



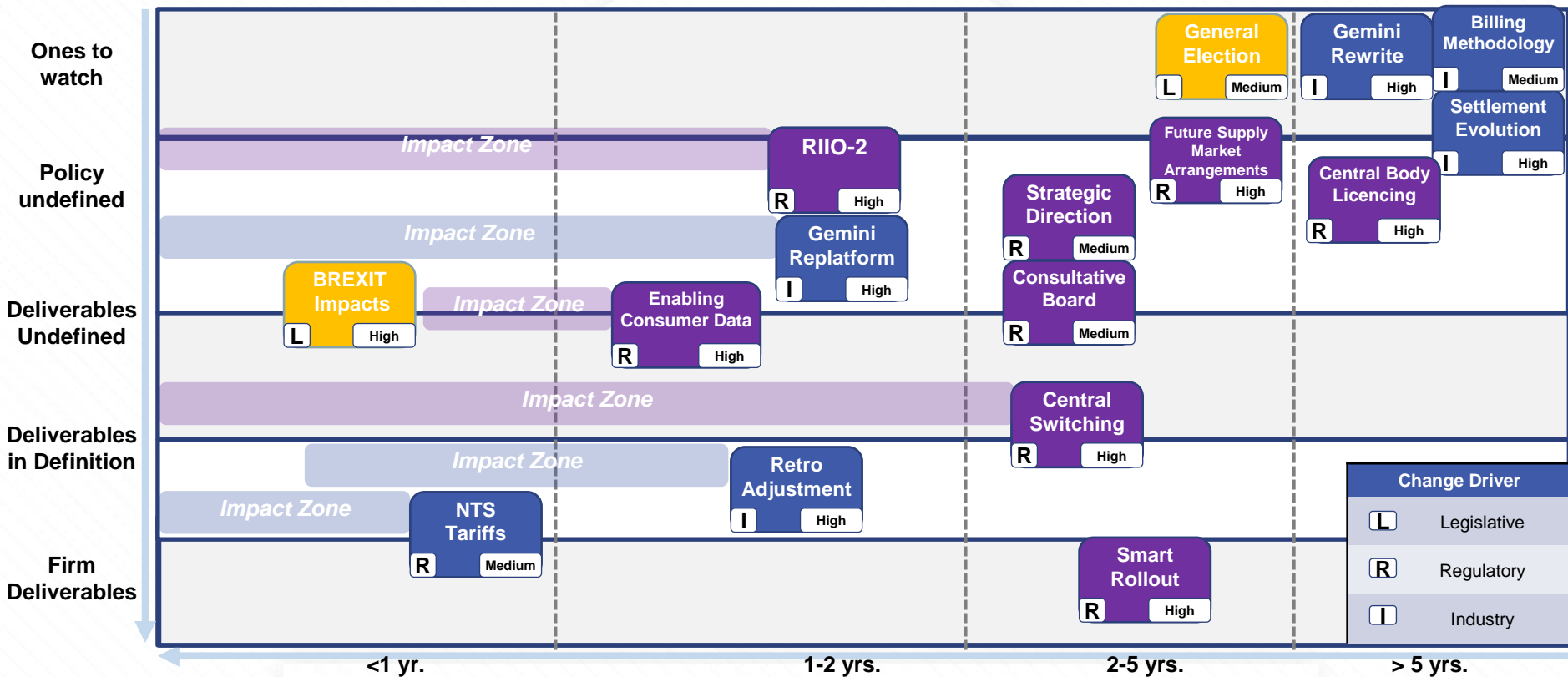
Market Scan

November 2018

What is the Market Scan about?

- Forward view of market developments that are relevant to our strategy
- Previously, a Gas Central Services Change Horizon was presented at Change Overview Board meetings
- The purpose is to facilitate discussion of strategic energy market reform, mitigate congestion risk and identify delivery synergy opportunities
- Customers have expressed an interest in having a forward view of the market reform landscape
- The Market Scan looks widely out into electricity and other utilities

Market Scan: November 2018



Gas

Gas and Electricity

Water

Pan Utility

Topic
Medium

Denotes scale of impact on organisation

Topics of potential interest



| Topic | Overview | Potential Impact |
|---|--|------------------|
| Ofgem – Supply Tariff Cap | Implement a supply tariff cap for Winter 2018. | |
| <i>The topics highlighted below have been identified as interest from the National Grid Gas Industry Change Plan</i> | | |
| Gas Charging | Continue to evolve the gas charging framework after implementation of Mod 0621 to ensure it is cost-reflective and ensures network costs are value for money e.g. 50/50 split across entry and exit, alignment of charge setting timings (Licence and Gas Year), commodity/OCC charges. | 2021-2024 |
| UNC Simplification | Seek to simplify the market arrangements so they are not a barrier to entry, and change can be introduced in an agile way. | 2021-2029 |
| Market Services & Systems | Review the market services National Grid provides and those that we discharge via a third party. We will ensure these services of value for money, and deliver what stakeholders need to make business decisions. We will review the market systems and ensure these deliver in a cost-efficient manner. | 2021-2025 |

Topics to note



| Topic | Overview | Potential Impact |
|--|--|--|
| Elexon – Enabling customers to buy power from multiple providers | Customers should be able to buy electricity from (and sell energy to) parties other than their retail Supplier. Where a customer does this, the main Supplier’s Energy Imbalance position would be amended (to remove the volume for which another party is responsible). | Design change for CSS to carry multiple supplier data. |
| Cadent – Reducing domestic CO ₂ emissions | Potential of injecting zero-carbon hydrogen into the natural gas network. Aim is to establish the potential for blending hydrogen, up to 20%, into the normal gas supply to reduce carbon dioxide (CO ₂) emissions. One-year live trial on Keele University’s private gas network aims to start in 2019. | |
| Ofwat - Domestic water Competition | The government has outlined plans to introduce competition to the water sector. Opening the market to new entrants will promote stronger competition and drive efficiency and innovation; to lower costs and benefit consumers around the UK. | |
| National Grid – Gas Future Operability Planning (GFOP) | The potential impact changing gas supply patterns could have on National Grid’s ability to meet entry optionality requirements in the future. | |
| CMA – Heat Networks | Report published in July 2018 concluded that the heat networks sector should be regulated, preferably by Ofgem. The report also provided a series of recommendations to the Government. | |
| Select Committee – Environment, Food and Rural Affairs | The Select Committee endorses recommendations that Defra should amend regulations by the end of 2019 to allow all water companies to implement compulsory metering, using smart meters. | |