

# **London Enterprise Panel**

## **London Infrastructure Group**

Date of meeting: **5 June 2013**

Title of paper: **Electricity Infrastructure**

To be presented by: **Jorn Peters, Senior Strategic Planner - London Plan**

Cleared by: (Director) **Fiona Fletcher-Smith, Executive Director - Development, Enterprise & Environment**

Classification: **Public**

### **1 Executive Summary**

- 1.1 Strategic future investment in London's electricity distribution infrastructure is constrained by a regulatory framework that does not allow investment in advance of need even in areas facing significant business and development growth. The Mayor is considering ways to challenge this and pursue a change to the regulatory framework.

### **2 Recommendation(s)**

That the Group:

- 2.1 Notes the issues emerging from the UK Power Networks Business Plan process and the future potential to engage in actions to promote better strategic investment in electricity infrastructure in support of London's business and development potential.

### **3 Introduction and Background**

- 3.1 The ability to connect new development and businesses – large and small – to the electricity network is an essential infrastructure requirement for the functioning of London's economy. UK Power Networks (UKPN) is London's main Distribution Network Operator (DNO) for electricity serving all except the London boroughs of Hillingdon, Hounslow and Ealing. Scottish and Southern Energy serve these boroughs. As DNO UKPN's responsibility extends from the Grid Supply Points where it takes electricity at high voltages from National Grid to the supply of London's homes and businesses.

### **4 Issues for consideration**

- 4.1 UKPN is currently consulting on its 2015 – 2023 Business Plan Update until the end of May 2013. Following the consideration of the consultation responses, UKPN will submit its final Business Plan to the regulator Ofgem in early July 2013. The Business Plan Update incorporates stakeholder feedback on the original consultation draft published in November 2012.
- 4.2 The main features of the Update are included in Appendix A. This does not resolve the Mayor's concerns regarding future investment in London's electricity distribution infrastructure as raised in his response to the original consultation and even represents a step backwards regarding the prospects of UKPN investing in advance of need. It gives rise to concern about whether UKPN has taken sufficiently full account of the needs of the City of London and other central London boroughs facing business and development growth. The reason for the backward step is mainly attributable to the intervention of Ofgem. It has restrained UKPN's plans for future investment to conform to Ofgem's regulatory policy.
- 4.3 This leaves the Mayor with strong grounds for pressing for change in the regulatory framework within which UKPN operates. He will formally respond to the consultation. This could potentially be followed up by formally writing to Ofgem and/or engagement

with Government on this issue. **The London Infrastructure Group could consider the London Enterprise Partnership's support for such engagement.** However, an evidence base of sufficient quality needs to be assembled to justify such regulatory change. The evidence base needs to demonstrate the likely extent to which London's development and economic growth may be impeded if no change is made, combined with evidence to show that the risk and cost to London's electricity consumers caused by making a change is far outweighed by the economic benefits to Londoners, its large and small businesses, commuters and visitors.

- 4.4 The London Electricity High-level Working Group, which was established last Autumn at the Mayor's Electricity Summit to facilitate closer co-operation to address the Mayor's concerns around electricity supply, has been successful in engaging all targeted key parties including business representatives in the debate. The consideration of longer-term options for improving the regulatory framework for strategic investment and the required evidence will also be re-visited at the next meeting scheduled for 18 June 2013. This and future meetings will be chaired by Matthew Pencharz, the Mayor's Environment and Political Advisor, who has now taken over the responsibility for this issue and this Group from Sir Edward Lister.
- 4.5 It should also be noted that officers are working with UKPN on other related issues including:
- data exchange – GLA data will help to improve the robustness of UKPN's demand estimates and potentially highlight areas of additional investment requirements earlier.
  - decentralised energy and demand site response measures – initially focusing on barriers caused by disproportionate connection costs.

## **5 Risks arising / mitigation**

5.1 N/A

## **6 Financial comments of the Executive Director Resources**

6.1 There are no direct financial implications arising from this report.

## **7 Next steps**

7.1 Once further work on the evidence base necessary to demonstrate the need for regulatory change allowing strategic investment ahead of need has been undertaken, the London Infrastructure Group could consider scrutinising/supporting the Mayor's actions.

## **Appendices:**

Appendix A - Main features of the UKPN Business Plan Update

## **Background Documents:**

The following documents are available upon request:

- UK Power Networks: 2015 – 2023 Business Plan Update (April 2013)
- UK Power Networks: Draft London Network Business Plan (November 2012) and the Mayor's response (January 2013)
- Papers and notes from London Electricity High-level Working Group meetings in January and March 2013