

STAKEHOLDER CONSULTATION - SEPTEMBER 2021

# POWER OUR PLAN

Our Draft Business Plan for RIIO-ED2 2023-2028



Scottish & Southern  
Electricity Networks

Powering our  
community

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# INTRODUCTION

## ESTABLISHING OUR RIIO-ED2 BUSINESS PLAN

Our aim for the RIIO-ED2 regulatory price review is to develop a business plan that meets customers' needs and delivers value for money. In July 2021, we published our draft business plan.

This document accompanies our draft business plan, which can be viewed on [ssenfuture.co.uk](https://ssenfuture.co.uk) and sets out clearly for customers and our stakeholders our proposed ED2 expenditure, how that translates to customer bills and what we will deliver in the ED2 period from 2023 to 2028.

It summarises our 55 outputs across our plan, developed with over 21,000 stakeholders and consumers at more than 125 engagement events over the past two years. It also provides context and our current performance in many areas so that stakeholders can assess our ED2 strategies and outputs in terms of vision, ambition and cost to consumers.

We would like to get your feedback on our draft plan and make refinements before we submit our final plan to our regulator, Ofgem (the Office of Gas and Electricity Markets) in December 2021.

## HOW TO RESPOND TO THIS CONSULTATION

*Please note: you can choose which areas of our Business Plan to comment on.*

To help us refine our business plan and outputs, please answer:

- The questions on page 11 about the overall acceptability of our plan, expenditure and bill components.
- The specific questions relating to each strategic outcome area of our plan. You can find these in these sections of this document:
  - A valued and trusted service for our customers and communities
  - A safe, resilient and responsive network
  - Accelerated progress towards a net zero world
  - Cross-cutting topics: IT and digitalisation, safety, Whole Systems. innovation, workforce resilience, supply chain, Uncertainty Mechanisms (UMs).

We have created an online form where you can submit your responses here:

 [forms.office.com/r/mi4F0yK0y9](https://forms.office.com/r/mi4F0yK0y9)

Alternatively, please email your comments to [stakeholder.engagement@sse.com](mailto:stakeholder.engagement@sse.com)

**This consultation closes at 12pm on Monday, 4th October 2021.**

## ABOUT SSEN

SSEN is the electricity Distribution Network Operator (DNO) responsible for delivering power to 3.8 million homes and businesses across our networks in central southern England and the north of Scotland. These network areas are referred to as South and North throughout this document.

Our two networks have 106,000 substations and 130,000km of overhead lines and our underground cables cover the greatest landmass of any of the UK's DNOs, covering 80 local authority areas and 75,000km<sup>2</sup> of extremely diverse terrain.

Our core priority is to develop, maintain and operate the safe reliable network that our customers rely on, but we also recognise the increasingly pivotal role we have to play in developing the low carbon economy.

Over **3.8 million** homes and businesses served by our networks

Over **3,500** employees across the country

More than **770,000** customers on our Priority Services Register

**130,000km** of overhead lines and underground cables

**106,000** substations

**100+** subsea cables powering island communities



# WHAT IS RIIO-ED2?

RIIO is the regulatory scheme Ofgem which applies to DNOs. Under this scheme, Ofgem allows DNOs expenditure which is then recovered from customers through electricity bills.

## GLOSSARY



**RIIO:**  
Revenue = Incentives + Innovation + Outputs












**RIIO-ED1:**  
currently applies to DNOs, starting on 1st April 2015 and finishing on 31st March 2023.



**RIIO-ED2:**  
will apply to DNOs from 1st April 2023 to 31st March 2028.

We are committed to delivering more for our customers in RIIO-ED2 and our plan fully reflects this.

Our customers and stakeholders have helped shape six clear goals, built around our strategic outcomes, which provide stretching targets across each part of our business that we will deliver by 2028:

 <p><b>A VALUED AND TRUSTED SERVICE FOR OUR CUSTOMERS AND COMMUNITIES</b></p>	 <p><b>A SAFE, RESILIENT AND RESPONSIVE NETWORK</b></p>	 <p><b>ACCELERATED PROGRESS TOWARDS A NET ZERO WORLD</b></p>
 <p>Achieve <b>customer satisfaction of 9.2 or above</b> in every contact area</p>	 <p>Create a <b>foundation for net zero</b> by investing <b>£1bn</b> in <b>strategic resilience</b></p>	 <p>Facilitate <b>1.3 million electric vehicles</b> and <b>800,000 heat pumps</b> on our network</p>
 <p>Support <b>200,000 customers</b> with <b>fuel poverty, personal resilience</b> or <b>energy efficiency</b> measures</p>	 <p>Reduce the <b>frequency and duration</b> of <b>power interruptions</b> by <b>20%</b></p>	 <p>Cut our <b>business carbon footprint</b> by at least <b>35%</b> aligned to 1.5°C science-based target</p>
<p><b>MAKE A POSITIVE IMPACT ON SOCIETY</b></p>		

# EXPENDITURE IN RIIO-ED2

- Our draft RIIO-ED2 business plan directly reflects what stakeholders have told us they expect us to deliver.
- We forecast overall expenditure to increase in ED2 to deliver the priorities of our stakeholders and the outcomes they expect from our networks, which we set out in the outputs contained in this document.
- To recover this spend we will collect it from customers through a proportion of their electricity bills from 2023 to 2028. We expect our distribution network part of customer electricity bills to be flat and not increase from the current level.

Our proposed ED2 expenditure for the period 2023-2018 is currently £4.1bn, a 36% increase over an equivalent (5 year) timeframe in RIIO-ED1, as shown in Figure 1.

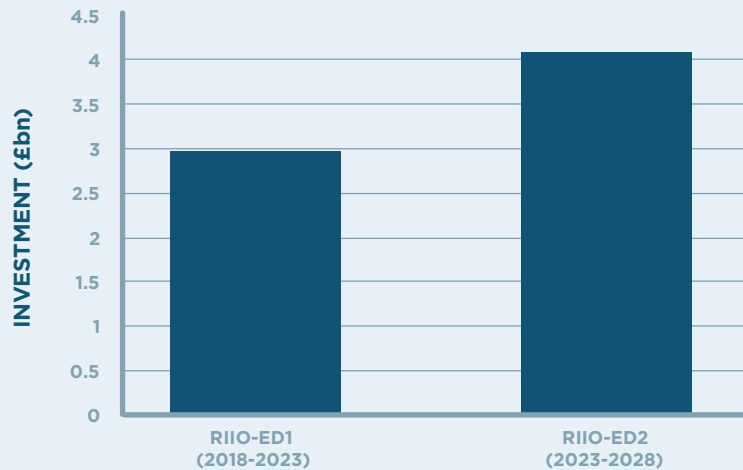


Figure 1: Comparison of ED2 and ED1 (equivalent 5 year period) investment expenditure

Our expenditure is designed to address:

- The need to increase our network resilience and reliability so that it can support the rapid acceleration in the number of electric vehicles, heat pumps and low carbon generation needed to achieve net zero carbon emissions.
- Additional demands to transform our network to meet these goals, particularly at the local level, which means we need to develop Distribution System Operator capabilities to support the changing electricity system.
- The increasing importance of our primary role to provide resilient and reliable energy to 3.8 million homes and businesses affordably as we move to a low carbon future where our customers will rely more on the electricity network
- Improvements across core services to provide more benefit to customers, particularly to the most vulnerable customers.

As we live in an uncertain world, it is not simple to forecast future expenditure for all areas or activities. There may be unforeseen changes during the ED2 period and/or uncertainty surrounding costs. To cater for this, we have proposed a range of Uncertainty Mechanisms (UMs) up to the value of £900m.

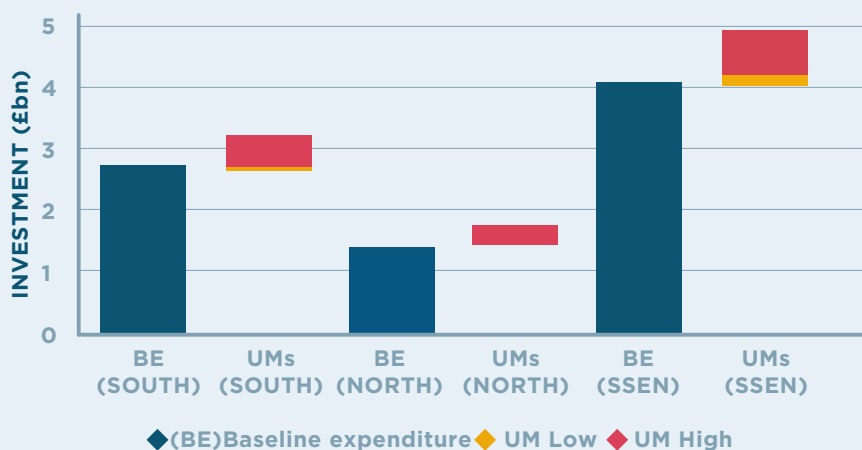


Figure 2: RIIO-ED2 baseline and UM expenditure

# CUSTOMER BILLS

- SSEN's portion of the average domestic customer electricity bill of £575 is approximately 16%.
- We forecast that the 36% increase in ED2 expenditure associated with delivering the step change in customer and net zero outcomes will not increase the "network" proportion of customer bills during the ED2 period.
- This is due to changes made by Ofgem to the underlying financial framework, and increased efficiency and innovation that we are applying in the ED2 period.

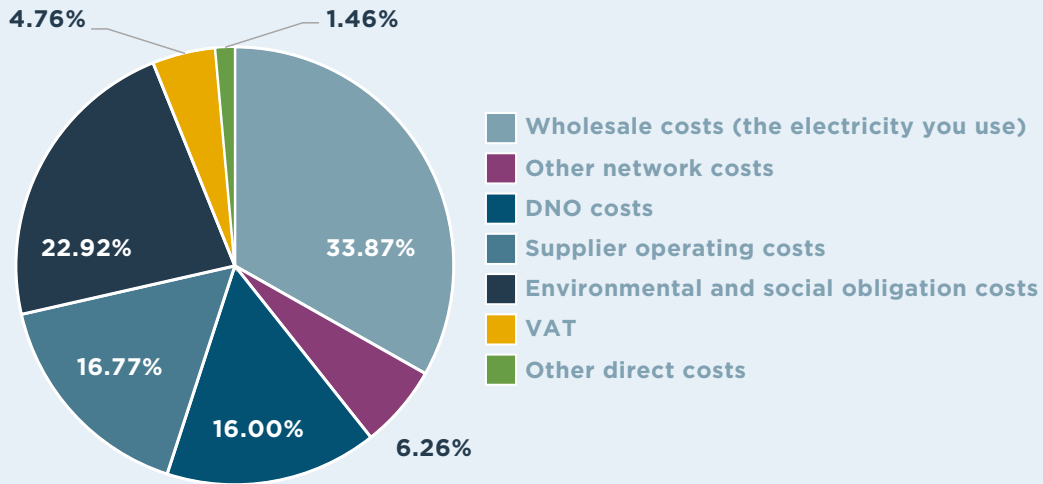


Figure 3: Components of the average domestic customer electricity bill <sup>1</sup>

**Figure 3** shows a breakdown of the average domestic customer electricity bill between wholesale energy, network costs and other parts of the bill. Energy Suppliers pass on to SSEN this portion of the money they receive when customers pay their energy bills.

In ED1, our average annual "network" portion of customer bills is predicted to be £160 in North of Scotland and £98 in Central Southern England. The cost of providing the electricity network is higher in the North of Scotland because there are more kms of lines per person and a more challenging landscape (including islands) in the North of Scotland.

The amount we recover from customers is impacted by several factors including: our proposed expenditure in ED2; how efficient and innovative we can be in delivery; and Ofgem's financial approach.

<sup>1</sup>Source: Ofgem (costs correct as of 1 January 2021) [www.ofgem.gov.uk/energy-advice-households/costs-your-energy-bill](http://www.ofgem.gov.uk/energy-advice-households/costs-your-energy-bill) (with DNO costs split out)

At draft plan, we forecast that these factors, including the 36% increase in ED2 expenditure, will not increase our portion of customer bills during the ED2 period. This is because Ofgem have made some changes to the underlying financial framework which contribute to average annual distribution charges falling by about £5 or remaining broadly flat if uncertainty mechanisms are accounted for.

Figures 4 and 5 show the upward impact of the increase in expenditure for ED2 and the downward impacts of Ofgem’s changes on the cost recovery of assets from 20 years to 45 years, financial adjustments and increases in customer numbers, and proposed reduction to the rate of return for network companies.

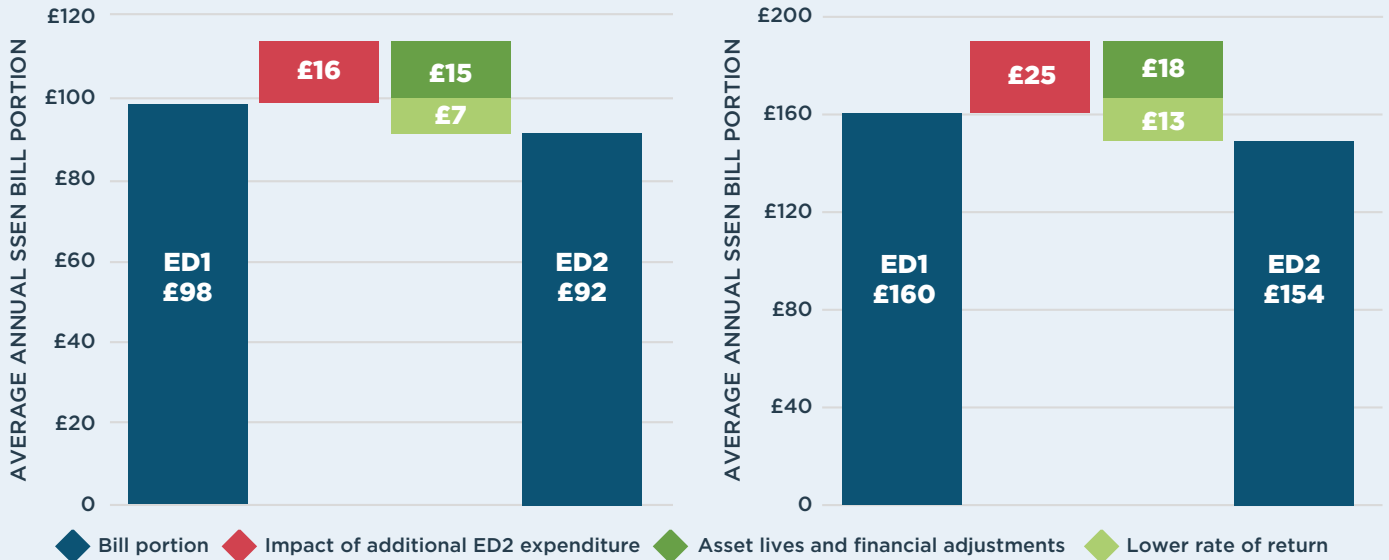


Figure 4: SSEN bill portion changes from RIIO-ED1 to ED2 (South)      Figure 5: SSEN bill portion changes from RIIO-ED1 to ED2 (North)

Figures 6 and 7 compare our average charge for domestic customers bill in ED1 with our baseline forecast for ED2 and our forecast if we needed all of the additional expenditure through Uncertainty Mechanisms in ED2 to mitigate any uncertain future events and to help ensure customers only pay for outputs that are delivered. It is unlikely all uncertainties will arise and therefore we expect the distribution element on bills to remain broadly flat in the ED2 period.

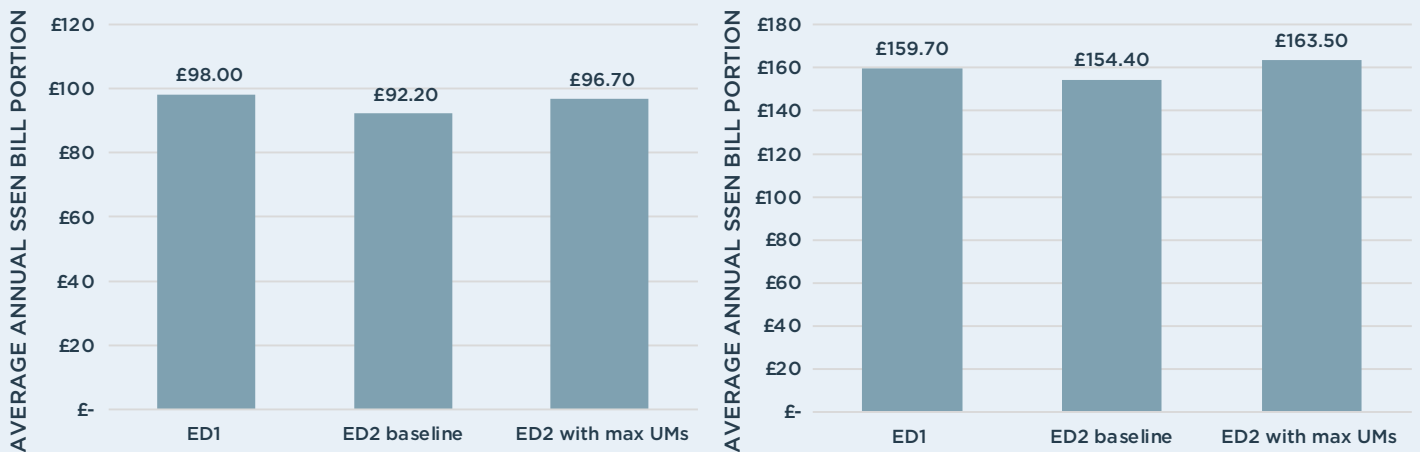


Figure 6: Average annual SSEN bill portions (South)

Figure 7: Average annual SSEN bill portions (North)



# OUR DRAFT ED2 PLAN – YOUR VIEWS

This document provides stakeholders with a summary of our draft business plan. It means stakeholders can provide feedback even if they are not able to review the full draft business plan document on our website (downloadable at [SSEFuture.co.uk](https://www.ssenfuture.co.uk)).

We would like stakeholder feedback both on our overall draft business plan expenditure and delivery and on the key ED2 outputs and consumer value propositions which we set out in this consultation.

## OUR ED2 OUTPUTS AND COSTS

This document sets out details of 41 outputs<sup>2</sup> that we will deliver in ED2. The outputs are grouped under our three strategic outcomes:



**A VALUED AND TRUSTED SERVICE FOR OUR CUSTOMERS AND COMMUNITIES**

**PROPOSED EXPENDITURE £369M**



**A SAFE, RESILIENT AND RESPONSIVE NETWORK**

**PROPOSED EXPENDITURE £2,234M**



**ACCELERATED PROGRESS TO A NET ZERO WORLD**

**PROPOSED EXPENDITURE £1,089M**

The outputs are key priorities that we will use to measure how we are delivering in ED2. They reflect what stakeholders have told us.

**For each of the 41 outputs we are engaging on we have set out:**

- Our current performance in ED1 and context to enable you to assess our proposed changes in ED2.
- What stakeholders have told us obtained through our ED2 engagement program involving over 21,000 stakeholders from 39 different segments at 125 events including research with bill paying customers, particularly those in vulnerable situations.
- Our specific proposal for ED2 for both our North and South licence area including the cost, bill components and the expected benefit to consumers.

Our purpose in setting out our ED2 draft plan outputs and costs is to obtain stakeholder feedback on how we should evolve our plan prior to submission to Ofgem. We are seeking stakeholders' views on:

- Our proposed package of outputs for each area of our business plan.
- Our proposed expenditure for each area.
- Whether this expenditure and the associated bill components represent good value for money for customers.
- Whether stakeholders have any comments on or insights into the implementation of each area of the plan.

We have also included some additional questions specific to some of the output areas.

<sup>2</sup> Our plan has 55 outputs, some of which are obligations we must comply with and therefore do not form part of this specific output testing process.

# CONSUMER VALUE PROPOSITIONS

We want to proactively explore areas where we can deliver activities that are new and stretching, and that are wanted by and of direct benefit to the users of our network and wider society.

This 'above and beyond' approach, called Consumer Value Propositions (CVPs), has been designed by Ofgem for RII0-ED2 to ensure that DNOs actively seek areas where they can deliver more value than the baseline requirements.

Our draft business plan includes six CVPs. These are described in full in the CVP Annex<sup>3</sup> to our plan, and summarised below:

CVP	Output area	Where you can find further details
Personal Resilience Plans	Customer vulnerability	Page 16
Energy efficiency accelerator for smarter networks	DSO	Page 25
Local and community flexibility market stimulation	DSO	Page 26
Protecting marine biodiversity: Life below water	Sustainability	Page 29
Embedded Whole Systems support services for Local Authorities	Whole Systems	Page 33
Supporting broadband to island communities through our assets	Whole Systems	Page 33

Please supply your views on our CVPs by answering the questions found within each strategic outcome area, via the online form.

<sup>3</sup> You can download the CVP Annex at <https://ssenfuture.co.uk/draft-business-plan-annexes>

## OVERALL ACCEPTABILITY OF OUR DRAFT ED2 PLAN

We also seek stakeholder views on how acceptable our plan is and what changes could be made before final submission to Ofgem in December 2021.

1. What are your views on our overall level of ambition in our business plan?
2. Do you have any views on our overall purpose, vision and priorities?
3. Do you think our business plan represents good value for money for customers? Why/why not?

Thank you for helping us to refine our business plan for 2023-2028.



# CO-CREATING OUR PLAN WITH STAKEHOLDERS

In developing our draft plan, we synthesised 3,077 distinct stakeholder feedback points obtained through conducting 125 events with over 21,000 stakeholders.

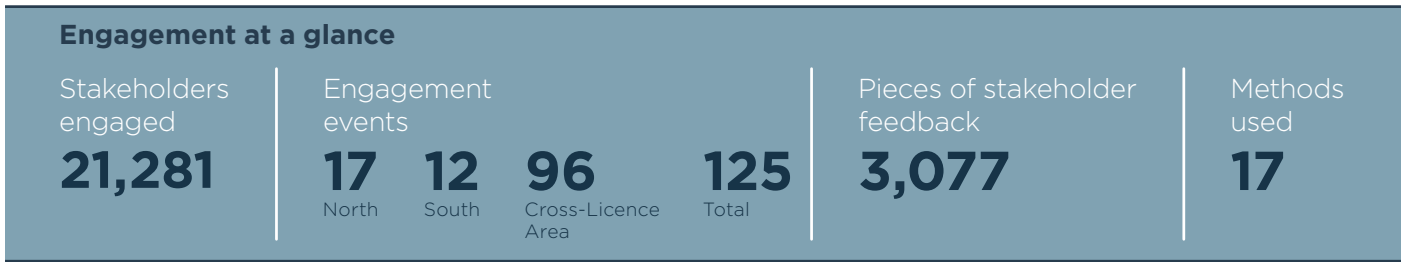


Figure 8: Our RIIO-ED2 business plan engagement to date

Senior leaders within SSEN have made sure that there is a golden thread connecting stakeholder’s views with the strategies that make up our business plan, and the outputs associated with each strategy. By ‘triangulating’ different pieces of feedback, we made 32 refinements to our draft ED2 outputs.

We are currently entering the fourth phase of the engagement strategy for our business plan. In this phase, we are working to test and engage on our business plan costings and outputs to ensure we meet the needs of all our consumers, including those who are vulnerable and/or fuel poor.

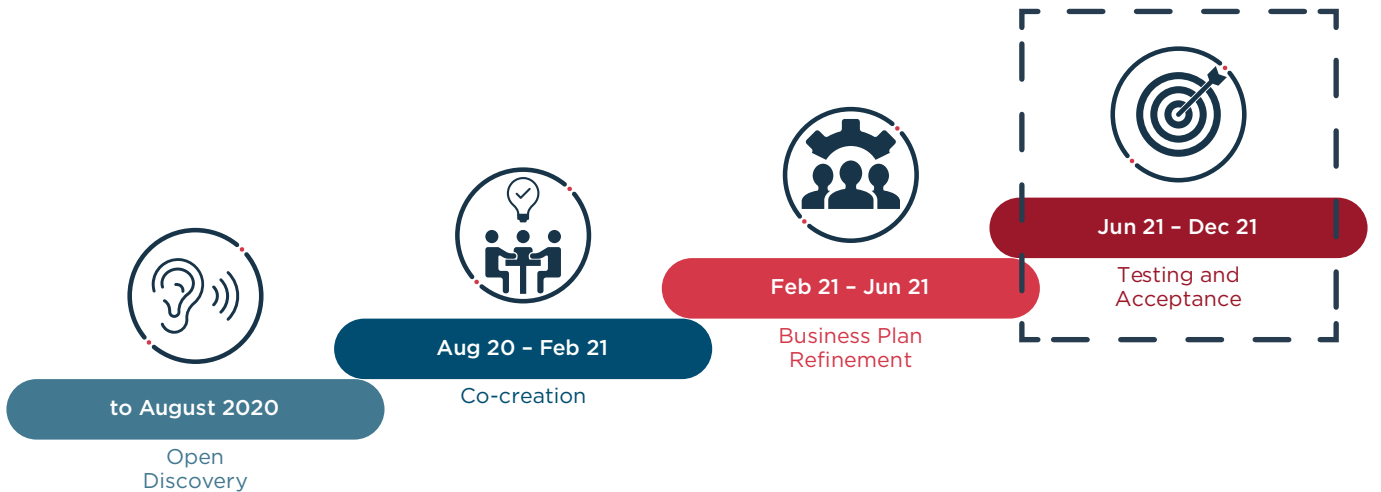


Figure 9: Our RIIO-ED2 business plan engagement to date

## STAKEHOLDERS INFORMING OUR FINAL PLAN

Our draft business plan was developed based on the priorities and needs of consumers and wider stakeholders.

This consultation will provide us with valuable insights into your views on the overall acceptability of our plan and outputs, costs and customer bill components.

We are also conducting other events to gather direct feedback from stakeholders.

Our independent Customer Engagement Group will continue to scrutinize our draft plan and provide valuable feedback. They have specifically requested that we present our plan, our proposed expenditure and bill components to our customers and stakeholders to ensure that our plan reflects your priorities and is acceptable to you.

In addition, we will be taking into account feedback from Ofgem, Ofgem's Customer Challenge Group and other stakeholders, for example, Citizens Advice.

We will use all feedback to refine our final business plan and set out in our final plan how stakeholder and consumer engagement has supported the refinement and finalisation of our ED2 business plan.

After submission of our final plan in December 2021, Ofgem will make a determination on our plan and provide opportunity for further public scrutiny before it comes into effect on 1st April 2023.

Stakeholder and consumer engagement will remain key to the unfolding of our ED2 plan as we have committed to on-going engagement with our stakeholders and customers throughout the ED2 period.





SECTION A:  
**A VALUED AND TRUSTED  
 SERVICE FOR OUR CUSTOMERS  
 AND COMMUNITIES**

DRAFT BUSINESS PLAN												
GENERAL RUNNING COSTS: £554M												
Strategic outcome	A valued and trusted service for our customers and communities	A safe, resilient, and responsive network		Accelerated progress towards a net zero world			(Cross-cutting expenditure)					
Total expenditure (excluding CVPs)	£369m	£2,234m		£1,089m			Included across other three strategic outcomes					
Bill impact	North: £14.02 South: £8.36	North: £84.89 South: £50.64		North: £41.38 South: £24.68								
Output areas	Customer service and customers in vulnerable situations	Reliability and resilience	Scottish Islands	Load and connections	DSO	Sustainability	IT and digitalisation	Safety	Whole Systems	Innovation	Workforce resilience	Supply Chain
Expenditure on key outputs	£36.15m	£380m	Included in other output areas	£401m	£75.1m	£146.3m	£105.5m	£310.5m	No specific cost	N/A	In development for final plan	In development for final plan
Key outputs	13	6		6	5	12	2	3	2			
CVP expenditure	£4.9m	-	-	-	£22.9m	In dvp	-	-	£11.6m+ in dvp	-	-	-
CVPs	1	-	-	-	2	1	-	-	2	-	-	-
UNCERTAINTY MECHANISMS: £900M												

## CUSTOMER SERVICE AND CUSTOMERS IN VULNERABLE SITUATIONS

### OUR RIIO-ED2 VISION

Across both of our network areas, we are working to become an industry leader in customer service by increasing access to our customer service and vulnerability offerings. In RIIO-ED2, our goal will be to resolve all complaints in a timely fashion, increase customer and stakeholder knowledge, and offer best-in-class communication channels. To better support our customers in vulnerable situations we will deliver the required support and knowledge to help improve their quality of life and ensure nobody is left behind in the energy transition.

### Our performance in RIIO-ED1

- Provided 3,864 customers with energy efficiency and fuel poverty advice in the first 4 years of ED1.
- Established 6 data-sharing agreements with water companies to streamline Priority Services Register (PSR) registration.
- Significantly increased our complaint handling performance from 68.54% at the start of ED1 to 89.08% at present.
- Introduced a first-of-its-kind energy advisors' partnership with Citizens Advice Scotland which delivered benefits to over 480 vulnerable customers in its first year.
- RIIO-ED1 helped us recognise we need to be closer with the people we serve, so we launched a new customer relationship management system and industry-leading customer mapping tool to allow us to tailor our frontline services and enhance our digital capabilities to continue to improve on our March 2020 customer satisfaction level of 89.3%.

## What you've told us for RIIO-ED2

- We need to improve our customer service offering further by becoming a leader in adapting, enhancing and providing accessible and simplified customer service and complaint options, regardless of generation or vulnerability for domestic and SME customers.
- We should continue to work to become a transparent and proactive DNO, especially given the uncertain situation of COVID-19.
- To better support you, we should increase our ability to live track faults, provide updates during power cuts, offer bespoke fuel poverty and energy advice and be transparent in the bill component of our expenditures.

## How we've responded

- We will extend our customer service strategy to small and medium enterprise (SME) customers by introducing a business support register.
- We will use our customer mapping tool to target areas of high fuel poverty with increased engagement to guarantee all customers get the appropriate advice or knowledge.

Our proposed outputs, costs and bill components, and benefits to customers are set out below.

Output	Northern target	Southern target	Comparison to RIIO-ED1	Cost	Northern bill component per year	Southern bill component per year	Benefits to customers	
Meet our targets through our plan and strive to further achieve a score of at least 9.2 across all categories by 2028	9.2 (9.3 digital)	9.2 (9.3 digital)	2019/20 North: 9.19 South: 8.67	£21.9m	83p	50p	Improved customer satisfaction through the introduction of self-serve options and maintaining traditional means of communication	
Decrease our average speed of telephone answer to 20 seconds for interruptions	20 seconds	20 seconds	2019/20 North: 31 seconds South: 36 seconds (these increased in 2020/21 due to Covid-19)					
Improve our average speed of answer for social media contacts to five minutes	5 minutes average	5 minutes average	2019/20 15 minutes					
Meet our targets through our plan and further strive to reduce complaints by 5% and resolve 75% of complaints at first contact, 90% within 1 day and 99% within 1 month by 2028	5% reduction overall and resolve 75% of complaints at first contact, 90% within 1 day and 99% within 1 month by 2028	5% reduction overall and resolve 75% of complaints at first contact, 90% within 1 day and 99% within 1 month by 2028	2019/20 Within 1 day: 88.41% Within 1 month: 96.89%				Improved customer satisfaction by simplifying process and driving down volumes for quicker complaint resolution	
Introduce a new Business Support Register to meet the needs of small and medium businesses.	Business Support Register introduced	Business Support Register introduced	New for ED2					Improved customer service for small business customers and reduced impact from supply interruptions
Maintain/improve our industry leading 9.3 digital satisfaction score.	9.3	9.3	N/A					

<b>Reach over 1 million Personal Resilience plans (PSR) customers by 2028, refreshing our data every 24 months</b>	1 million across both regions	1 million across both regions	770,844 on PSR in 2020/21	£13.0m (Included in Licence Obligation)	49p (Included in LO)	29p (Included in LO)	Financial (£8.4m) and societal (£0.7) benefits targeted at fuel poverty support, energy efficiency measures, quality of life improvements, and health benefits
<b>Improve PSR customer satisfaction scores to 9.4</b>	9.4	9.4	9.29 in 2020/21				
<b>Help 50,000 households with fuel poverty of which 5,000 will be direct energy efficiency referrals by 2028</b>	50,000 households advised including 5,000 direct energy efficiency referrals across both regions	50,000 households advised including 5,000 direct energy efficiency referrals across both regions	3,792 advice referrals in 2020/21				
<b>Train 30 employees to the City &amp; Guilds energy efficiency qualification and introduce 200 vulnerability champions across the business</b>	30 colleagues qualified and 200 vulnerability champions across both regions	30 colleagues qualified and 200 vulnerability champions across both regions	New for ED2				
<b>Partner and deliver education on LCTs to the most vulnerable and hard to reach</b>	In dvp	In dvp	New for ED2				
<b>Introduce a company-funded £250,000 annual LCT accessibility fund for those in vulnerable circumstances</b>	£250,000 per year across both regions dispersed	£250,000 per year across both regions dispersed	New for ED2				
<b>Consumer Value Proposition (CVP)</b>							
<b>Proactively provide PSR customers with Personal Resilience Plans (PRPs) providing specific advice tailored to a customer's individual needs, helping them know what to do during power cuts</b>	In dvp	In dvp	New for ED2	£4.9m	19p	11p	Improved customer service, better access for vulnerable customers, and £3.1m in net customer benefits



Licence Obligation (LO)							
Meet our obligations to treat all customers fairly, including those in vulnerable circumstances. We will put in place a vulnerability strategy, to be reviewed and refreshed annually and our performance incentivised	Meet our obligations to treat all customers fairly, including those in vulnerable circumstances	Meet our obligations to treat all customers fairly, including those in vulnerable circumstances	N/A	£13m	49p	29p	Financial (£8.4m) and societal (£0.7) benefits targeted at fuel poverty support, energy efficiency measures, quality of life improvements, and health benefits

## Questions

- What are your views on our packages of outputs for customer service and customer vulnerability?
- Do you think our proposed expenditure and the associated bill components represent good value for money for customers? Why/why not?
- Do you have any insights into the implementation of our activities, including any barriers they might face?
- What services would you expect us to offer in our new Business Support Register?
- Are there any fuel poverty channels that we haven't considered or innovations that you think we should consider?
- We have pledged a shareholder-funded community fund of £1.25m over 5 years to support the transition to low carbon technology. What would you expect us to offer through this fund?
- Do you believe we are best placed, either on our own or in partnership with others, to further support customers in vulnerable circumstances?





SECTION B:  
**A SAFE, RESILIENT AND  
RESPONSIVE NETWORK**

DRAFT BUSINESS PLAN												
GENERAL RUNNING COSTS: £554M												
Strategic outcome	A valued and trusted service for our customers and communities	A safe, resilient, and responsive network		Accelerated progress towards a net zero world			(Cross-cutting expenditure)					
Total expenditure (excluding CVPs)	£369m	£2,234m		£1,089m			Included across other three strategic outcomes					
Bill impact	North: £14.02 South: £8.36	North: £84.89 South: £50.64		North: £41.38 South: £24.68								
Output areas	Customer service and customers in vulnerable situations	Reliability and resilience	Scottish Islands	Load and connections	DSO	Sustainability	IT and digitalisation	Safety	Whole Systems	Innovation	Workforce resilience	Supply Chain
Expenditure on key outputs	£36.15m	£380m	Included in other output areas	£401m	£75.1m	£146.3m	£105.5m	£310.5m	No specific cost	N/A	In development for final plan	In development for final plan
Key outputs	13	6		6	5	12	2	3	2			
CVP expenditure	£4.9m	-	-	-	£22.9m	In dvp	-	-	£11.6m+ in dvp	-	-	-
CVPs	1	-	-	-	2	1	-	-	2	-	-	-
UNCERTAINTY MECHANISMS: £900M												

## RELIABILITY AND RESILIENCE STRATEGY

### OUR RIIO-ED2 VISION

Our reliability and resilience strategy focuses on three key areas. First, we will make improvements to reduce assets most at risk of failure to ensure resilience of the system as customers increasingly rely on it for electric vehicles and heating. Second there is specific spend to ensure the frequency and duration of power cuts is reduced by 20% by 2028 for all customers. Finally we will improve performance for at least 75% of customers who are deemed worst served, particularly those who are vulnerable.

### Our performance in RIIO-ED1

- We have met all the regulatory Interruption Incentive Scheme targets for the number of customer power cuts (CI) and the duration of customer power cuts (CMLs). CMLs, with the exception of weather-related performance in our southern network in 2018/19.
- Reduced the number of customer power cuts (CI) by 19% and their duration (CML) by 23% since 2012/13.
- Introduced the automatic payment of compensation against the Guaranteed Standards of Performance for reliability for unplanned power cuts longer than 12 hours.
- Improve network performance for 2,052 customers in our Southern area and 1,437 customers in our Northern area on 10 worst-served circuits with a further 3,313 customers to be assisted by 2023.

### What you've told us for RIIO-ED2

- Net zero and the short- and long-term impacts of Covid-19 have drastically changed what you expect of us as a DNO.
- We must ensure that we are able to provide consistent power, regardless of customer location or situation, while assisting customers in navigating uncertain situations like net zero or Covid-19.
- We should focus our investments on areas with the most customers, especially those in vulnerable situations.

## How we've responded

- We will target our investments to maximise further reductions in the time customers are off supply.
- We will implement our Climate Adaptation Action Plan and IT and Operational Technology strategy to ensure that we identify and mitigate risks of climate change on our network to maximise resilience and minimise disruptions.
- We will strike a balance between improving reliability and longer-term resilience by carefully calibrating investments across our network and considering the impact of bills to those who are worst served.

Our proposed outputs, costs and bill components, and benefits to customers are set out below.

Output	Northern target	Southern target	Comparison to R10-ED1	Cost	Northern bill component per year	Southern bill component per year	Benefits to customers
We will meet our targets and reduce the average frequency and duration of unplanned power interruptions affecting our customers by 20% by 2028	Reduce the frequency and duration of power interruptions by 20%.	Reduce the frequency and duration of power interruptions by 20%.	End of ED1: North Customer interruptions (CI): 63.5 Customer minutes lost (CML): 45.6 South CI: 56.5 CML: 41.8	£23.52m	74p	58p	Reduced time off supply and less disruption to customers' lives
By 2028 we will improve the network performance for at least 75% of customers that are deemed worst served.  Our programme will be prioritised based on a combination of number of WSCs and vulnerability levels	Improve the network performance for at least 75% of customers that are deemed worst served.	Improve the network performance for at least 75% of customers that are deemed worst served.	£21.9m (North) £9.0m (South)	£34.5m (North) £3.3m (South)	£3.93	11p	More reliable supplies for customers and reduced carbon emissions (from backup generators)
We will deliver our Cyber Resilience IT and OT strategy and continually monitor success of our delivery. We will refresh plans annually in line with identified risks	To deliver our Cyber Resilience IT and OT strategy and continually monitor success of our delivery and refresh plans annual in line with risks.	To deliver our Cyber Resilience IT and OT strategy and continually monitor success of our delivery and refresh plans annual in line with risks.	New for ED2	Confidential	-	-	Better services delivered to customers as we remain adaptable in uncertain times

Output	Northern target	Southern target	Comparison to RIIO-ED1	Cost	Northern bill component per year	Southern bill component per year	Benefits to customers
We will intervene in our network assets with the highest probability of failure, reducing longer-term risk by 11.9%, relative to a future without intervention	Longer-term risk reduced by 11.9% relative to no intervention across both Licence Areas	Longer-term risk reduced by 11.9% relative to no intervention across both Licence Areas	£408.6m (last 5 years)	£319.5m	£11.42	£7.46	Longer-term resilience, and better affordability
<b>Licence Obligations (LO)</b>							
We will meet our Guaranteed Standards of Performance (GSOPs) obligations	We will meet our obligations under GSOPs and minimise the number of customers experiencing an outage greater than 12 hours.	We will meet our obligations under GSOPs and minimise the number of customers experiencing an outage greater than 12 hours.	Meet GSOPs	N/A	N/A	N/A	Reduced inconvenience caused by power outages
We will develop a climate resilience strategy to ensure we consider the risks and impacts that human-cause climate change has to our network, now and in the future	We will produce and report annually on our Climate Resilience Strategy.	We will produce and report annually on our Climate Resilience Strategy.	New for ED2	Incremental	N/A	N/A	A network which will remain resilient to climate change by assessing issues annually and adapting as needed to reduce the impact on consumers

## Questions

- What are your views on our package of outputs for reliability and resilience?
- Do you think our proposed expenditure for reliability and resilience, and associated bill components, represent good value for money for customers? Why/why not?
- Do you have any comments on or insights into the implementation of our activities?

# SCOTTISH ISLANDS STRATEGY

## OUR RIIO-ED2 VISION

Our strategy in the Scottish Isles is to make a step change in our investment levels in subsea cables to deliver greater reliability to our island customers through repair and replacement of subsea cables and the provision of adequate backup energy generation while continuing to invest in our worst served customers.

### Our performance in RIIO-ED1

- We replaced 30 of our 110 subsea cables (that cover 454km) and inspected >355km.
- Additional £45.2m has been requested for subsea cable protection re-opener, with a final decision to be made by Ofgem during ED1.
- We experienced a higher number of subsea cable faults than predicted, with impact partially offset through investments in seven Distributed Embedded Generation sites.
- Continued to reduce high-voltage interruptions in four areas by at least 33% for our worst served customers.
- Submitted a proposal to Ofgem for an enduring solution for Shetland post construction of the transmission link.

### What you've told us for RIIO-ED2

- We should prioritise subsea cable replacement based on the impact to communities, generators and environment of a cable failure.
- Generation customers asked us for greater capacity as the level of renewable generation increases in the Scottish Islands and the UK.
- In Shetland, maintaining a reliable supply is the top priority and our stakeholders asked that a robust standby solution be considered essential in the event of subsea cable outages.
- We should consider several bases for prioritising schemes for worst served customers in the Scottish Islands, including total number of customers; number of vulnerable customers or businesses; level and duration of outages; rural areas; islands; and potential LCT take-up.

### How we've responded

- We will invest £93.9m in the Shetland islands distribution network to ensure consistency in supply.
- We will invest £170.5m on subsea cables including proactive replacement and two major cable projects (Skye to Uist and Pentland Firth West).
- We will invest in enabling low carbon technologies, supporting vulnerable and worst served customers and maintaining the health of our assets.
- We will spend £43.3m on standby generation for island communities to ensure supply in event of outage.
- We will reduce 'worst served' customer volumes by 75% by end of ED2.

### Questions

- What are your views on our package of outputs and proposals for the Scottish Islands?
- Do you think our proposed expenditure and the associated bill components represent good value for money for customers? Why/why not?
- Do you have any comments on or insights into the implementation of our activities?



SECTION C:  
**ACCELERATED PROGRESS  
TO A NET ZERO WORLD**

DRAFT BUSINESS PLAN												
GENERAL RUNNING COSTS: £554M												
Strategic outcome	A valued and trusted service for our customers and communities	A safe, resilient, and responsive network		Accelerated progress towards a net zero world			(Cross-cutting expenditure)					
Total expenditure (excluding CVPs)	£369m	£2,234m		£1,089m			Included across other three strategic outcomes					
Bill impact	North: £14.02 South: £8.36	North: £84.89 South: £50.64		North: £41.38 South: £24.68								
Output areas	Customer service and customers in vulnerable situations	Reliability and resilience	Scottish Islands	Load and connections	DSO	Sustainability	IT and digitalisation	Safety	Whole Systems	Innovation	Workforce resilience	Supply Chain
Expenditure on key outputs	£36.15m	£380m	Included in other output areas	£401m	£75.1m	£146.3m	£105.5m	£310.5m	No specific cost	N/A	In development for final plan	In development for final plan
Key outputs	13	6		6	5	12	2	3	2			
CVP expenditure	£4.9m	-	-	-	£22.9m	In dvp	-	-	£11.6m+ in dvp	-	-	-
CVPs	1	-	-	-	2	1	-	-	2	-	-	-
UNCERTAINTY MECHANISMS: £900M												

## LOAD AND CONNECTIONS STRATEGY

### OUR RIIO-ED2 VISION

In RIIO-ED2 our goal is to meet the increased demand on our network from low-carbon technologies (LCT) and ensure Local Authorities can develop their LCT plans for customer benefit. We also believe that our vision will deliver a digitally transformed connections process, to provide customers with access to data, and simpler and faster services.

### Our performance in RIIO-ED1

- Connected over 2,750 MW of low carbon technologies.
- Introduced innovative solutions such as flexibility and Active Network Management (ANM).
- Installed over 40,000 EV chargers and expect to have over 208,000 heat pumps connected by the end of RIIO-ED1.
- Achieved savings of over £60m for customers through flexible connections.
- Our Connections Customer Satisfaction levels have risen from 82% at the start of ED1 to 89% in 2019/20.

### What you've told us for RIIO-ED2

- Network Plans should be localised but Local Authorities told us that they were currently unable to engage on load outputs or select Distribution Future Energy Scenarios due to insufficient knowledge and asked for our support on developing Local Area Energy Plans.
- Consumers asked us to make our application portal digital, full-functioning and self-service and allow applications, progress updates, payments, and data access.
- We should increase our ambition for heat pump and EV charger connections, and ensure low voltage monitoring is available.

## How we've responded

- We have selected Consumer Transformation as the baseline scenario for the first two years of ED2 to ensure we are ready to respond to a range of potential pathways.
- We are deploying more monitoring, and taking a flexibility-first approach.
- We will integrate our customer relationship management system with our website to create a self-service small connections portal.
- We are also working on providing more granular detail on our available capacity to ensure customers receive real-time updates on network loading. For Local Authorities, we will work to provide data and input into local development plans to increase their knowledge of connections and the net zero transition.

Our proposed outputs, costs and bill components, and benefits to customers are set out below.

Output	Northern Target	Southern Target	Comparison to RIIO-ED1	Cost	Northern Bill component per year	Southern Bill component per year	Benefits to customers
Enabling the connection of Low Carbon Technologies (LCT) of 1.3m Electrical vehicles (EVs) and 800,000 heat pumps (HPs)	Enable the timely connection of EVs: c.170,000 HPs: c.215,000	Enable the timely connection of EVs: c.1,130,000 HPs: c.585,000	N/A	£393m with additional uncertainty mechanism funding in period	£8.07	£10.95	£80m carbon benefits and £90m financial benefits each year enabled by ensuring LCT customers are able to connect on time
We will improve the end-to-end process (application, design, quote and connection) for all our connections and introduce automated quotation services for domestic LCT and minor connections customers by 2025	Improve the end-to-end process for all our connections and introduce automated quotation services for domestic LCT and minor connections customers	Improve the end-to-end process for all our connections and introduce automated quotation services for domestic LCT and minor connections customers	N/A	£8m (Part of Licence Obligation)	30p (Part of LO)	18p (Part of LO)	£4.6m cost efficiency benefits delivered by the improved process over RIIO-ED2 and £3.8m additional societal benefits delivered to connections customers over RIIO-ED2 through saved time and increased satisfaction
By 2023 meet our targets and further reduce average Time to Connect by 1 day in North and 2 days in South compared to 2019/20	Meet our targets and further reduce average Time to Connect by 1 day in North and 2 days in South compared to 2019/20	Meet our targets and further reduce average Time to Connect by 1 day in North and 2 days in South compared to 2019/20	2019/2020 North: 17 working days South: 29 working days	Incremental	N/A	N/A	Faster access to LCT for small/minor connections
Average customer satisfaction score for minor connections of at least 9.2	Average customer satisfaction score for connections of at least 9.2	Average customer satisfaction score for connections of at least 9.2	New for ED2	N/A	N/A	N/A	Improved connections process to better cater to stakeholder needs

Licence Obligations (LOs)

<b>Develop a major connections strategy to better customers with service tailored to their needs</b>	Deliver high quality services to our major connections customers.	Deliver high quality services to our major connections customers.	N/A	£8m	30p	18p	Major connection customers provided with services that are tailored to their needs, more flexible connection options and enhanced communication throughout the connections process
<b>Meet our Guaranteed Standard of Performance (GSOPs)</b>	We will meet our obligations under GSOPs for connections on an ongoing basis and aim to reduce the number of failures over the period.	We will meet our obligations under GSOPs for connections on an ongoing basis and aim to reduce the number of failures over the period.	Meet GSOPs	N/A	N/A	N/A	Customers will be guaranteed a certain level of performance for connections services

### Questions

- What are your views on our package of outputs and proposals for load and connections?
- Do you think our proposed expenditure and associated bill components represent good value for money for customers? Why/why not?
- Do you have any comments on or insights into the implementation of our strategy?
- Do you have any views on our approach to engagement with local authorities, communities, network users and other third parties in the ED2 period?



# DISTRIBUTION SYSTEM OPERATOR (DSO) STRATEGY

## OUR RIIO-ED2 VISION

We will define a DSO strategy that will be reviewed and refreshed annually with an action plan to deliver against it. Our outputs will increase our progress towards net zero, increase flexibility and ensure connections are easy and accessible to everyone.

### Our performance in RIIO-ED1

- By the end of RIIO-ED1 we will have invested over £160m in the pre-requisite foundational systems on which we will build scalable distribution system operations.
- Contracted >468MW flexibility services for constraint management and fault support, delivering a cost saving of £251k and avoided 3,250 tCO<sub>2</sub>.
- Enabled flexible connections avoiding 90.6 years of connections delays with £60m of reinforcement spend, across 412MW of capacity.

### What you've told us for RIIO-ED2

- You expect us to take the lead on delivering a DSO strategy that is ready in advance of net zero by prioritising flexible and whole systems solutions. In particular, you want us to remain a neutral facilitator in the market and ensure no one is left behind in the energy transition.
- We should place a strong emphasis on data availability and transparency.
- We should help market participants understand how the market operates and work with them to identify opportunities for participating in the flexibility market.

### How we've responded

- Provision of practical advice to help consumers added to our operational DSO business plan.
- We will provide information to participants on existing opportunities to fulfil our role as a neutral market facilitator.

Our proposed outputs, costs and bill components, and benefits to customers are set out below.

Output	Northern Target	Southern Target	Comparison to RIIO-ED1	Cost	Northern bill component per year	Southern bill component per year	Benefits to customers
We are targeting 5GWs of Constrained Managed Zone services across multiple service types. We plan to grow our flexible connections to 3.7GW of capacity across 35 zones	5GW of flexibility services and 3.7GW of flexible connections across both regions	5GW of flexibility services and 3.7GW of flexible connections across both regions	New for ED2	£75.1m (Part of LO)	£2.85 (Part of LO)	£1.70 (Part of LO)	Significant customer benefit due to our approach to DSO and principles of open data, transparency, and stakeholder feedback
<b>Consumer Value Propositions (CVP)</b>							
We will proactively work with partners to identify and implement energy efficiency measures across our customer base, where they align with network constraints and can be used as a flexibility source.  We will target activities to the areas where they will have the largest impact in terms of (i) network benefit and (ii) supporting the most vulnerable in society	In dvp	In dvp	New for ED2	£22.9m	87p	52p	£26.6m net customer benefit through reduced need for reinforcement, lower customer bills, support for the fair distribution of benefits from smart technology, wider societal benefits (e.g. carbon savings)

We will partner with aggregators and energy suppliers and other relevant organisations to actively promote recruitment of flexibility with a focus on fuel poor customers and those in vulnerable circumstances	In dvp	In dvp	New for ED2	In dvp	To be included in Final Plan	To be included in Final Plan	Promotion of localised, balanced energy system, ecosystem benefits. Communities empowered to participate in flexibility markets, benefiting from the energy system transition
<b>Licence Obligations (LO)</b>							
We will define a DSO strategy that will be reviewed and refreshed annually	We will define a DSO strategy that will be reviewed and refreshed annually with an action plan to deliver against it, including changes to IT systems, process and people	We will define a DSO strategy that will be reviewed and refreshed annually with an action plan to deliver against it, including changes to IT systems, process and people	New for ED2	£75.1m	£2.85	£1.70	Significant customer benefit due to our approach to DSO and principles of open data, transparency, and stakeholder feedback
We will help facilitating participation in flexibility markets	We will set up an annual flexibility providers forum and survey enabling regular feedback	We will set up an annual flexibility providers forum and survey enabling regular feedback	New for ED2				
We will ensure that information is transparent and accessible	We are committing to provide timely, accurate and accessible DSO data across all DSO roles.	We are committing to provide timely, accurate and accessible DSO data across all DSO roles.	New for ED2				
We will work to improve the provision of forecasting information	We will continually improve the provision of forecast information for both new and existing flexibility markets	We will continually improve the provision of forecast information for both new and existing flexibility markets	New for ED2				

## Questions

- What are your views on our package of outputs for DSO?
- Do you think our proposed expenditure and associated bill components represent good value for money for customers? Why/why not?
- How should DSO performance be measured?
- Do you have any comments on or insights into the implementation of our strategy?

# SUSTAINABILITY STRATEGY

## OUR RIIO-ED2 VISION

We will produce an Environmental Action Plan (EAP) that will reduce carbon emissions, improve air quality, provide societal benefit, accelerate progress towards net zero and ensure we remain an industry leader in sustainability.

### Our performance in RIIO-ED1

- First DNO to commit to setting accredited Science-Based Targets, providing assurance that we are making a valid contribution to minimising the risks associated with climate change.
- Reduced our business carbon footprint (BCF) and are set to reach our target of a 15% reduction by the end of RIIO-ED1.
- Reduced losses by 32,097 MWh by focusing on the key areas of theft and unregistered supplies.

### What you've told us for RIIO-ED2

- Our highest priorities should be decarbonisation and reducing the impact of our operations, such as the removal of oil pollution.
- Assessing the changing risks due to climate change, such as the changing frequency and severity of flooding, should also be a priority.
- We should collaborate with supply chain stakeholders to tackle the 30% of our BCF that originates from supply chain sources.
- We should consider both the social return and the effect on future generations of achieving net zero and to go further in our net zero ambitions and consider rewilding the local environment by creating new woodlands of indigenous tree species.
- As a forward-thinking DNO, we should be an environmental sustainability leader who go beyond the Ofgem minimum requirements, while ensuring an equitable network decarbonisation which benefits all customers.

### How we've responded

- We have developed a sustainability strategy that will create long-term solutions and ensure biodiversity net gains.
- We have set an ambitious 1.5-degree SBT (including losses) requiring at least a 35% reduction in our carbon footprint by 2028.
- We will stop installing fluid-filled cables on our networks and replace 78km of existing fluid-filled cables.
- We are using our cross-cutting digitalisation and innovation strategy to better deliver on net zero and ensure that all customers can participate in the transition with no one being left behind.

Our proposed outputs, costs and bill components, and benefits to customers are set out below.

Output	Northern Target	Southern Target	Comparison to RIIO-ED1	Cost	Northern bill component per year	Southern bill component per year	Benefits to customers
<b>Set 1.5 degrees Science Based Target (SBT) with the SBTi requiring at least a 35% reduction in our carbon footprint by 2028</b>	Set an ambitious 1.5-degree SBT (including losses) requiring at least a 35% reduction in our carbon footprint by 2028	Set an ambitious 1.5-degree SBT (including losses) requiring at least a 35% reduction in our carbon footprint by 2028	New for ED2	£146.3m (total cost for EAP)	£4.09 (EAP)	£3.76 (EAP)	Carbon emissions reduced in line with ambitious SBTs which align with net zero
<b>Sustainable supplier code</b>	Sign up 80% of our supply chain (by value) by 2028	Sign up 80% of our supply chain (by value) by 2028	New for ED2				Significantly help contribute to lower supply chain and scope 3 emissions
<b>Reduce travel-related emissions</b>	Electrify 80 % of our core vehicle fleet by 2028, reduce our average road mileage by 15% (from pre-covid levels) and limit air travel where possible	Electrify 80 % of our core vehicle fleet by 2028, reduce our average road mileage by 15% (from pre-covid levels) and limit air travel where possible	Undertake no more than 0.5 business flights per employee per year. Reduce average mileage of cars in South by 10%.				£1.9m in societal benefits delivered by reduction in carbon emissions
<b>Reduce SF<sub>6</sub> emissions from our assets</b>	Reduce emissions from our assets by a minimum of 35%, and begin reducing our holdings	Reduce emissions from our assets by a minimum of 35%, and begin reducing our holdings	15% reduction	£6.1m (part of £146.3 EAP)	2p (part of £4.09 EAP)	20p (part of £3.76 EAP)	£4.5m societal benefits delivered by reduction in carbon emissions
<b>Implement a strategy to efficiently manage losses on our network in the long-term</b>	Implement a strategy to efficiently manage losses on our network in the long-term: Re-classify losses as a Scope 2 emission and act to reduce actual losses	Implement a strategy to efficiently manage losses on our network in the long-term: Re-classify losses as a Scope 2 emission and act to reduce actual losses	Reductions in electrical losses through best practice procurement strategies while using new sources of data to better track and target loss reductions, and by making network improvements deploying the best technologies to drive further savings	£4.9m (part of £146.3 EAP)	17p (part of £4.09 EAP)	12p (part of £3.76 EAP)	£34m societal benefits delivered by energy savings and lower carbon emissions as a result of reduced losses
<b>Reduce emissions from mobile diesel generation during interruptions</b>	Reduce emissions by replacing mobile generators wherever possible with lower carbon alternatives or by using alternative lower carbon fuel types	Reduce emissions by replacing mobile generators wherever possible with lower carbon alternatives or by using alternative lower carbon fuel types	Working more sustainably to reduce our BCF and the impact of our assets on the environment.	£2.2m (part of £146.3 EAP)	15p (part of £4.09 EAP)	3p (part of £3.76 EAP)	Financial (£2m) and societal (£1m) benefits delivered by reducing fuel costs and carbon emissions
<b>Reduce the reliance on our back up embedded diesel generation on our islands</b>	Invest £9.5m in reducing reliance on back-up generation, exploring local solutions and flexibility opportunities	Invest £9.5m in reducing reliance on back-up generation, exploring local solutions and flexibility opportunities	Provision of standby generation on the Scottish Islands.	£9.5m (part of £146.3 EAP)	£1.08 (part of £4.09 EAP)	N/A	Financial (£0.4) and societal (£2.5m) benefits from reduced fuel costs and carbon emissions

Promote biodiversity net gain in the longer term	Invest in targeted biodiversity and natural capital projects, such as local afforestation initiatives	Invest in targeted biodiversity and natural capital projects, such as local afforestation initiatives	New for ED2	£35.1m (part of £146.3 EAP)	£1.33 (part of £4.09 EAP)	80p (part of £3.76 EAP)	Improved air quality and local habitats as well as carbon removal to meet net zero and complement our SBTs
Reduce leakage from fluid-filled cables	Replace 78 km of fluid filled cable and reduce oil leakage by 20% relative to 2019/20	Replace 78 km of fluid filled cable and reduce oil leakage by 20% relative to 2019/20	Replace 76km of fluid-filled cable. Aim for minimum 15% reduction in oil leakage relative to 2012/13.	£48.3m (part of £146.3 EAP)	30p (part of £4.09 EAP)	£1.55 (part of £3.76 EAP)	£6m societal benefit delivered by reducing oil leakage
Undergrounding overhead lines in Areas of Outstanding Natural Beauty (AONBs) and National Parks (NPs)	Underground up to 41km of lines	Underground up to 42km of lines	90km over 7 years	£11m (part of £146.3 EAP)	80p (part of £4.09 EAP)	14p (part of £3.76 EAP)	Improved visual amenity through reducing the total amount of above ground cables
<b>Consumer Value Propositions (CVP)</b>							
Protecting marine biodiversity: Life below water	We will explore opportunities to improve our marine environment and look to progress a CVP in this area	We will explore opportunities to improve our marine environment and look to progress a CVP in this area	New for ED2	To be included in final plan only	To be included in final plan only	To be included in final plan only	Restored seagrass beds to help sequester carbon, improve natural habitat, and protect coastal erosion
<b>Licence Obligations (LOs)</b>							
Produce and report annually on an Environmental Action Plan (EAP)	We will look to hit all targets across our EAP	We will look to hit all targets across our EAP	New for ED2	£146.3m	£4.09	£3.76	Decarbonised and improved environmental performance of our network and the wider community to help improve air quality, reduce carbon emissions, and prepare for net zero
Complete flood-related activities in compliance with obligations	Complete works at c. 73 sites across our network in line with ETR138	Complete works at c. 73 sites across our network in line with ETR138	ED1 commitment North: £0.75m South: £19.79m ED1 to date North: £0.9m South: £11.1m	£25.4m (part of £146.3 EAP)	9p (part of £4.09 EAP)	84p (part of £3.76 EAP)	Improved resilience to climate change

## Questions

- What are your views on our package of outputs for sustainability?
- Do you think our proposed expenditure and associated bill components represent good value for money for customers? Why/why not?
- Do you have any comments on or insights into the implementation of our activities?
- How can we best support the supply chain to reduce Scope 3 emissions?
- What are your views on how we best enable a circular economy to tackle our waste?



SECTION D:  
**CROSS-CUTTING TOPICS**

DRAFT BUSINESS PLAN												
GENERAL RUNNING COSTS: £554M												
<b>Strategic outcome</b>	A valued and trusted service for our customers and communities	A safe, resilient, and responsive network		Accelerated progress towards a net zero world			(Cross-cutting expenditure)					
<b>Total expenditure (excluding CVPs)</b>	£369m	£2,234m		£1,089m			Included across other three strategic outcomes					
<b>Bill impact</b>	North: £14.02 South: £8.36	North: £84.89 South: £50.64		North: £41.38 South: £24.68								
<b>Output areas</b>	Customer service and customers in vulnerable situations	Reliability and resilience	Scottish Islands	Load and connections	DSO	Sustainability	IT and digitalisation	Safety	Whole Systems	Innovation	Workforce resilience	Supply Chain
<b>Expenditure on key outputs</b>	£36.15m	£380m	Included in other output areas	£401m	£75.1m	£146.3m	£105.5m	£310.5m	No specific cost	N/A	In development for final plan	In development for final plan
<b>Key outputs</b>	13	6		6	5	12	2	3	2			
<b>CVP expenditure</b>	£4.9m	-	-	-	£22.9m	In dvp	-	-	£11.6m+ in dvp	-	-	-
<b>CVPs</b>	1	-	-	-	2	1	-	-	2	-	-	-
UNCERTAINTY MECHANISMS: £900M												

## IT AND DIGITALISATION

### OUR RIIO-ED2 VISION

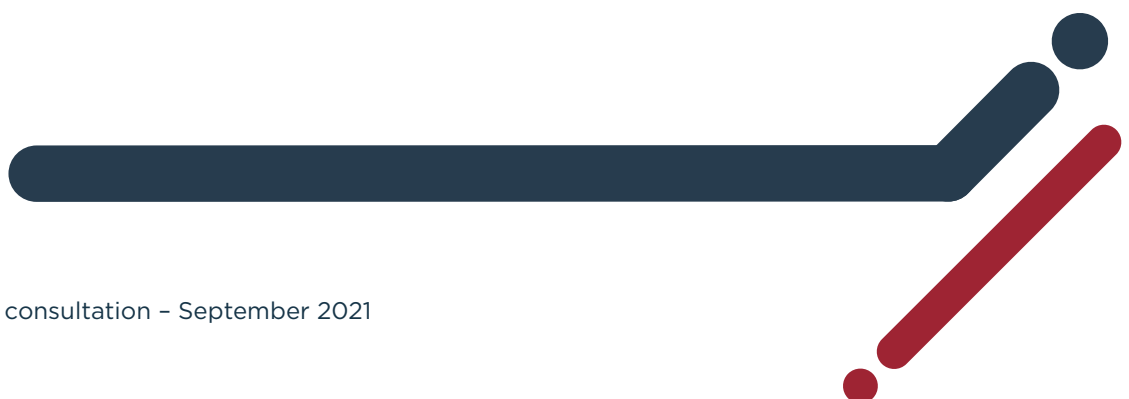
Our digitalisation strategy will improve value for money by driving and delivering benefits across all our strategic outcomes through efficiencies, personalised customer propositions and the promotion of flexible services.

### Our performance in RIIO-ED1

- Invested in the backbone of our IT infrastructure, enabling delivery of new customer-focused products and take the first steps to beneficial energy data.
- Invested in several key systems including Supply Interruption Management (SIMS), Customer Relationship Management (CRM), our website, Geographic Information (GIS), and Active Network Management (ANM) Centralisation to help better serve our customers and stakeholders.

### What you've told us for RIIO-ED2

- We should make significant changes to our IT and operational technology networks to allow open data to be available in visual and application programming interface (API) formats.
- We should automate the production of fully costed quotes for customers, removing the need for budget estimates, whilst being a leader on net zero by driving energy efficiency and energy system transformation.



## How we've responded

- We have created a plan to meet your needs in connections, cyber security, DSO and customer vulnerability.
- We have amended our plan to automate the full quotation process and allow self-serve to be accessed earlier and easier.

Our proposed outputs, costs and bill components, and benefits to customers are set out below.

Output	Northern target	Southern target	Comparison to RIIO-ED1	Cost	Northern bill component per year	Southern bill component per year	Benefits to customers
Licence Obligation (LO)							
<p>We will publish and regularly review our Digitalisation Strategy and Action Plan</p> <p>We will use data in a way that meets the expectations and intent of the Data Best Practice Guidance</p>	<p>We will continue to meet our obligations and align with best practice. In meeting these obligations, we will enable digitalisation across our plan</p>	<p>We will continue to meet our obligations and align with best practice. In meeting these obligations, we will enable digitalisation across our plan</p>	New for ED2	£105.10	£3.99	£2.38	A key enabler for many of the outputs across the plans we have co-created with our customers and stakeholders

## Question

- Do you have any observations or additional considerations that can drive further value improvements in this area to support our RIIO-ED2 delivery?



# SAFETY

## OUR RIIO-ED2 VISION

We want to have a network with a low probability of failure and high reliability. Our strategy for minimising the opportunities for injury and endangerment will be to focus on educating consumers and stakeholders, whilst also preparing for the risks of net zero.

### Our performance in RIIO-ED1

- Focused on building the foundations to deliver a safe, resilient and responsive network.
- Invested significantly in our safety programmes.
- Currently on track to deliver our northern tree cutting programme.
- Started using LiDAR technology in planning to deepen our understanding of the network.
- During RIIO-ED1, we saw an unexpected increase in the size and scale of claims from landowners who were negatively impacted by our assets. We believe that we can better manage this in RIIO-ED2 by using uncertainty mechanisms.

### What you've told us for RIIO-ED2

- Safety should remain one of the top cross-cutting priorities in our business plan.
- We should target assets with the highest probability of failure and go further in future-proofing our assets and remaining resilient to external threats which could impact our ability to deliver services to customers.

### How we've responded

- We will invest significantly into long-term resilience plans, while keeping services affordable today.
- We aim to reduce harm to customers through education and ensuring we repair assets as quickly as possible when they are faulty or broken.

Our proposed outputs, costs and bill components, and benefits to customers are set out below.

Output	Northern Target	Southern Target	Comparison to RIIO-ED1	Cost	Northern bill component per year	Southern bill component per year	Benefits to customers
We will extend our engagement on safety around our assets, reaching 50,000 partners and members of our communities	Continue our programme of safety within our local communities	Continue our programme of safety within our local communities	N/A	£1.2m	5p	3p	Significantly reduced accidents, as well as increased reliability for customers
We will remove redundant equipment from our unoccupied sites within three months to prevent risk to the public	We will remove redundant equipment from our unoccupied sites within 3 months to prevent risk to the public	We will remove redundant equipment from our unoccupied sites within 3 months to prevent risk to the public	N/A	£1.66m	1p	5p	
<b>Licence Obligation (LO)</b>							
We will develop a strategy which meets all of our safety obligations throughout RIIO-ED2	Continue to meet all safety-related legal requirements	Continue to meet all safety-related legal requirements	N/A	£307.6m	£8.70	£7.86	Significantly reduced accidents, as well as increased reliability for customers

### Question

- Are there any other safety-related activities you think we should undertake?



# WHOLE SYSTEMS STRATEGY

## OUR RIIO-ED2 VISION

We want to develop coordination and cooperation between energy sectors and other stakeholders with the aim of overall enhancement in both quantifiable consumer benefits and/or societal outcomes.

### Our performance in RIIO-ED1

- Delivered innovator pilots with third parties, such as Project LEO (Local Energy Oxfordshire) which was used to help transition to a whole systems approach to smart grids.
- Embedded the culture needed to maximise the benefits for our customers and broader society and transition to our long-term vision.

### What you've told us for RIIO-ED2

- We should collaborate across the energy system and works with all stakeholders including infrastructure planning, regional development, Gas Distribution Networks, Distributed Network Operators, and Local Authorities to deliver the greatest value for money to you.

### How we've responded

- Created a Whole Systems change management team that will act as a named 'entry point'/ contact for interested stakeholders.
- Put data sharing initiatives at the core of our digital strategy.

Our proposed outputs, costs and bill components, and benefits to customers are set out below.

Output	Northern Target	Southern Target	Comparison to RIIO-ED1	Cost	Northern bill component per year	Southern bill component per year	Benefits to customers
Track key stakeholder feedback on a six-monthly basis through a qualitative and quantitative survey	Metrics to be decided	Metrics to be decided	New for ED2	Incremental	N/A	N/A	Effective Whole Systems solutions delivered
Meet with each local authority at least once a year on local area energy planning and provide ongoing access to data-sharing platforms	In dvp	In dvp	New for ED2	Incremental	N/A	N/A	Local authorities able to better deliver decarbonisation plans
<b>Consumer Value Propositions (CVP)</b>							
Provide enhanced support to 72 Local Authorities and up to 200 community groups using people within our business and apply our capabilities to assist communities develop and deliver viable effective whole system and net zero initiatives that have an interaction with our network	In dvp	In dvp	New for ED2	£11.6m	44p	26p	£11.5m in net customer benefits delivered, including more efficient use of infrastructure, lowering of long-term customer costs, and better chance of success for net zero projects
Support broadband to island communities through our assets	In dvp	In dvp	New for ED2	In dvp	To be included in Final Plan	To be included in Final Plan	Access to good quality digital infrastructure to support sustainable economic development, education, and healthcare

### Question

- Do you have any observations or additional considerations that can drive further value improvements in this area to support our RIIO-ED2 delivery?

# INNOVATION STRATEGY

## OUR RIIO-ED2 VISION

To be seen as an industry leader in innovation through delivering products and projects which create significant benefits to our customers, reduce costs and provide a pathway to net zero.

### Our performance in RIIO-ED1

- Delivered a varied portfolio of innovation projects
- Led the industry in key areas such as the DSO transition and flexible connections.
- Developed valuable learnings in key areas such as net zero, consumer vulnerability and digitalisation which will underpin the delivery of our ED2 proposals.

### What you've told us for RIIO-ED2

- Innovation continues to be an area that we need to utilise across all our outcome areas.
- We should focus our innovation on vulnerability, fairness and ensuring that the benefits of the strategy outweigh the costs.
- We should continue to improve our innovation approach to net zero, open data, and low carbon technologies at no extra cost to the consumer.

### How we've responded

- We will create a Digital Innovation Hub to better innovate, further develop our relationships with academia, and maintain support for the Power Networks Demonstration Centre.
- We will continue to engage with customers on the value of innovation funding and the associated customer benefits and we will report transparently on the impact and benefits of innovation.
- We will continue to invest and research innovation that can support net zero and low-carbon technologies and apply these across our business.

### Question

- Do you have any observations or additional considerations that can drive further value improvements in this area to support our RIIO-ED2 delivery?



# WORKFORCE RESILIENCE STRATEGY

## OUR RIIO-ED2 VISION

For SSEN to have a diverse, engaged, high-skilled and motivated workforce, who feel supported and can learn and develop. We want to provide our workforce with the motivation to feel that they are empowered to provide a valued and trusted service for customers and communities, deliver a safe, resilient and responsive network, and further our progress to a net zero world.

### Our performance in RIIO-ED1

- ED1 has been a modernisation journey and expect to increase our workforce to 3,967.
- Our focus has been to focus on supporting our employees with the right tools, equipment and training to allow them to deliver their work safely and productively.
- We have invested in IT systems and technology which will provide our business and our people with new data, skills and ways of working.

### What you've told us for RIIO-ED2

- We should work to strike the right balance between attracting, developing and retaining talent. We should ensure that our current employees develop the skills to meet the needs of the future, whilst we continue to bring in new skills via external recruitment.
- Given the uncertain situations of Covid-19 and net zero, we should focus on mental health and overall well-being during our transition to RIIO-ED2.

### How we've responded

- We have underpinned our strategy with seven focus areas to ensure we have a diverse workforce who are supported in their mental health and well-being.
- We will continue to increase our training and development opportunities as well as provide flexible working options to ensure the retention of scarce talent.
- To retain our talent, we will develop a forward-thinking pay progression model, and will tirelessly work to increase inclusivity and diversity to make SSEN a productive and positive workplace.

### Question

- Do you have any observations or additional considerations that can drive further value improvements in this area to support our RIIO-ED2 delivery?

# SUPPLY CHAIN STRATEGY

## OUR RIIO-ED2 VISION

We will work with the supply chain to improve value and optimise the cost efficiency and service to stakeholders, customers, and consumers. We will also collaborate with suppliers in developing value improvements that underpin our ED2 supply chain strategy, such as implementing a Sustainable Supplier Code that considers the sustainability maturity and the range in size of our suppliers, to ensure we support our supply chain and that smaller suppliers are not precluded.

## Our performance in RIIO-ED1

- Improved to the effectiveness and efficiency of several areas such as category management, consolidation of framework and requirements, and optimising commercial management. These initiatives reduced cost, improved safety, or increased performance for customers and consumers.

## What you've told us for RIIO-ED2

- A range of contracting strategies should be deployed to reflect requirements and location
- Efficiencies can be achieved via: committed volumes; continuity of work; early supplier involvement; standardisation of products and simplification of processes
- Sustainable procurement requires: endorsement of setting and monitoring achievable targets; support for SMEs to implement; collaboration to deliver net zero targets

## How we've responded

- We will develop contracting strategies to reflect: the diverse requirements of our Deliverability Strategy; geographic location; customer and consumer flexibility requirements.
- Our contracting strategies will include, where possible: Programmes of Work to provide visibility and continuity of work, effective resource deployment, and optimised training and development; facilitation of early supplier involvement and innovation.
- We will Rationalise products and design.
- We will consultation further on/implement our Sustainable Supplier Code including measuring carbon footprint, developing SBTs, etc.
- We will align requirements with our net zero targets.
- We will provide access to the Supply Chain Sustainability School and a reporting tool for supply chain to utilise.

## Question

- Do you have any observations on or additional considerations to our approach that can drive further value improvements for RIIO-ED2 delivery?

# UNCERTAINTY MECHANISMS STRATEGY

## OUR RIIO-ED2 VISION

We hope to use Uncertainty Mechanisms (UMs) to ensure we can flexibly and seamlessly adjust allowances during ED2 to adapt to changing future demands while continuing to protect our customers.

### Our performance in RIIO-ED1

- Submitted re-opener applications for three of the nine projects available to us (we were granted a series of UMs which covered a range of specific cost drivers but opportunities to apply for additional funding have been limited to pre-defined years).
- £61.2m of the £100m we requested from Ofgem was granted.

### What you've told us for RIIO-ED2

- Most of our UMs are reasonable but we should improve communication on the broader social and environmental value to consumers given the uncertainty and misunderstanding around their usage.
- We should better justify why the additional UM funding was not included in the baseline plan.
- We should provide a clear strategy to mitigate any bill components associated with the UMs.
- We should provide more visibility and flexibility in our UMs to account for any delay that re-opener applications may have and ensure we can adjust to uncertain circumstances, such as Covid-19 or net zero.

### How we've responded

- To reduce the bill volatility effect of our UMs, we have agreed to work closely with Ofgem and other DNOs on plans for a utilisation incentive to discourage excess unrequired investment.
- We have also improved the clarity on the need for wayleave and diversion re-openers.
- We will continue to work and test our UMs with our customers and stakeholders to ensure they are fit for purpose and serve your needs.

Our proposed UMs, costs and bill components, and benefits to customers are set out below.

Uncertainty Mechanism	Description	Comparison to RIIO-ED1	Cost	Northern bill component per year	Southern bill component per year	Benefits to customers
Wayleaves and Diversions	This UM covers uncertain costs required to divert our network assets post land access wayleave termination.	N/A	£-11m to +£33m (South); -£1m to +£1m (North)	-3p to 3p	-9p to 27p	Flexibility for diversion works, the ability to complete additional work, and reimbursement to consumers if costs are lower
Shetland	This UM covers uncertain costs associated with running the supply in Shetland pre-and post-construction of the transmission link.	N/A	£-13m to +£0m (North)	-34p to 0p	N/A	Flexibility to ensure all appropriate costs are covered
Subsea Cables	This UM covers uncertain costs associated with subsea cables: (a) reactive replacement; (b) backup generation; and (c) cable decommissioning. The UM will provide an efficient funding route to replace vital cables following unforeseeable failure events, along with the costs of additional backup power to restore interim supply.	N/A	£0 to +£76m	0 to £1.96 (North)	N/A	More cost-effective proactive works and ensuring customers will only fund additional costs where they are truly needed
Radio Spectrum Allocation	This UM covers the potential RIIO-ED2 construction costs for a private operational telecoms network, with spectrum allocated by government.	N/A	Estimated cost uncertainty range: £0 to +£19m (South); £0 to +£22m (North)	0p to 57p	0p to 16p	Timely construction of a private network which will bring reduced outages, and improved cyber security
Distributed Generation (DG) Monitoring	This UM covers uncertain costs associated with increased monitoring of distributed generation assets on our network	N/A	£0 to +£24m (South); £0 to +£17m (North)	0p to 44p	0p to 22p	Increased DG monitoring avoiding the need for speculative baseline funding, and recognising the policy uncertainty over who should pay for this investment
Polychlorinated Biphenyls	This UM provides flexibility to fund the replacement of assets containing Polychlorinated Biphenyls (PCBs), based on volume uncertainty. This UM provides flexibility to remove assets once better information is available on PCB volumes.	N/A	£0 to +£80m (South); £0 to +£45m (North)	0 to £1.16	0p to 65p	Consumers will not overpay as funding will be based on the most accurate data, rather than a speculative large baseline
Ash dieback removal	Our UM provides the flexibility to fund the removal of diseased trees at risk of falling into contact with our network because of ash dieback intrusion.	N/A	£0 to +£38m (South); £0 to +£10m (North)	0p to 26p	0p to 31p	Consumers will not pay more than once for the extent of diseased trees in proximity to our network

<b>Access SCR</b>	This UM is to fund changes to our plan costs associated with potential updates between the minded-to and final decision of Ofgem's ongoing Access SCR review which will likely occur after our final plan decision.	N/A	£0 to +£35m (South); £0 to +£25m (North)	0p to 65p	0p to 29p	Flexibility to support effective delivery of Ofgem's Access SCR reforms
<b>LV Network Monitoring</b>	This UM covers uncertain costs associated with increased monitoring of our low voltage (LV) network.	N/A	-£10m to +£65m (South); -£3m to +£70m (North)	-8p to £1.81	-8p to 53p	Flexibility to fund monitoring at a pace aligned with the growth in demand on our network, ensuring consumers pay when there is certainty of need to increase monitoring and not before
<b>Strategic Investment</b>	This UM covers uncertain costs associated with the scale up of load-related investment at RIIO-ED2, in order to meet increasing electricity demand and support the transition to net zero.	N/A	-£31m to +£164m (South); -£8m to +£45m (North)	21p to £1.16	-25p to £1.34	Better alignment of our load-related investment to the needs of current and future customers

## Questions

- Do our UMs provide you with the safety and reassurance that we have accounted for all circumstances?
- Do you believe that we have provided enough funding to adjust to net zero or other uncertain events, such as Covid-19?
- How should we engage with stakeholders to inform the strategic investment uncertainty mechanism?





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