outlined in your consultation document. The electricity and gas 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.

Expanding and reinforcing the network should be a last resort option once other options have been explored and discounted. Increasing the ability to use assets flexibility and in innovative ways should mean that consumers will benefit from those assets being used.

We have previously engaged with NGET on its proposals around facilitating Electric Vehicle charging and will continue to share our views as they develop.

Protected

Q8. What are your views on our direction of travel and investment drivers in relation to resilience?

Please see our response to Q4.

Communities and the environment

Q9. What are your views on the level of ambition we should have in relation to the environment and communities in the T2 period?

We welcome NGET's focus on societal and environmental impacts of their operations which is vital to be a responsible business with and gain a "social licence to operate". The chapter mentions a variety of activities to reduce carbon emissions and supporting communities. We however didn't feel able to assess their relative merits. We expect NGET to focus on activities which deliver the most impact or solve the greatest problem. Especially when it comes to social

activities, we expect NGET to be just as rigorous in demonstrating their value and effectiveness. For example, are education ambassadors the most effective way of getting young people interested in working for you? Finally, NGET should be able to demonstrate why it should be them to undertake certain social activities over other organisations.

These above comments also apply to some suggestions made under the forward-looking outputs, for example, why should it be NGET to educate businesses about Electric Vehicles?

Innovation

Q10. What are your views on the level of ambition we should have in relation to innovation in the T2 period?

No answer provided.

Value for money

Q11. What are your views on our indicative ranges for our totex expenditure in the T2 period?

We greatly welcome NGET's ambition to demonstrate "a strong link between performance for customers and returns for investors" which ties in with the stakeholder priority around transparency and your ambition to gain "consumer trust". We are looking forward and are happy to provide feedback on how this can be demonstrated.

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