

Gas
Transmission

Consumer benefit Analysis

Governance Workgroup
22nd April 2020

nationalgrid



Consumer Benefit Analysis – Consumer Value

Problem	<ul style="list-style-type: none">• We do not sufficiently evidence that changes we introduce, and modifications we develop, have a positive impact for end consumers
Desired outcome	<ul style="list-style-type: none">• A cost vs benefit analysis that can be used when delivering change to demonstrate impact on end consumers.• Feed this into the relevant decision makers to reflect how the change will impact end consumers and influence accordingly.
Proposal	<ul style="list-style-type: none">• To introduce a cost vs benefit model, aligning with Ofgem definitions and categories, that reflects consumer value of a change or modification.• Use the 5 consumer benefits to seek industry feedback within consultation responses on the changes and modifications we aim to introduce.

5 Categories of Consumer Benefit

The following 5 categories are recognised by Ofgem and cover the broad spectrum of benefits that can be delivered to consumers:



Improved safety and reliability

- Balancing the system, safely, securely and at optimum cost.
- Flexibility for our customers to flow gas at the most efficient profile to lower their operational cost and make sure GB consumers can access the cheapest sources of gas.



Lower bills than would otherwise be the case

- Lower consumers' bills by controlling, reducing, and optimising our spend on balancing and operating the system.
- Feeding into and implementing a charging review that is to the benefit of end consumers and evaluating proposed changes for any end consumer benefits.



Benefits for society as a whole

- By 2050, energy system decarbonisation efforts could add 19 million jobs and \$52trillion of gross domestic product (GDP) to the global economy, increasing the GDP of Northern and Western Europe by 1.25% and 2.5%, respectively.
- It could also generate a 15% increase in global welfare and reduce negative health effects caused by local air pollution by 60%.



Reduced environmental damage

- Support new providers and technologies to enter and compete in the existing and new markets.
- Work innovatively to design novel solutions which ensure the system can operate safely and securely both now and in the future.



Improved quality of service

- Engage deeply across industry, including all stakeholders, listening to what is wanted and needed that may benefit end consumers; if a change is required that will not benefit being able to explain why the change is still required.
- More of a focus on why and how we can improve quality of service.
- Improved service quality ultimately benefits the consumer due to interactions in the value chains across the industry being more seamless, efficient and effective.

Our Consumer Benefit Analysis (CBA) Model

Based on the 5 categories:

-  Improved safety and reliability
-  Lower bills than would otherwise be the case
-  Benefits for society as a whole
-  Reduced environmental damage
-  Improved quality of service

Qualitative

Does your change / modification impact any of these five areas? How?

Assumptions are sufficient if explained

Quantitative

Can the value of the change be quantified? E.g. the potential saving for industry and end consumers, or to what percentage reliability will be improved

CBA Guidance / Template

Category	Justification	Value (£)
1. Lower bills than would otherwise be the case	<p>Will your change lower or alter bills for consumers? Are there any associated assumptions e.g. “this is on the assumption that savings will be passed on to the end consumer by all parties...”</p> <p>Does your change seek to control, reduce and / or optimise spend on balancing and operating the system?</p>	
2. Reduced environmental damage	<p>Will this change support new providers and technologies to enter and compete in existing and new markets e.g. is this enabling new entrants, does this support hydrogen or lower greenhouse gases?</p>	
3. Improved safety & reliability	<p>Will this change ensure the system can operate safely and securely both now and in the future?</p> <p>Will this change support the balancing of the system, safely, securely and at optimum cost?</p> <p>Does this change introduce flexibility across the market to flow gas at the most efficient profile, to lower operational costs and make sure GB consumers can access the cheapest sources of gas?</p>	
4. Improved quality of service	<p>Have we engaged across the industry with all our stakeholders, listening to what they want and need?</p> <p>Are we delivering on that where we can, and where we cannot, explaining why?</p> <p>Will this change demonstrate why and how we can improve quality of service?</p> <p>Improved service quality ultimately benefits the consumer due to interactions in the value chains across the industry becoming more seamless, efficient and effective. Can we show this through this change?</p>	
5. Benefits for society as a whole	<p>Does this change support decarbonization?</p> <p>Will the change introduce any other benefits e.g. new jobs, less pollution, lower negative health effects?</p>	

Discussion

- Are the identified categories of consumer benefit and their definitions appropriate?
- Does this model / approach work?
- Do you think this should be introduced for UNC change proposals?

Feedback for this proposal?

Proposed next steps

1. Incorporation of comments from today
2. Discuss at UNC Panel
3. Return to Governance workgroup for further discussion and development

Potential future evolvment includes:

1. Discuss at CACoP (Code Administrator Code of Practice)
2. Encourage use in Mod template as 'Consumer Objectives'

Feedback for this approach?

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