NORTHERN POWERGRID

Environment Report

2018–19

We distribute power to 3.9 million homes and businesses through our network of more than 63,000 substations and over 96,000km of overhead lines and underground cables, spanning almost 25,000 square km.

Contents

Part 1: Introduction

Part 2: Environment

Part 3: Innovation

1. Introduction

Our environmental performance is strong and we have challenged ourselves by introducing stretch targets to drive further environmental improvements.

1.1 Executive summary

The net zero targets introduced in 2019 have brought renewed focus to environmental outcomes. To help deliver these climate change goals our stakeholders expect more from us – both facilitating society to decarbonise more rapidly with increased electrification, and delivering our own programmes to reduce carbon in our business operations.

Our environmental performance is strong. We have achieved all of the commitments we made in our ED1 business plan. However, we haven't eased off. Far from it - we've challenged ourselves still further by introducing stretch targets to drive further environmental improvements.

Dry weather in 2018 contributed to a deterioration in our oil lost from fluid filled cables although we are ahead of our business plan targets. Mitigating this risk through innovation and asset replacement continues to be a priority.

We continue to effectively drive down the carbon footprint from our operations. We have already achieved a 40% business carbon footprint reduction during ED1, and we have introduced a stretch target to drive further reductions. This year, we achieved our best ever performance in sulphur hexafluoride (SF_6) reduction, losing a very small amount of gas (0.18%) as a percentage of the total volume of gas we have contained, and have introduced a stretch target which is less than a half of our original target for ED1.

We've commenced our fleet decarbonisation programme with the introduction of five new EVs and the installation of 40 charging points (uni-directional and vehicle-to-grid) at our company sites. We plan to increase the number of ultra-low emission vehicles on our fleet as we replace traditional vehicles and where suitable ultra-low emission vehicles are available.

We narrowly missed the smart meter intervention target by 1% due to the number of defect reports received. As we receive more than double of the reports forecasted, our performance is measured against a significantly higher report volume.

Our innovation priorities continue to be relevant to our stakeholders and support the wider energy system transition. In 2018–19, we invested £4.3m in 30 innovation projects. We are now in the process of refreshing our Innovation Strategy. This year, we have also published the steps we are already taking as well as our future pathways for transition to the role of Distribution System Operator (DSO).

Recognising the changing environmental and energy policy landscape, we want our environmental strategy to continue to be informed by our key stakeholders. As such, we'll look to increase the offering of targeted workshops to facilitate this engagement.

Key facts

Environment and innovation in 2018–19

£4.3m
invested in 30 innovation projects in 2018–19.

55.1km
Total length of overhead lines removed from National Parks and Areas of Outstanding Natural Beauty.

32%
reduction in SF_6 in ED1 to date.

36MW
of renewable generation connected in 2018–19.

1.2 Our business

We are Northern Powergrid. We are responsible for the network that takes electricity from power stations and smaller generators to 3.9 million homes and businesses across the North East, Yorkshire and northern Lincolnshire. We are here 24 hours a day, seven days a week, 365 days a year to make sure that the electricity you need gets to you safely, whenever and wherever you need it.

If, for any reason, your power gets interrupted, it will be us who come to fix it and we will respond night or day.

We have c.2,700 employees responsible for more than 63,000 substations and over 96,000km of overhead power lines and underground cables, spanning c.25,000 square km.

The amount of revenue that we recover from our customers is defined by Ofgem through a price control review process and our performance is monitored on a yearly basis, from 1 April to 31 March. The current eight-year period is called RIIO-ED1 and lasts from 2015 to 2023[1].

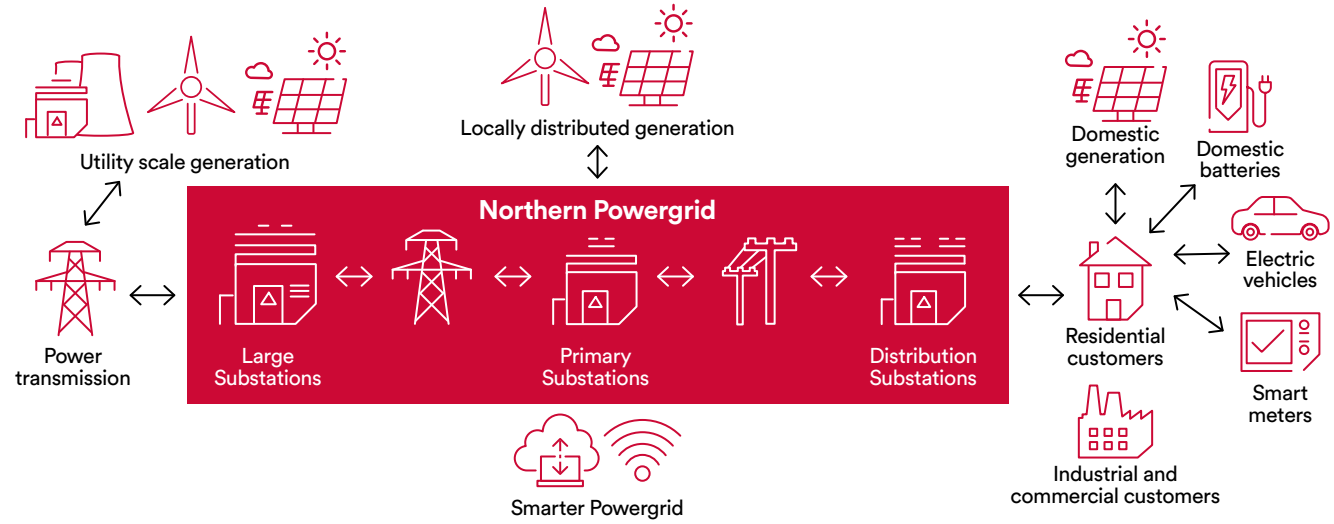
We are committed to promoting environmental awareness, best practice and legal compliance among all our staff. We take our environmental responsibilities seriously and manage the environmental impact of our activities very closely. This includes our carbon footprint, the risk of noise, water and land pollution, waste recycling and caring for wildlife. We also manage the visual impact of our overhead lines, balancing the requirements of running our network with our stakeholders' expectations.

Our Environmental Management System is certified to ISO14001:2015 and has been subject to two surveillance audits during 2018–19, both concluding positively.

Our regional structure enables our teams to best serve the local needs of our customers

[1] For more information, refer to: ofgem.gov.uk/network-regulation-riio-model/riio-ed1-price-control

Where we fit in the electricity industry



1.3 Purpose of the report

Environmental Respect is one of six core guiding principles for all Berkshire Hathaway Energy companies, including Northern Powergrid. We recognise the wider role and the impact our activity can have in the communities where our customers live and work because we live and work there too.

We believe our reputation and the trust held by our stakeholders, be they customers, special interest groups, the energy industry or partners, should be nurtured and this report shows how we turn words into deeds.

This report aims to provide stakeholders with an account of what we are doing to address environmental matters, including our role in the transition to a low carbon future. Throughout the year we meet with our stakeholders to discuss what they would like us to do, here they are able to read about the progress we have made. We describe all of our innovation activity to provide stakeholders with a single source of information, even if it is not all directly related to the environment. We also provide the data and information that we submitted to our regulator as part of our annual regulatory reporting cycle. This information is included in the annexes to this report as well as published on our website, accessed using the links below.

The information presented in this report meets the guidance issued by our regulator. Significantly, the structure of the report is consistent with those produced by other Distribution Network Operators (DNOs) to aid comparison and cross-referencing between companies. If you have any views or additional questions, get in touch at yourpowergrid@northernpowergrid.com.

Environmental Respect

We are committed to using natural resources wisely and protecting our environment for the benefit of future generations. Our Environmental RESPECT Policy details this commitment in the areas of Responsibility, Efficiency, Stewardship, Performance, Evaluation, Communication and Training.

Associated documents:

— **Annexes 1 to 7 to the Environment Report 2018–19**, October 2019 – this is a copy of our submission to the regulator and consists of data tables.

— **Detailed commentary associated with the annexes to the Environment Report 2018–19, October 2019** – this is a copy of our submission to the regulator and consists of commentary associated with the data tables.

— **Cost benefit analyses** – these are numerous analyses that support net benefit calculations as submitted to our regulator.

All are available from northernpowergrid.com/your-powergrid/environment

— **The Stakeholder Annual Report, October 2019** – this report sets out the commitments we made and our progress against them, for the main areas of the business. It is available from: northernpowergrid.com/your-powergrid.

Our performance measures*	2017–18 actual	2018–19 actual	2018–19 target	Status	2019–20 target	ED1 target	Trend
Carbon footprint excl contractors (tonnes CO_2)	21,273	**17,723**	**-**	Achieved	-	-	▲
Carbon footprint incl contractors (tonnes CO_2)	39,535	**35,673**	**57,713**	Achieved	56,869	33,500**	▲
SF_6 lost to atmosphere (kg)	98	**65**	**112**	Achieved	112	50**	▲
Oil loss from all sources (litres)	29,562	**34,314**	**49,822**	Achieved	48,681	28,325**	▼
Cumulative km fluid-filled cables replaced to reduce oil loss	68.1	**94.7**	**92.0**	Achieved	110.1	224.4**	▲
Cumulative km overhead lines undergrounded in protected landscape	43.7	**55.1**	**48.9**	Achieved	61.1	120**	▲
Street works inspection compliance (%)	94%	**93%**	**>90%**	Achieved	>90%	>90%	▼
Number of Environment Agency reportable incidents each year	8	**12**	**26**	Achieved	25	7**	▼
Smart meter intervention performance (category A and B defects)***	86%	**89%**	**90%**	Missed	90%	90%	▲

KEY: ▲ performance has improved
▼ performance has worsened

* Reflects our ED1 business plan target unless otherwise stated

** Reflects a stretch target

*** Our smart meter intervention target is based on achieving an agreed level of service on Ofgem's 2% assumption of defect rates for all smart meter installations. The defect reports we have received is more than twice of the forecasted amount. Therefore, although we have formally missed the target by 1%, our performance is measured against a significantly higher report volume.

2. Managing our environmental impact

2.1 Introduction

The impact on the environment of our activities is diverse. About a third of the total length of our cables and lines is overhead, and we work with our stakeholders to minimise the visual impact of these assets in National Parks (NPs) and Areas of Outstanding Natural Beauty (AONBs). Some of our cables are filled with oil, and we report here on what we're doing to reduce the risk of leakage.

We also explain how we manage our carbon footprint, particularly that coming from our use of the SF_6 gas, and losses from our network. Finally, we provide an overview of our climate change adaptation plans and of how we help train our employees on these matters.

2.2 Visual amenity: Moving overhead lines underground to reduce their visual and environmental impact

Overhead electricity lines can have an impact on the appearance of the landscape and affect local wildlife. It's our statutory duty to bear in mind the purpose of NPs and AONBs (collectively known as 'Designated Areas') and conserve the biodiversity within them. We have a special programme of work dedicated to removing overhead lines selected by stakeholders and replacing them with underground cables in these Designated Areas. Four NPs and five AONBs fall either partly or entirely in our two licence areas. The lengths of overhead line within each area as of 31 March 2019 are shown in Figure 1.

Figure 1: Designated areas in our regions

	Designated area and stakeholder	Length of overhead line (km) – March 2019
1	North Yorks Moors	1,163
2	North Pennines	715
3	Nidderdale	583
4	Yorkshire Dales	592
5	Northumberland	342
6	Howardian Hills	259
7	Northumberland Coast	83
8	Lincolnshire Wolds	438
9	Peak District	200
	Total	4,376

In 2018–19 we spent £1.14m in Yorkshire and £940,000 in the North East[2] and put 11km of overhead lines underground. Our total budget for the eight-year regulatory period which ends in 2023 is £14.7m and this budget is split between the Designated Areas according to how much overhead line falls within its footprint (see Figure 1). **We're on target to meet our commitment to place 97.9km of overhead lines underground earlier than expected (by 2021–22) and expect to remove 20km more than we planned in ED1 at a cost of £2 million.**

[2] For more information about costs and length of cables undergrounded, refer to Annex 1 (our annual submission to the regulator).

Our stakeholder engagement and support

We work closely with stakeholders from each of the NPs and AONBs so that together we can have the most positive impact on the look of these beautiful areas. Our programme steering group, made up of representatives from our stakeholders and members of our design, wayleaves and delivery engineer teams, meet up twice a year to identify and prioritise projects and discuss any other issues including policy development and publicity.

We maintain day-to-day control over this work and provide regular feedback to stakeholders. We appreciate that many of our stakeholders are facing pressures on their resources so we support them as best we can and work efficiently as we deliver this important work together.

Based on feedback from our stakeholders, we created a webpage dedicated to our undergrounding work so interested parties can check the status of each project, the webpage is available on: **www.northernpowergrid.com/your-powergrid/article/undergrounding**. After sharing it with the stakeholder group, we've adapted it based on their feedback and we update the information it provides every month.

Our strategy for project assessment and delivery, including analysis of costs and benefits

Our undergrounding programme is designed to meet the needs of representatives from the Designated Areas. We're aiming to make it easy for them to access the information and expertise they need to make an informed choice.

We invite representatives from the Designated Areas to state their preference for underground schemes, in line with the jointly agreed Assessment and Stakeholder Participation Policy. The stakeholders draw up a priority list of potential projects taking into account the characteristics of each site and the visual and environmental impact of the overhead line. This leads to each site being given a Stakeholder Rating which, alongside our own engineering wayleaves and value-for-money assessment, results in a project either progressing to authorisation or being deferred or cancelled. It's a thorough methodology which helps our stakeholders make informed decisions. For simplicity, we only report the resulting score in Table 1, where you will find the status of projects proposed by stakeholders.

"We're really pleased to be involved in this partnership programme, which continues to deliver high-value schemes within the Howardian Hills Area of Outstanding Natural Beauty. As well as village-centre projects, one of my favourites is the undergrounding of an 11KV open-country line which was significantly impacting on views of the iconic Castle Howard landscape.

Northern Powergrid are heavily engaged with the programme, with the stakeholder meetings being attended by most of the staff involved, from design engineers to Directors."

Paul Jackson, Howardian Hills AONB Manager

"Having worked with Northern Powergrid since the beginning of the Undergrounding Project back in 2006 it is great to see that they are still committed to enhancing the natural beauty and cultural heritage of landscapes in National Parks and AONBs. The project has benefitted many of the North York Moors villages and the wider landscape and has been well received by communities who directly see the positive benefits of this work. I am sure this is a part of Northern Powergrid's work that many communities don't realise they do. The landscape and seascape of the North York Moors is a valuable asset and we therefore hope that the scheme continues so that we can build on the work and projects completed so far."

Clair Shields, North York Moors National Park Authority

120km

We are committed to underground 120km of overhead lines in Designated Areas by 2023.

11.3km

Length of overhead lines removed in Designated Areas this year.

Table 1: List of schemes progressed by stakeholders against the 2015–2023 budget

Designated Area	Location	Length of line (km) for undergrounding	Stage in the process	Stakeholder Rating*
Howardian Hills AONB	York, Bulmer Village	1.5	5 – Complete	36
	Cawton	0.4	5 – Complete	60
	Crambe	0.2	5 – Complete	28
	Low Easthorpe	0.6	5 – Complete	98
	Ganthorpe	0.3	5 – Complete	39
	Nunnington West	0.3	5 – Complete	45
	York – Oswaldkirk 1	1.9	3 – Confirmed by stakeholder and ready to deliver	45
	Grimstone Top	1.2	3 – Confirmed by stakeholder and ready to deliver	60
	Beacon Banks, Husthwaite Lists	0.6	1 – Proposed for design and feasibility	48
	Castle Howard Guest	0.6	1 – Proposed for design and feasibility	60
	Yearsley	0.9	1 – Proposed for design and feasibility	24
	Welburn	0.7	1 – Proposed for design and feasibility	36
	Howardian Hills AONB Total	**8.9**		
Lincolnshire Wolds AONB	Tealby Village, Market Rasen	2.6	5 – Complete	135
	Stainton Le Vale	1.1	5 – Complete	126
	Grimsby, Irby	0.4	5 – Complete	105
	Market Rasen, Stainton Le Vale	0.6	5 – Complete	
	Hatcliffe – Waithe Beck	0.8	5 – Complete	48
	Hainton	4.0	5 – Complete	162
	Donington on Bain Mill to Welsdale Bottom	2.6	5 – Complete	288
	Louth. North Elkington	4.4	4 – Construction in progress	204
	Stenigot Mast	2.5	3 – Confirmed by stakeholder and ready to deliver	228
	Louth, Withcall	2.4	3 – Confirmed by stakeholder and ready to deliver	153
	Withcall to Pokes Hole	3.0	2 – Proposed and awaiting land consents	288
	Market Rasen, Claxby Village	5.2	2 – Proposed and awaiting land consents	
	Lincolnshire Wolds AONB Total	**29.6**		
Nidderdale AONB	Harrogate, Wath	0.4	5 – Complete	
	Ripon, Fearby	0.7	5 – Complete	
	Harrogate, Middlesmoor	0.5	5 – Complete	
	Harrogate, Thornthwaite	0.2	5 – Complete	
	Keighley. Denton Village	0.2	5 – Complete	150
	Otley, Clifton Village	2.3	5 – Complete	90
	Otley, Higher Carr	2.7	5 – Complete	
	Harrogate, Ramsgill	0.5	4 – Construction in progress	
	Studley Royal	0.5	3 – Confirmed by stakeholder and ready to deliver	
	Studley Roger West	0.1	3 – Confirmed by stakeholder and ready to deliver	
	Weston, Eastwood Cottages	1.7	3 – Confirmed by stakeholder and ready to deliver	10
	Fountains Abbey – Various Sites	5.6	2 – Proposed and awaiting land consents	375
	Studley Cafe and Pheasantry SS's	1.2	2 – Proposed and awaiting land consents	
	Fountains Centre	0.5	2 – Proposed and awaiting land consents	
	Timble	1.1	2 – Proposed and awaiting land consents	252
	Nidderdale Total	**18.3**		
North York Moors National Park	Saltburn, Hinderwell	0.8	5 – Complete	30
	Coxwold	0.6	5 – Complete	39
	Thorgill, Rosedale	0.3	5 – Complete	36
	Thimbleby	0.4	5 – Complete	
	Wass	0.4	5 – Complete	27

*Stakeholders assess the impacts and benefits of a scheme using a consistent methodology which gives some consideration to the characteristics of the site and of the overhead line, as well as to the visual and environmental impact of the latter. The resulting scores are reported here as an indication of the prioritisation that the scheme is likely to be given relative to others in the same Designated Area. A higher score suggests the site has been given a higher prioritisation by our stakeholders.

Table 1: continued

Designated Area	Location	Length of line (km) for undergrounding	Stage in the process	Stakeholder Rating*
	Kildale	0.5	5 – Complete	18
	Rosedale Chapel	0.2	5 – Complete	33
	Thirsk, Boltby	0.8	5 – Complete	36
	Pickering, Low Dalby	0.7	5 – Complete	18
	Over Silton	0.6	5 – Complete	144
	Hinderwell West	0.2	5 – Complete	
	Fylingdale Sw – Hawsker Sea View	3.4	5 – Complete	391
	Hawsker York	0.2	5 – Complete	120
	Silpho	0.5	5 – Complete	126
	Danby Castle	0.3	5 – Complete	306
	Farndale Lowna	0.3	5 – Complete	280
	Ayton Garth	0.3	5 – Complete	209
	Ayton Yedmandale	0.2	5 – Complete	209
	Ainthorpe Davidson & Ainthorpe Brook	0.6	5 – Complete	110
	Pockley	0.6	5 – Complete	108
	Ainthorpe East	0.2	5 – Complete	110
	Ellerby 1	0.3	5 – Complete	108
	Mickleby	0.7	5 – Complete	77
	Staithes Bank Top SS	0.2	5 – Complete	272
	Newholme	0.3	5 – Complete	420
	Low Dalby Beck	2.0	5 – Complete	224
	Rosedale Chapel	0.1	5 – Complete	
	Dunsley village	0.3	5 – Complete	420
	Wass	0.1	5 – Complete	
	Egton Bridge West	0.7	5 – Complete	168
	Ellerby 2	0.1	5 – Complete	108
	Cowesby	0.4	5 – Complete	100
	Newholme North SS	0.3	5 – Complete	
	Whitby, Kildale Percy	0.3	5 – Complete	
	Danby	1.0	4 – Construction in progress	110
	Hawsker Summerfield	0.2	3 – Confirmed by stakeholder and ready to deliver	100
	Hawsker and Hawsker West	1.3	3 – Confirmed by stakeholder and ready to deliver	99
	Boulby Brow	0.2	3 – Confirmed by stakeholder and ready to deliver	
	Thornton Dale Westgate S/S	0.4	2 – Proposed and awaiting land consents	160
	Port Mulgrave	1.9	2 – Proposed and awaiting land consents	238
	Thornton Dale	0.6	2 – Proposed and awaiting land consents	160
	Low Mill South	1.0	1 – Proposed for design and feasibility	
	North York Moors National Park Total	**24.4**		
North Pennines AONB	County Durham, Rookhope Village	1.3	5 – Complete	
	County Durham, Consett	0.3	5 – Complete	
	Consett, Muggleswick	0.3	5 – Complete	
	Hexham, Catton Village	0.6	5 – Complete	13
	Middleton Teesdale	0.5	5 – Complete	15
	Westgate West SS, Bishop Auckland	0.3	5 – Complete	
	St Johns Chapel	0.5	5 – Complete	110
	Newbiggin Teesdale	0.1	5 – Complete	15
	County Durham, Rookhope Village	0.5	5 – Complete	
	Eastgate	0.9	5 – Complete	156
	Co.Durham,Yellocksike	0.5	5 – Complete	130
	Eastgate	0.2	5 – Complete	
	Co.Durham, Ireshopeburn	1.4	4 – Construction in progress	168
	Rookhope Head	0.5	2 – Proposed and awaiting land consents	
	Allenheads South	2.5	2 – Proposed and awaiting land consents	
	Hexham, Allendale	1.2	2 – Proposed and awaiting land consents	
	Ireshopeburn	0.0	2 – Proposed and awaiting land consents	
	North Pennines AONB Total	**11.6**		

Table 1: continued

Designated Area	Location	Length of line (km) for undergrounding	Stage in the process	Stakeholder Rating*
Northumberland Coast AONB	Howick Village	0.7	5 – Complete	144
	Beadnell	0.3	5 – Complete	144
	Northumberland Coast AONB Total	**1.1**		
Northumberland National Park	Ingram Village	0.9	5 – Complete	99
	Hexham, Tarset, Low Eals	0.5	5 – Complete	90
	Morpeth, Harbottle	0.3	5 – Complete	
	Carvoran Sw – Thirlwell Castle Sw	1.8	3 – Confirmed by stakeholder and ready to deliver	253
	Rochester SS	1.2	3 – Confirmed by stakeholder and ready to deliver	220
	Linhope	0.5	2 – Proposed and awaiting land consents	140
	Northumberland NP Total	**5.1**		
Peak District NP	Sheffield, Brown Hill Lane	0.5	5 – Complete	96
	Hope, Hope Sewage	0.3	5 – Complete	88
	Moscar	1.8	5 – Complete	
	Sheffield, Redmires Road	1.2	2 – Proposed and awaiting land consents	
	Sheffield, Bolsterstone, Heads Lane	0.6	2 – Proposed and awaiting land consents	
	Sheffield, Dunford Bridge	1.8	2 – Proposed and awaiting land consents	
	Sheffield, Dunford Bridge, Harden Edge	2.4	2 – Proposed and awaiting land consents	
	Peak District NP Total	**8.5**		
Yorkshire Dales National Park	Richmond, Whaw	0.2	5 – Complete	
	Marrick	3.5	5 – Complete	216
	Keld	2.2	4 – Construction in progress	252
	Oughtershaw – Cam Houses	4.7	4 – Construction in progress	390
	Barden Towers	0.8	3 – Confirmed by stakeholder and ready to deliver	250
	Reeth North	0.7	2 – Proposed and awaiting land consents	
	Grassington	2.4	2 – Proposed and awaiting land consents	260
	Skipton, Dribbles Bridge House	2.3	2 – Proposed and awaiting land consents	
	Hebden, Garnshaw	1.8	2 – Proposed and awaiting land consents	
	Gayle West End	0.6	1 – Proposed for design and feasibility	160
	Gayle and Gayle Blackburn	0.5	1 – Proposed for design and feasibility	160
	Yorkshire Dales NP Total	**20.0**		
	GRAND TOTAL	**127.5**		

9 stakeholders

National Park Authorities and Areas of Outstanding Natural Beauty stakeholders consulted.

124 schemes

Undergrounding schemes being evaluated in National Parks and AONBs.

*Stakeholders assess the impacts and benefits of a scheme using a consistent methodology which gives some consideration to the characteristics of the site and of the overhead line, as well as to the visual and environmental impact of the latter. The resulting scores are reported here as an indication of the prioritisation that the scheme is likely to be given relative to others in the same Designated Area. A higher score suggests the site has been given a higher prioritisation by our stakeholders.

2.3 Prevention and remediation of oil leakage

Our target

We are significantly ahead of our business plan commitment to reduce oil/fluid lost to ground by 15% by the end of ED1. We now forecast that oil/fluid loss will be reduced by 47% by 2023 due to our investment in new technologies such as perfluorocarbon (PFT) leak detection[3] and self-healing cable additives.

Our strategy for reducing and mitigating the environmental impact

Our management of fluid-filled cables compares well with other electricity DNOs in the country, although our exposure is still high because we have more fluid-filled cable on our network than most of the other DNOs. We're addressing this through our fluid-filled cable replacement programme. This year, we replaced 26.6km of fluid-filled cables, taking our total to 94.7km replaced in this regulatory period so far. In 2017–18, we set out a stretch target to our original ED1 commitment, providing for the replacement of additional 72km of fluid-filled cable. We plan to remove an additional 18km on top of that stretch target which will see the removal of 224.4km by 2023 – 68% more than originally planned.

During the year we have continued to develop the innovation project research into self-healing fluid additives, and have settled on a final formulation. The additive has been taken through laboratory tests on short sections of cable with positive results. Field trials are now planned on a selected out of commission cables in late 2019.

- All major GB electricity utilities have fluid-filled cable circuits on their distribution networks. These are mostly of the low pressure fluid-filled type, typically designed to operate at 1–4 bar pressure with short-term peaking pressures up to 6 bar. Over time these cables may begin to leak cable fluid and subsequently the cable pressure may drop and the cable insulation system (fluid impregnated paper or paper-polypropylene laminate) may eventually fail. In some cases the leaks may cause environmental contamination.
- This innovative solution seeks to exploit the use of naturally occurring, environmentally friendly resins which, when added in measured quantities to the fluid in our cables, congeals around a variety of sheath defects and minor leaks, sealing the cable to prevent further fluid loss.

Our performance

Any fluid leak from our cables is classed as an environmental incident and we have thorough procedures in place to report these incidents to the Environment Agency and deal with them quickly and effectively to minimise the impact. To ensure effective remediation we have a 24h environmental response support contract in place to attend for any and all environmental incidents as required.

Whilst 2018–19 was a very challenging year for us with some of the driest weather we have seen for many years, we achieved a 36% reduction in oil/fluid lost to ground against our ED1 business plan baseline. We're working to continue to reduce the number of reportable events ahead of our phased plan and we expect the number of these incidents to keep decreasing over the rest of the regulatory period to 2023.

In 2018–19, we set up 48 mitigation schemes which include[4]:

- Remedial works at substations to ensure the integrity of the bund wall that retains any oil leakage and prevents contamination of the surrounding area.
- The installation and replenishing of oil spill kits which act as a temporary 'first aid' solution until the leak can be resolved or the plant replaced. All our field staff working with oil-filled equipment have had spill kit training and they carry spill kits in their vehicles.

Looking forward, we will continue to look for new ways to improve our performance so we can try and outperform our targets. To help us achieve that, we have set a headline environmental goal to reduce the amount of oil/fluid lost in 2019–20 to 30,150 litres. To make this happen, we will:

- continue our progress towards replacing 224.4km of fluid-filled cable network by 2023.
- continue to pre-dose selected fluid-filled cables with perfluorocarbon tracer chemicals to speed up leak locations.
- deploy 'self-heal' additive to fluid-filled cable circuits in a field trial to evaluate the performance of the product.

Our performance in ED1 to date is strong and, looking forward, we expect this to continue.

[3] PFT cost-benefit analysis table is published on: www.northernpowergrid.com/your-powergrid/environment

[4] Further information is provided in Annex 2 (a copy of our annual submission to the regulator).

Figure 2: Reportable environmental events

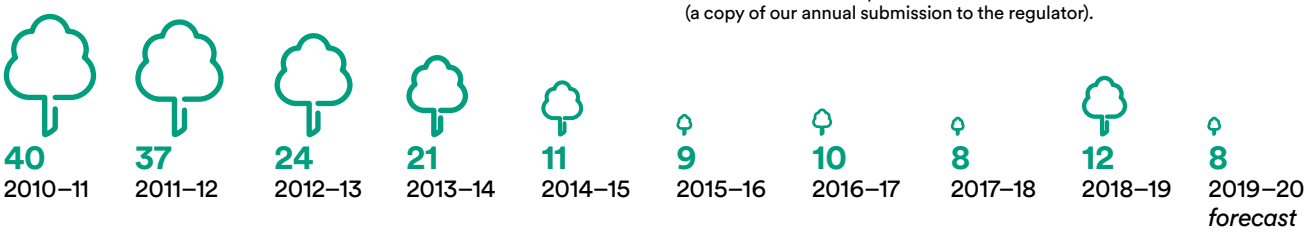
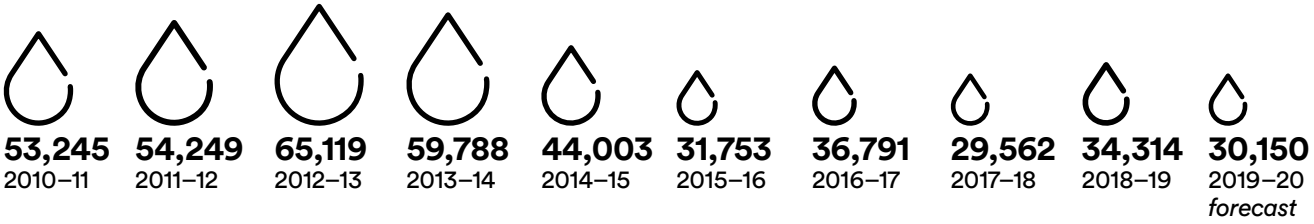


Figure 3: Leaks to ground (litres)



2.4 Carbon impact and climate change

The net zero targets introduced in 2019 have brought renewed focus to environmental outcomes. To help deliver these climate change goals our stakeholders expect more from us. In this section, we focus on what we are doing to reduce carbon in our own business operations. In section 3, we go to describe how we are facilitating society to decarbonise more rapidly with increased electrification.

2.4.1. Business carbon footprint

Our internal carbon footprint continued to fall during the Regulatory Year 2018–19, and so did the carbon footprint of Northern Powergrid combined with our contractors. If we exclude the contractors' contribution, our internal carbon footprint for 2018–19 was 17,723 tonnes, which is 16.7% lower than the previous year. We report our business carbon footprint in accordance with the Greenhouse Gas Protocol as shown in Table 2[5].

In previous years, we have invested in installing telematics systems in fleet vehicles[6]. We believe that this explains the reduction in fleet fuel use by almost 118,000 litres, as well as a reduction in vehicle accidents. We have now introduced electric vehicles into our fleet and have adopted a strategy of using battery powered mobile generators (where possible) as opposed to diesel fuelled generators, which is helping us deliver our reliability and customer service targets whilst minimising environmental impact.

We have been running environment awareness training for our staff and refurbishing some depots (taking the opportunity to improve our buildings and at the same time reduce their energy needs).

All these actions mean we're firmly on track to exceed our commitment to reduce our carbon footprint by 10% by 2023. Carbon reduction achieved by the end of the Regulatory Year 2018–19 has taken our overall reduction against our ED1 business plan baseline to 40%.

2.4.2. Monitoring and reducing the emissions from sulphur hexafluoride

Sulphur hexafluoride (SF_6) gas has been used in a number of industries across the world for many years, including the energy industry where it is a commonly used insulator of live electrical equipment and originally introduced as an alternative to oil. Industry and equipment manufacturers are already taking action to avoid the release of SF_6 to the atmosphere and to promote recycling. The electricity network companies have a strong record in facilitating solutions to tackle climate change and are also proactively supporting manufacturers to develop effective and reliable alternatives to SF_6 including conducting trials of alternative gas technologies.

It is also a potent greenhouse gas – one tonne of SF_6 gas is equivalent to 22,800 tonnes of CO_2. There is currently no economically viable substitute for SF_6 so we have no option but to continue to use it until a suitable alternative is developed by the equipment manufacturers. The nature of SF_6 means it's important to keep the amount that leaks out of our equipment to an absolute minimum. We monitor all SF_6 losses on a daily basis by measuring how much we have injected back into the equipment to replace gas which has leaked into the atmosphere. We report our SF_6 gas losses as one of our environmental key performance indicators. We estimate that annually 0.18% of the total SF_6 volume escapes into the atmosphere (refer to Table 3[7]).

If we discover, either by a remote pressure alarm or on-site inspection, that some gas has leaked, then we schedule maintenance and repair work. If the leak is persistent and maintenance and repair options aren't stopping it, we invest in replacing the equipment.

Our state-of-the-art infrared camera is able to detect very small quantities of SF_6 gas leaking from equipment. This has enabled us to accurately pinpoint leaks and target equipment for repair or replacement. As a result, we have achieved our best ever performance and reduced our SF_6 losses by 32% in ED1 to date. Its initial success has given us the confidence to more than halve our ED1 target to 50kg.

Table 3: Summary of performance in SF_6 leakage

SF_6 bank (kg)	35,844
Estimate of SF_6 emitted (kg)	65
SF_6 emitted as a percentage of SF_6 bank (%)	0.18%

Table 2: Our carbon footprint 2018–19

Greenhouse Gas Protocol classification	Emissions sources	Tonnes CO_2e[8]
Scope 1 – sources owned or controlled by the company	Gas used for heating buildings	149
	Operational travel (own fleet vehicles)	4,719
	Leakage of SF_6	1,485
Scope 2 – from the generation of purchased electricity, heat and steam	Electricity used in buildings	2,028
	Electricity used in substations	5,868
	Losses from our network	539,469
Scope 3 – all others sources	Network losses from purchased electricity	673
	Business travel (car, rail, air)	2,801
	Operational travel (contractors' fleet vehicles)	10,795
	Fuel combustion (contractors' use of small generators)	7,115
Total		**575,141**
Total (excluding losses from our network)		**35,673**
Total (excluding losses from our network and contractors)		**17,723**

[5] For more information about our carbon footprint, reported separately for North East and Yorkshire, refer to Annex 3 (a copy of our annual submission to the regulator).
[6] Telematics cost-benefit analysis table is published on: www.northernpowergrid.com/your-powergrid/environment
[7] For more information, see Annex 2 (a copy of our annual submission to the regulator).
[8] Tonnes of carbon dioxide equivalent.

2.4.3 Distribution losses

What are distribution losses?

While transporting electricity, the transmission and distribution networks incur electrical losses which amount to about 5% of electricity entering the network. It is important to reduce losses because there is an environmental and economic cost associated with them, accounted for in consumers' energy bills and carbon footprint. That is why reducing losses on distribution networks can have a significant effect on reducing the overall CO_2 emissions for the country.

There are several types of distribution losses:

- **Electrical energy losses** – the natural effect of wires heating up while conducting electricity. These losses vary in proportion to the load transported and are an unavoidable consequence of the laws of physics.
- **Electricity consumed by network operations** – some equipment, tools and functions in our substations need a power supply to work. This is provided by the electricity transported. This is for instance the command and control equipment, and general substation facilities on site (transformer cooling fans and pumps, heating and lighting, and voltage control relays).
- **Electricity theft** – activity conducted by people who access an electricity supply illegally.
- **Inaccuracies in metered and unmetered data** – our routine meter registration processes seek to prevent and remedy any misallocated data flows to ensure that electricity use is linked to customers and their energy suppliers.

Our strategy to manage distribution losses

We estimate that losses on our network amounted this year to 1,906GWh, equivalent to 539,469 tCO_2e (c. 94% of our BCF – equivalent of powering c. 127,000 homes). We have a losses strategy in place, dedicated to monitoring and reviewing our options to reduce electrical energy losses that occur on our own network[9]. Our forecast is that losses will reduce by up to 9% between 2015 and 2023 thanks to the effect of the general energy efficiency improvements of our customers' equipment, network density, transformer and cable choice and smart meters. It is important to note that the uptake of low carbon technologies, and the deployment of smart grid technologies to accommodate a more flexible network and increased network utilisation, present a more complex picture. Some solutions assist loss reduction objectives, but others will actually increase network losses but deliver whole system carbon reduction through the connection of low carbon generation making them worthwhile.

Figure 4: The inside of a LV 300mm² cable used to reduce losses on our network

The investment profile associated with activities to reduce losses falls into two categories: ongoing programmes and one-off improvements.

The ongoing activities that we are implementing are:

- **The policy of 'oversizing' conductors (relative to existing utilisation levels):** We install a minimum cable size of 300mm² at 11kV where practical (e.g. if bending radii and termination arrangements allow) and continue to install a minimum of 300mm² mains low voltage (LV) cables. Although these cables are of a larger capacity, the lifetime cost is lower than the smaller size option of 185mm², when taking into account the capitalised electrical losses within our designs (Figure 4). Using larger cables to deliver electricity will help us save up to 10,500MWh, enough to power 700 homes for a year. Over the last two years, we have invested in larger electricity cables in order to reduce energy losses, and in 2018–19, this led to a saving of 3,306MWh (refer to Table 4). Oversizing conductors and transformers is also a cost-effective way of preparing the network for the future.
- **Sizing the transformer for losses:** We will continue with our current distribution transformer 'oversizing' policy for pole- and ground-mounted transformers with demand customers connected. However, for distribution transformers with dedicated solar or wind generation connected, we do not oversize the transformer as the intermittent generation profiles do not justify the cost for an increased transformer size.
- **Procuring transformers with new loss specification:** We will continue to purchase transformers that have lower electrical losses than the minimum cost units available, taking into account capitalised electrical losses in the assessment of lifetime cost rather than simply purchase price.

Losses Discretionary Rewards

Ofgem introduced the Losses Discretionary Reward (LDR) with an aim to encourage all DNOs to undertake additional actions to better understand and manage electricity losses on their networks on four criteria: understanding of losses, stakeholder engagement, processes to manage losses, and innovative approaches to losses management.

The reward was divided into three tranches between 2016 and 2021. We are preparing our tranche 3 submission to Ofgem which is due in February 2020. We are committed to delivering the remaining actions described in our tranche 2 submission, with improved understanding of impacts of losses on our network, and better preparations for the next price control review, RIIO-ED2. We are placing emphasis on working with other DNOs on collaborative activities and undertaking particular actions collectively under the Energy Networks Association working group as well as liaising with academic partners and consultancies on holistic approaches to managing losses.

[9] The strategy is available in full on our website document library at https://www.northernpowergrid.com/losses

Our performance

In 2018–19, we have been delivering actions spanning both our losses strategy and LDR. In addition to the activities already mentioned, we have commenced the following activities:

- **Enhanced understanding of network losses:** We are working with Newcastle University on building a detailed and flexible electrical distribution network losses model. This builds on the analysis of present and future network operating scenarios and incorporating system and consumer data, along with consideration of both 'smart' and traditional business-as-usual network operation and management techniques. This project will run until 2020. We have presented initial findings of the project across the industry to share learning.
- **Losses on the customer side of the meter:** We commissioned the consultancy WSP to undertake a study investigating the impact of voltage and harmonic variations on domestic customer losses, which includes how the DNO's actions have an effect on the losses on the customers' internal wiring and their appliances, the impact of low carbon technologies on customers' supplies as well as the impact of customers' actions and behaviours towards losses on their side.
- **Transformer waste heat recovery:** In parallel to our decarbonisation effort, we worked with Arup to look into the roll-out of this technology into business as usual. The project concluded that although heat recovery from existing Northern Powergrid substations is technically achievable where local heat demands can be identified, it would not be commercially viable.
- **Amorphous transformer trials:** We are collaborating with other DNOs and a transformer manufacturer to trial the super low-loss amorphous core transformers on the Northern Powergrid network using standard working procedures. This should help to allay technical concerns around brittleness, size, weight, harmonics and noise in preparation for Ecodesign[10] Tier 2 maximum loss levels for transformers which will come into force in 2021.
- **Stakeholder engagement:** We have organised and have been actively involved in key events and dialogues to engage with the stakeholders and communities to present and discuss our losses initiatives. We have produced an animation to help educate customers on what network losses are and how they can be reduced. We also have a dedicated webpage on losses which we have updated with more information, news and updates on our activities **https://www.northernpowergrid.com/losses**
- **Use of smart metering data:** The University of Sheffield delivered a project on Smart Data on behalf of Northern Powergrid. The primary goals were to determine how a DNO can derive business benefit from smart meter data, whilst providing key recommendations into how this can be done. The key findings in terms of losses were:
  1) Increasing the time resolution of customer demand data can underestimate losses. For example, using 30-minute average demand data (the *de-facto* industry standard) can lead to losses underestimation by 23% compared to one-minute average data.
  2) Aggregating customer demand data can overestimate losses. For example, aggregating six customers' consumption can lead to losses overestimation by 130% compared to no aggregated consumption.
- **LV monitoring:** In 2018, we have installed 240 units of low voltage monitors on our heavily loaded and likely losses hotspots. By the end of 2019, we aim to have about 650 more installed, targeting areas that we analyse and identify in having high LCT take-up in the future.
- **Network reconfiguration:** Since 2015, over 1,000 high voltage (HV) feeders have been assessed to optimise open points to balance load and customer numbers. In turn, this should reduce losses. In an extreme example when an open point is moved from an interconnected primary substation to the mid-point losses are reduced. An optimised typical feeder pair has estimated savings of 26MWh (or £1,300) per year.
- **Energy Networks Association (ENA) Technical Losses Task Group:** Working collaboratively with all DNOs under this working group, we commissioned a study to investigate the impact of low carbon transition on technical losses. This work looked at the losses impact of low carbon technology growth and of the losses impact of smart solutions compared to traditional reinforcement. The use of smart solutions as an alternative to conventional reinforcement is expected to increase losses; however Northern Powergrid will only implement smart solutions where they are economic from a whole system perspective. We have also commissioned a work on proposing losses incentives for RIIO-ED2 to Ofgem.
- **Staff training:** As part of a wider change management exercise driven by Northern Powergrid's Smart Grid Implementation Unit, all high voltage and extra high voltage design engineers have received formal training in how to incorporate losses into their designs. We have also embedded losses into the training module for our graduate and technical staff trainee training programme.
- **Accelerated asset replacement:** We undertook a cost-benefit assessment for pro-active replacement of pre BEBs T1:1958 ground-mounted distribution transformers. We are replacing these transformer units as part of synergies with other investment drivers such as asset condition.

Tables 4 and 5 show the volume and impact of loss reduction activity. Due to the changeover to a new, fully digitised mains records system and the processing of system updates during that period, our data for 'oversizing' cables in 2018–19 is incomplete and the required level of detail is presently unavailable. Therefore tables 4 and 5 are reflective of actual volumes up until 2017–18, but volumes for 2018–19 have been estimated, based on the average length of cable (km) added in the previous three reporting periods[11].

[10] The Ecodesign regulation is a European legislation that imposes a maximum level of losses for transformers sold from 1st July 2015 onwards. Ecodesign aims for two major objectives on the Transformer product: 1. to reduce electrical losses and 2. to clarify and make more visible indication of performance.

[11] More information, including the Cost Benefit Analysis, is provided in Annex 4 (a copy of our annual submission to the regulator).

Table 4: Summary of losses costs and benefits from activities in RIIO-ED1*

	Programme title	Regulatory Reporting Year 2018–19*			RIIO-ED1 (2015–23)
		Distribution losses justified costs	Estimated reduction in losses	Estimated resulting reduction in emissions	Cumulative reduced losses to date
		£m	MWh	tCO_2e	MWh
NPgY	Oversizing cables (300mm) HV	0.3	232	66	922
	Oversizing cables (300mm) LV	0.3	358	101	1,434
NPgN	Oversizing cables (300mm) HV	0.1	35	10	267
	Oversizing cables (300mm) LV	0.1	127	36	684
Total		**0.8**	**753**	**213**	**3,306**

Table 5: Summary of amount of losses activities in regulatory reporting year and estimate for the following year[12]*

Programme title	Description of unit	Volumes in 2018–19*	Forecast volumes in 2019–20
Oversizing cables (300mm) HV	Length (Kilometres)	131	68.7
Oversizing cables (300mm) LV	Length (Kilometres)	150	62

*2018–19 volumes have been estimated, based on the average length of cable (km) added in the previous three reporting periods.

[12] We have here reported the activities where some of the costs incurred relate to managing distribution losses, but where losses are not the principal reason for the expenditure. This excludes activities that may help to manage losses but where distribution losses are not associated with the DNO's decision to undertake the activity and where any benefits of losses are purely coincidental (such as the product specification for new transformers, and the programme of voltage reduction which we report in Innovative Solutions). For an overview of all of our activities to manage losses, refer to our Losses Strategy located at https://www.northernpowergrid.com/losses

2.4.4 Climate change adaptation

The UK's climate is changing and weather events which we currently consider to be 'extreme' will become increasingly common. The climate change that will occur in the medium term has already largely been determined by greenhouse gas emissions, so we need to get ourselves ready to deal with the effect this will have on our weather patterns. In 2018–19, our region suffered from four major incidents, where strong wind, thunderstorms, and freezing rain caused power cuts to our customers.

From flood defences and vegetation management, to improved weather prediction systems and increased staff availability, we've developed a climate change adaptation strategy[13] that outlines the impact that we anticipate climate change will have on our business and, most importantly, how we propose to tackle it.

In our ED1 business plan, we committed to making our network more resilient to flooding by building new permanent flood defences in 141 sites and completing 15 sites that remained from the previous price control period.

Our programme is ahead of target and in 2018–19 we upgraded defences at 38 sites, taking the RIIO-ED1 total to date to 162 sites exceeding the original commitment (refer to Table 6).

Table 6: Annual number of permanent flood defences installed

2018–19 Actual	2019–20 Target	2015–23 Cumulative*	2015–23 Target
38	58	162	141

*Value has been corrected

Since making our business plan commitment, there have been a number of severe flooding events that triggered a national review of flood resilience as well as causing us to carry out our own analysis. We have expanded our programme to target improvements at an additional 98 sites, 45 sites that were identified as part of the national flood resilience report and 53 new sites from our own flood analysis. This takes the total number of sites targeted for improvement during the RIIO-ED1 period to 254.

Following the release of The UK Climate Projections, we are participating in the ENA Climate Change Adaptation industry-wide working group to understand the impact of these predictions on our networks. We will review and update our Northern Powergrid Climate Change Adaptation Report and strategy in line with the timescales agreed with Defra.

2.4.5 Electrifying our fleet

We are installing 40 regular (uni-directional) and V2G charging points at our company sites as the first phase of charging infrastructure roll-out. These charging points not only allow charging our fleet, colleagues' and visitors' vehicles, but also generate valuable knowledge about how we can respond to infrastructure requests from our customers.

We have started introducing EVs by adding five electric pool cars and three electric vans to our fleet. We are committed to developing a fleet that would comply with the UK decarbonisation and air quality targets.

Our fleet vehicles often operate in areas where no electricity is available, either being called out to reinstate supply after a power cut, replacing assets, or attending sites in rural areas. We therefore must carefully consider our options alongside our promise to provide a reliable network for our customers.

We plan to increase the number of ultra-low emission vehicles on our fleet as we replace traditional vehicles and where suitable ultra-low emission vehicles are available.

Recently, we have published a report setting out what we are doing to accommodate the charging of EVs in our region. It acts as a reference guide to inform stakeholders on what we are doing now, what we have planned, and what we believe are the wider energy system development actions needed in the future[14].

[13] Available from: northernpowergrid.com/asset/0/document/2032.pdf
[14] Available from: https://www.northernpowergrid.com/asset/0/document/5043.pdf

3. Smart grids, innovation and our role in the low carbon transition

3.1. Introduction

Developing our innovation portfolio

As a company, we aim to improve our customers' experience through new understanding and processes across all parts of our business – both today and in the future. This year, we've made more progress on our mission to deliver new learning and in rolling out innovation projects into our everyday business. We currently have 30 active innovation projects, building on work that's already been done in the industry, to help us deliver our innovation strategy.

Changing markets and system operation

We are going through a revolution in the way that electricity is produced and consumed. Traditionally, the distribution network was designed for one-way delivery of electricity. Over the last few years, customers and the energy industry have made some big changes:

- **Decarbonisation of generation:** Less coal and more wind and solar are being used to power our homes.
- **Decentralisation of energy sources:** Electricity generation units are moving from the traditional model of large power stations on the transmission network to commercial and domestic generation connected to the local distribution powergrid.
- **Digitisation of technologies:** Most things are becoming 'smarter' in society (e.g. home entertainment and heating controls) and in industry (e.g. technology to automate processes and control network assets).

Traditionally, flexible electricity generation has been adjusted to meet demand (or use). However, low carbon generation is less flexible because the source is often weather dependent (for example, solar panels and wind farms) and is more intermittent. This means that the energy system needs to be more flexible to support customers by matching demand to available generation in a more dynamic network.

The industry is responding to this change by transitioning from a traditional DNO to a Distribution System Operator (DSO) model. For more information, please see our DSO v1.1 development plan available from **www.northernpowergrid.com/DSO**. DSO requires active management of the energy system in real time, agreeing contracts with customers to support the grid in flattening peaks of high demand on the system. Operating as a DSO means we will work with customers who are able to be flexible with when they generate or use electricity. In doing so we aim to support better utilisation of the existing low carbon generation, reduce system costs and improve overall energy system efficiency for all customers.

Smart meter foundations

Although energy suppliers are leading the roll-out of smart meters, network companies have an important role to play in supporting the roll-out and using smart meters as the foundation of a future smart grid which will deliver an improved services for our customers. The national smart meter programme has continued to experience delays but we are working to minimise the impact of the lower than anticipated volume of SMETS2 meters, changes to roll-out forecasts and data quality issues. You can read more about this in section 3.4.

Drivers and priorities

Our commitment to operational excellence and customer service means that we are always looking for better ways to do things, at a reduced cost for our customers. Our role is to provide an electrical network that is fit for the future. It must be responsive to the changing energy landscape as the UK responds to carbon reduction targets, accomodate new demand for renewable electricity and the introduction of electric vehicles and heat pumps onto our network. We need to manage the energy system so it continues to provide a secure supply of electricity. Developing trends present both challenges and opportunities for the electricity system and we keep it under review to make sure our approaches and priorities remain appropriate. Changes are driven by technological advances and the need to reduce carbon:

- **Customer engagement** – our priorities need to be linked to those of our customers.
- **Security of supply and cost remain a top priority.**
- **Local and intermittent generation** – renewables or flexible peaking plant.
- **Decarbonisation of heat and transport** – a heat pump or an electric vehicle charger can double the peak load on a domestic property with most impact when clustered in the same location on the network.
- **Digitisation** – the pace of technological change is leading to a rapid increase of data and functionality to engage customers in an actively managed network.

About a Distribution System Operator

By making the transition to a DSO, Northern Powergrid will deliver a set of balanced outcomes for customers through:

- creating a customer-led actively managed (and probably semi-autonomous) network.
- providing a cost-efficient, non-discriminatory and technology-neutral physical trading platform.
- supporting third parties in our region to participate in the electricity markets.

At Northern Powergrid, we want to be a leading voice in shaping the transition. Many of the projects we've worked on this year support this ambition – we're involved in activities that are scoping the future, pursuing low-regrets options (getting on with the transition) and building new capabilities.

Table 7: Low carbon technologies connected to our network in 2018–19

		Estimated capacity (MW)	Estimated volume
Load	Heat pumps	3	812
	Electric vehicle chargers	12	1,706
Renewable generation	Photovoltaic micro-generation	5	1,613
	Other distributed generation (mainly larger photovoltaic, onshore wind and biomass)	14	81

Our role in the low carbon transition

Carbon reduction targets have led to an increase in popularity for low carbon technologies (LCT) such as heat pumps, solar panels, wind turbines, and electric vehicles, with low carbon heat remaining an uncertainty. This places increased and new load on our network. Table 7 shows the amount of such connections on our network[15].

In terms of future volumes, the rate of LCTs uptake is very sensitive to government policy and the market's ability to find profitable business models. During 2015–16, for example, feed-in tariffs and renewable heat incentives were reduced and the renewables obligation closed for new onshore wind operators. In 2017, the plans to ban new petrol and diesel car sales from 2040 were announced. As a result, the uptake of LCTs has been slow and we've seen a continued decrease in micro-generation photovoltaic connecting to our network, but the uptake of electric vehicle chargers has increased. We expect to see a stable trend of distributed generation in the short term – perhaps as long as a year – before it picks up as markets identify new business models.

These challenges are set against a backdrop of disruption to traditional energy markets where new entrants are blurring the established definitions of generators, suppliers, network companies, customers and other market participants. Added to this, customers expect that service standards and security of supply will continue to improve.

In our innovation strategy, we have set out four key priority areas where we are changing our services to provide benefits for our customers:
— Deploy smart grids;
— Maximise the value of smart meters;
— Develop digital-enabled services; and
— Address affordability.

We are involved in innovation in various ways, either leading projects or working with partners. Projects are funded through different sources. We have access to the Network Innovation Allowance (NIA) through the regulator Ofgem, which is worth up to £29m (in 2012–13 prices) over eight years, and we can also benefit from specialist funding sources (such as Innovate UK) through partnering with universities or other industrial partners.

In 2018–19, we successfully launched another four new projects to help us address issues of affordability, environmental protection and the deployment of smart grids[16].

3.2. Progress made on our innovation strategy

Our innovation strategy has been used to discuss our priorities with our stakeholders over the past year – most notably our stakeholder panel and the connections customer forum. We have actively contributed to developing the ENA Electricity Network Innovation Strategy last year, and we will use it to modify our own innovation strategy.

We have made good progress on our four strategic innovation priorities:

Smart grid development is largely focused on introducing flexibility so that the network can accommodate more intermittent renewable energy. In 2018–19, we:
— ran the large Customer-Led Network Revolution (CLNR) battery, testing its commercial operation;
— continued our Customer Led Distribution System[17] innovation project which is helping to gather evidence on future customer behaviours to inform the most appropriate market design and industry structure for the future energy system;
— continued to explore new ways to optimise the whole energy system (electricity/gas);
— continued exploring innovative ways to increase resilience to vulnerable parts of the network through application of systems of technologies;
— rolled out new monitoring and protection equipment as part of our £4m project to revolutionise the way we will manage future replacement and repair on our low voltage network, and started to see the first results;
— started the work on projects exploring vehicle-to-grid technology;
— started exploring if the use of LCTs could provide a means to improve the capacity and resilience of the network; and
— started investigating the introduction of a health index which would reflect the degradation of energy storage connected to our network.

Our work related to maximising the value of **smart meters** remains focused on establishing solid foundations for the exciting new services and benefits that should be made possible by the national programme when data becomes available. In 2018–19 we:
— maintained the security compliance of our system to access the national system data;
— utilised smart metering data operationally for the benefit of our customers; and
— made progress with projects to integrate smart metering data with our Network Control and Customer Relationship Management.

[15] For more information, refer to Annex 7 (a copy of our annual submission to the regulator).
[16] For more information on our portfolio of NIA projects, you can refer to our 2018–19 Annual Summary on: http://www.northernpowergrid.com/asset/0/document/5141.pdf
[17] More information available from http://www.northernpowergrid.com/innovation/projects/customer-led-distribution-system-nia-npg-19

For **digital-enabled services**, we have improved the tools used by our operational and network teams in order to give our customers' great customer service. Specifically, we have:

- completed our innovation project on forecasting customer electricity use, based on roll-out scenarios for electric cars, heat pumps and distributed generation to see the first forecasts useable in the business-as-usual environment;
- continued work on a web-enabled system to allow customers to produce the designs for straightforward connections to provide them with faster and more efficient customer services;
- continued work on a web-enabled safety system to provide our engineers with spatial and temporal information of approaching thunderstorms and enable them to protect themselves and our assets;
- launched remote access management system for all of our assets to improve their security and the safety of our colleagues; and
- concluded a study exploring the use of games for shifting domestic electricity demand.

Affordability work has focused on cheaper supply models for electricity customers. In 2018–19, we:

- started a project exploring a technology which should reduce interventions on the low voltage system, giving us a better view on when and where faults are developing, and allowing to intervene before the faults become permanent and impact our customers;
- following a successful feasibility study, begun a project that provides batteries for vulnerable customers reliant on electrically powered medical equipment to avoid the negative effects of a temporary disconnection; and
- begun exploring the ways to maximise the use of the existing switchgear assets by optimising their capacity.

3.3. Roll-out of smart grids and innovation into business as usual

Customer flexibility roll-out

In December 2018 we launched our Customer Flexibility Plan as a key step to our transition to the role of Distribution System Operator. This was our first step towards integrating customer flexibility into our business as an alternative to network solutions. It set out where our network was expected to require intervention and invited customers to express interest in providing flexible capacity that enabled us to compare alongside network interventions.

The Expression of Interest was for flexibility at nine locations across our network. These were identified as a result of an initial load forecast, assessing future maximum demands against capacity at distribution substations. Breaches were taken as an early indication that there could be a role for flexibility services to address future network constraints as an alternative to load-related network reinforcement. We received a positive response to our Expression of Interest.

Implementation for 2019 is set out in our DSO v1.1 development plan. We aim to tender for approximately 10 locations for planned maintenance and emergency support use case. We are not taking forward the reinforcement deferral use case at this time since detailed engineering assessments have indicated there is no intervention necessary in the short to medium term.

Received a response from 22 assets across nine locations.

Resulting in 16MW against the advertised 12MW.

At 7 out of the 9 locations published, the level of interest was at or above our requirement.

72% of interest was through demand side response, 22% storage and 5% diesel generation.

Roll-out of innovation into business as usual

Delivering innovative change is the only way we can continue to serve our customers and deliver the outcomes they value. This means that when we're considering innovation, our focus is as much on delivering change as it is on opening trials. Innovation comes through a variety of routes – from changes to how we run our business every day to collaborating with external parties and delivering projects we have funded through a variety of rates.

Inspired by new ideas promoted by third parties or by other network operators, and basing our decision on cost-benefit assessments, we deploy new solutions as standard practice. In 2018–19, we deployed (or continued to deploy) seven such solutions, and report on them in Table 8[18].

The connection of renewable energy was one of our main focus areas again this year and we connected a further 36MW. Our innovation in this area has progressed as set out in Table 8.

Voltage reduction

We continued to roll out our voltage reduction initiative at primary substations at a further 41 sites, creating an extra 369MW of headroom for new micro-generation.

Flexible connections

We now have 433MW (up 25MW in the year) of contracted flexibility in our existing three active network management (ANM) zones. Our standardised ANM solution is now live in the Driffield area of Yorkshire and customers' generators are being connected into it as required. This solution may be replicated in other parts of our network as necessary.

[18] For more information on the cost and benefit analysis that guide our investment decisions, see Annex 6 (a copy of our annual submission to the regulator of related information). CBA tables are published on: www.northernpowergrid.com/your-powergrid/environment
For more information on network innovation projects, refer to www.smarternetworks.org/
We did not apply to Ofgem for a relevant adjustment for the purposes of the Innovation Roll-out Mechanism (IRM), hence we have not had anything to report on this measure.

Battery storage

In March 2019, our Contracted Capacity Register[19] shows that we had just over 50MW of battery storage capacity connected to our network, whereas the accepted (but not yet connected) capacity had halved since last year, falling to 554MW.

We have facilitated the introduction of this new type of energy asset by providing guidance to our customers, and improved our understanding of customers' operating regimes by providing dynamic frequency response services using our 2.5MW CLNR unit installed in Darlington. We are evolving its use to comply with the new regulatory requirements being introduced from 2019–20.

We introduced a new fast track application process for connecting certain types of electricity storage devices and made it quicker and easier to install heat pumps and EVs with only a single application form now required to connect both LCTs.

Rolling out the smart grid

In order to pre-empt the high levels of growth in low carbon technologies that we expect beyond 2023, we invest in enabling technology such as modern communications and control equipment. This lays the foundations of a smart grid, on which we expect to spend a total of £83m up to 2023. Our dedicated smart grid unit is starting to build the activity levels of our investment programme with activity being split across specification development, procurement of services and actual delivery of new smart grid technology. We have started to replace our transformer control relays at primary substations, run a proof of concept for the next generation substation control unit, procure a higher performance communications network for our primary substations, and install monitoring on low voltage feeders at distribution substations.

Table 8: Innovative solution deployed

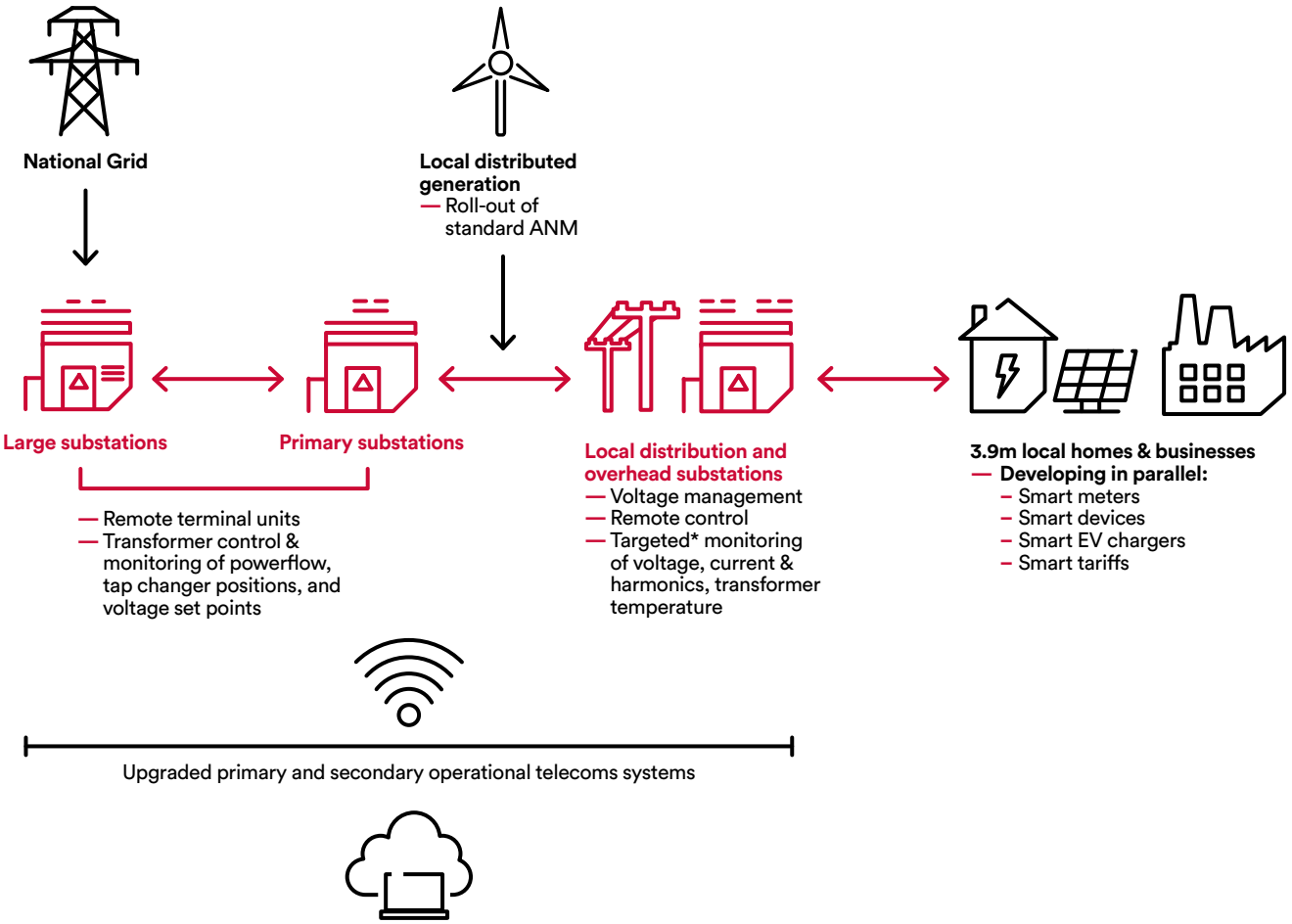
Innovative solution deployed (benefiting operational outcome)	Estimated benefits and impact 2018–19, resulting from the deployment	Deployment volumes 2018–19	Estimated deployment volumes 2019–20	Relevant innovation trial (when applicable)
Increase Network Capacity, Optimise Utilisation (Connections)				
Voltage reduction at primary Lowering the voltage on the HV networks creates headroom for the connection of rooftop solar panels on the LV system which would otherwise cause the voltage to rise above the upper statutory limit for penetrations greater than 30%.	Freed LV generation capacity: 369MVA	Deployed to 41 substations	20 substations	Customer-Led Network Revolution, Northern Powergrid and Voltage Reduction Analysis
Improve Connection Performance (Connections)				
Flexible connection agreements for generators Generation customers are offered an alternative connection quotation at a lower cost in exchange for occasional constraints on their export.	N/A	No new deployments this year	4	N/A
Improve Asset Life Cycle Management				
Transformer insulating oil online regeneration Treatment of the oil used as an insulator in a transformer to remove any acidity and moisture which extends its life.	Gross avoided costs: £0.88m	Deployed at 9 substations	12	N/A
HV Circuit breaker retrofit Reduces capital investment compared to replacement and extends its life.	Gross avoided costs: £0.28m	14 retrofits	30	N/A
Improve Network Performance (Reliability and availability)				
LV technology programme A proactive approach to LV network intermittent faults by using new technology which will automatically restore intermittent faults and locate faulty kit.	Avoided customer minutes lost: c. 4.5 million Avoided customer interruptions: c. 44,700 Gross avoided costs: £0.44m	No new units – continued re-deployment of existing 736 units	Continued re-deployment of the existing units	The Smart Fuse, ENW
Automatic Power Restoration System (APRS) Identifies the location of faults on the HV network and speeds up resolution.	Avoided customer minutes lost: c. 575,050 Avoided customer interruptions: c. 109,200	Deployed to 64 substations	50	N/A
Improve Environmental Impact (Environment)				
Fluid-filled cable leak detection by perfluorocarbon tracer Method to locate, with improved precision, a leak in our cables.	Avoided oil leakage: c. 3,750 litres Gross avoided costs: £0.37m	Deployed on 5 circuits	6 circuits	N/A

Smarter powergrid
A smarter network makes use of real-time information on network performance and energy consumption to respond to and manage demand and maintain a more efficient, affordable and low carbon flow of energy. By doing so, a smarter network will also enable the growth of new customer technologies such as electric vehicles, renewable generation and heat pumps, among others.

369MVA
generation headroom created by rolling out voltage reduction.

[19] Available at: http://www.northernpowergrid.com/contracted-capacity-register

Figure 5: Smart Grid Enablers programme snapshot



Enhanced functionality:

— Greater visibility of network and asset operating conditions
— Enhanced network control systems and distribution analysis system to make informed decisions (such as deploying customer DSR)
— Improved data analytics (such as ability to predict faults leading to less disruption to supplies and detect EV connection hotspots)
— Secure and resilient operational communications links to receive data and issue commands
— New access to information about our customers' energy use

Customer benefits:

The ability to efficiently connect an increasing amount of low-carbon technologies whilst experiencing improved network resilience

* We are targeting LV monitoring at:
— Highly utilised & high loss networks
— Commercial centres
— LCT growth hotspots

3.4 Getting the most out of smart meters for our customers

The first smart meters were connected to the central meter reading services in Q4 2017. We ensured we had our system in place and our people ready to start delivering a better service to our customers from the moment the first smart meter was connected; we achieved that goal[20]. We have been regularly reviewing our processes to ensure we continuously improve as meter numbers increase.

3.4.1 Progress towards mass roll-out

The roll-out of 'foundation stage' smart meters has continued and we expect it to pick up pace over the next few years at up to five times its current rate. We're continuing to support the roll-out of smart meters, in line with our business plan commitments and our smart meter roll-out strategy (see Figure 5).

Technical issues with the national smart meter service and a slower roll-out of second generation meters in our licence areas mean that the data, which we'll use to improve our network performance, isn't reliably available yet. This year we continued to focus on making the data available to our operational teams in line with our strategy for using smart meter data, when it becomes available.

3.4.2 Supporting the roll-out

The roll-out of the smart meters is being led by energy suppliers, but DNOs have an important role to play. DNOs are essential to the delivery of smart meters and in setting up the two-way communications with the smart meters through an IT Gateway, and making sure that our customers are able to extract all the possible benefits from smart meters. We have:

- been actively engaging with energy retailers and their meter operators to provide visibility of our performance and collaborating to ensure efficient resolution of any issues identified on our network that are preventing smart meter installations.
- piloted our online appointment booking tool for suppliers' agents and made enhancements. The meter installer can now arrange for defects to be dealt with directly with our service provider with the customer's agreement, allowing the installer to co-ordinate their return and avoid unnecessary disruption for customers.
- delivered defect repairs at customer premises in line with agreed industry service level agreements.

Safety, planning and innovation underpin our approach to collaborating with energy suppliers and meter operators in order to make sure the UK's smart meter roll-out runs as smoothly as possible in our region.

- This year, we authorised just over 550 meter operator installers to work safely on our equipment, nearly 300 of them having been accredited at our own training facilities.
- When meter operatives encounter an issue meaning installation cannot go ahead on the initial visit, we've ensured that we've got the manpower in place to resolve the defect as soon as we can.

Table 9: Smart meter installations in 2018–19

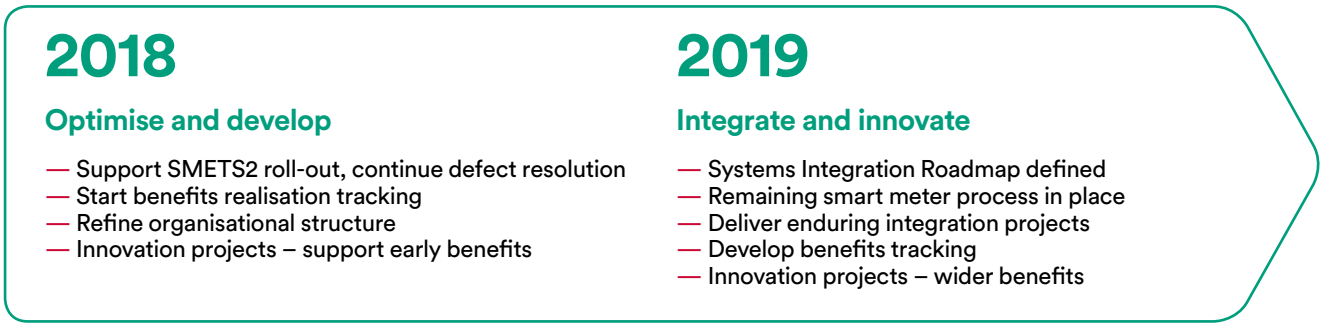
	North East	Yorkshire	Northern Powergrid
Smart meters deployed by suppliers in the Regulatory Year 2018–19	185,358	264,857	**450,215**
Total meters eligible for transition to smart	1,568,544	2,252,783	**3,821,328**
% penetration	11.8%	11.8%	**11.8%**

20,190 smart meter defects
resolved within target timeframes

450,000+ smart meters
installed by energy suppliers

[20] For more information on the smart meter roll-out, refer to the government website www.smartenergygb.org

Figure 6: A summary of our strategic plan to support the smart meter roll-out and maximise its benefits



3.4.3 IT and communications investment

We've been busy making all the necessary changes to systems and business processes. This year we:

— remained compliant with our security obligations and made progress on a series of projects to make sure customers benefit by ensuring our operational teams with the Contact Centre, Dispatch and Control can access important alert data. Table 10 summarises the smart meter IT and data costs that are passed through to our customers that we have incurred this year[21].
— worked with the suppliers who operate in our region to ensure the safety of roll-out activities.
— monitored our business processes and where necessary improved our working practices to deliver the most benefits for customers.

3.4.4 Actions we expect to take next year

In 2019–2020, we expect to move from the Optimise & Develop phase to the Integrate & Innovate stage (Figure 6) as we expect meter volumes to increase significantly from the Summer of 2020. We will be developing our process and organisational structure to meet the increased amount of work.

Next year we look forward to delivering benefits (Table 11) to our customers as energy suppliers will move to rolling out second generation, SMETS2 specification meters connected to the Data Communications Company (DCC). We also look forward to early generation smart meters, SMETS1, being enrolled in the national service. We have started tracking benefits and will begin some innovation projects.

Table 10: IT and communications costs for 2018–19

	£m
Smart Meter Communication Licensee Costs (pass through)	3.27
Smart Meter Information Technology Costs	1.58
Elective Communication Services	0.00
Smart Meter Communication Licensee Costs (outside price control)	0.00
Total	**4.85**

Notes for Table 10

— Smart Meter Communication Licensee Costs: the charges paid by the licensee to the holder of the Smart Meter Communication Licence as a requirement for it to be a party to the Smart Energy Code.
— Smart Meter Information Technology Costs: any information technology costs that the licensee reasonably incurs and are necessary for them to use data from smart meters effectively for the efficient and economic operation and maintenance of its Distribution System.
— Elective Communication Services: Payments for discretionary data services purchased through bilateral agreements with the DCC. Elective Communication Services may now be requested by the DCC's customers, however as at the end of the 2018–19 Regulatory Year the DCC had not received any requests or entered into any Bilateral Agreements with its customers for Elective Services.

[21] More information is provided in Annex 5 (a copy of our annual submission to the regulator of related information) and in the 'Detailed commentary' document associated with it.

Table 11: Smart meter benefits actions in 2019–20

Actions	Benefits for customers
— Upgrade our IT systems to process smart meter data which may help us better understand power used by our low voltage electricity customers and how to measure network losses more accurately.	Avoided losses to network operators.
— Upgrade our IT systems to process smart meter data (including automated power cut alerts) and make it available to our operational teams. — Integrate alerts in the redesign of our operational process to allocate staff to power cut repairs.	Reduction in the length of power cuts.
— Upgrade our IT systems to process smart meter data (including automated power cut alerts) and make it available to our operational teams. — Integrate alerts in the redesign of our operational process to locate faults.	Reduction in operational costs to fix faults.
— Upgrade our IT systems to process smart meter data (including automated power cut alerts) and make it available to our operational teams. — Integrate alerts in our distribution network outage management system. Although levels of inbound calls may drop, outbound contact with our customers will remain high as we proactively update customers about power cuts and the time they can expect their power back on.	Better power cut communication.
— Upgrade our IT systems to process smart meter data (including automated voltage alerts) and make it available to our operational teams. — Integrate the information flowing from the data in the redesign of our network planning processes relating to new connection design, reinforcement design and voltage quality assessment.	Better informed investment decisions for electricity network reinforcement for quality of supply.
— Upgrade our IT systems to receive smart meter data (including automated power cut alerts). — Integrate alerts in the redesign of our operational process to allocate staff to power cut repairs. — Integrate the information flowing from the data in the redesign of our network planning processes relating to voltage quality assessment. This is particularly exciting as it is an area where we currently hold very little data, other than when a customer notifies us of a voltage problem.	Avoided cost of investigation of customer complaints about quality of supply.
— Progress our request to Ofgem for half-hourly consumption data from smart meters to help us better understand the usage profiles of low voltage electricity customers and explore ways to save money on network improvements.	Network capacity investment savings from electricity demand shift.

Contact us regarding our plan

We believe that our customers and stakeholders are the best judges of our performance. We always want to hear your views and opinions on the services we provide and your ideas for what we could be doing. If you would like to comment, you can contact us in a number of ways:

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(for power cut information and advice)

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We distribute power to 3.9 million homes and businesses through our network of more than 63,000 substations and over 96,000km of overhead lines and underground cables, spanning almost 25,000 square km.