

UK Power Networks

# Business plan (2015 to 2023)

## Annex 15: Network Plan Deliverability

March 2014

“ A reliable... an innovative...  
and the lowest price electricity  
distribution group. ”



# Contents

1	Executive Summary	3
1.1	Physical deliverability of the plan	3
1.2	Commercial deliverability	3
2	Confidentiality note	6

*This annex has been updated to reflect UK Power Networks' March 2014 business plan. We have a tracked change version for the purpose of informing Ofgem of all revisions to the July 2013 business plan, should this be required.*

# 1

## Executive Summary

UK Power Networks has invested heavily over the last two years in improving its overall capability, processes and systems for procuring and delivering its major capital programme of work. Although this has led to a demonstrable improvement in performance since 2010, including a significant reduction in its indirect costs, further changes are planned to ensure that UK Power Networks' approach to capital procurement and delivery reflects Industry best practice. This is deemed necessary in order that UK Power Networks can provide assurance re: the physical and commercial deliverability of its ED1 capital programme Plan.

In support of the above, UK Power Networks has benchmarked its current approach to that adopted by other major Infrastructure Client organisations in order to understand best practice. In addition, UK Power Networks has consulted extensively with its supply chain to validate this output and test the deliverability further.

This has helped UK Power Networks to identify additional areas of opportunity that will be used to further develop its Capital Procurement and Delivery Strategy and help move it closer towards frontier performance. The engagement with the supply chain has also helped provide assurance to UK Power Networks on the overall deliverability of its ED1 capital programme plan.

### 1.1 Physical deliverability of the plan

**In terms of the physical deliverability of the ED1 capital programme plan, this has been tested with UK Power Networks' major supply chain partners who have confirmed deliverability providing UK Power Networks:**

- a) Gives the supply chain forward visibility of the work so that resources can be planned and mobilised in good time
- b) Engages the supply chain early and over a longer term
- c) Recruits the critical resources now, that are expected to be in short supply and have a long lead in time in terms of training
- d) Invests now in securing the necessary consents for schemes where consents will otherwise be on the critical path
- e) Ensures that the supply chain capacity can be flexed in the event of a significant increase in demand (e.g. Connections work; take up of electric vehicles etc.) and is able to secure the necessary outages

### 1.2 Commercial deliverability

**In terms of the commercial deliverability of more efficient capital solutions, UK Power Networks has identified a number of value levers which, accompanied by a different approach to capital procurement and delivery in future, are expected to deliver circa 10-15% efficiencies on the current 2012/13 CAPEX costs.**

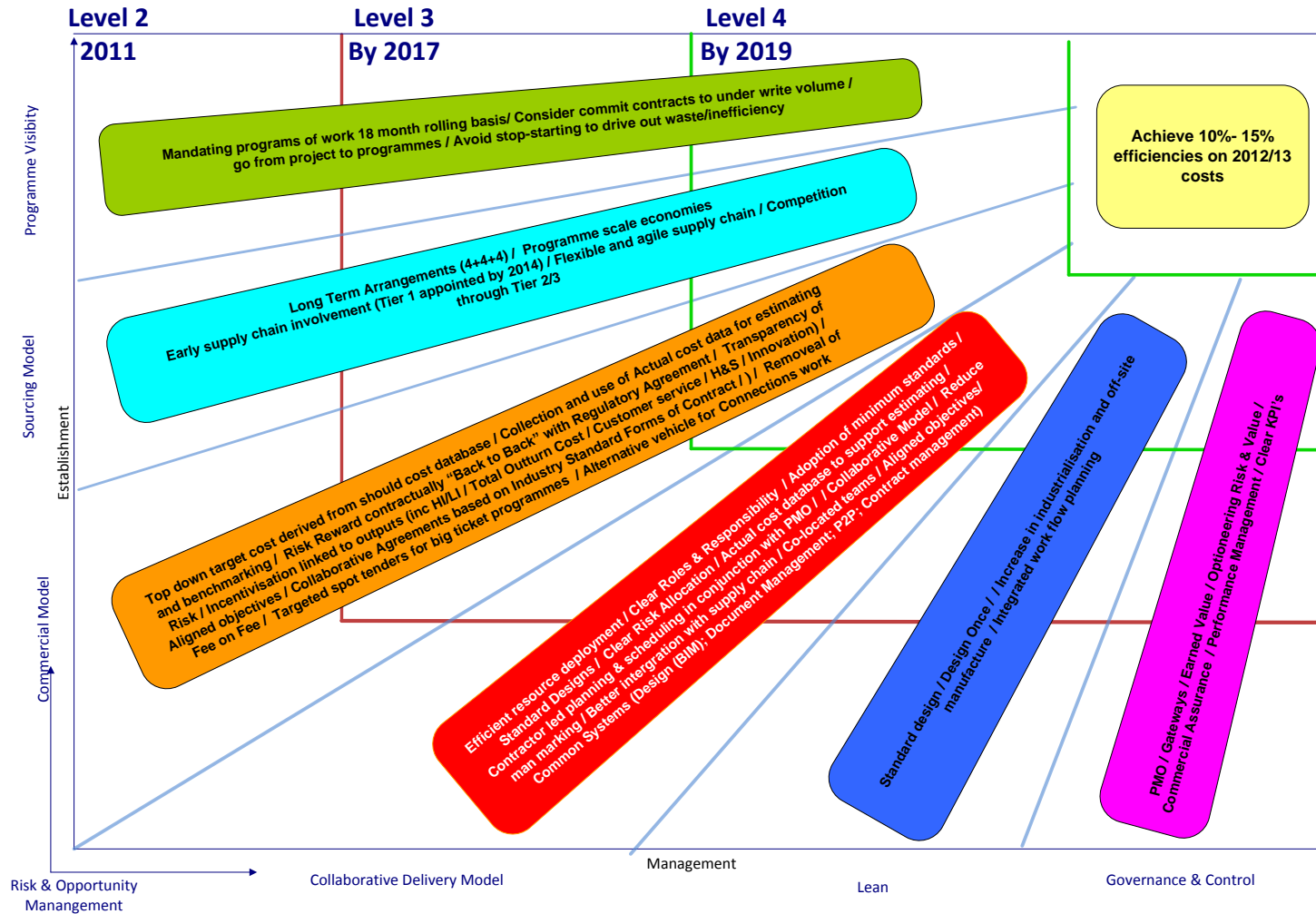
However, this will require UK Power Networks to:

- a) Ensure that the upstream Asset Management process can generate the forward visibility of work through timely mandates of work to the Capital Programme and Procurement Directorate (CPP)
- b) Move from delivering projects on a piecemeal basis to delivering programmes of work
- c) Challenge existing standards and move towards the adoption of Minimum Standards
- d) Further develop the major capital delivery strategy (including procurement & commercial models) to embrace the learning from leading organisations
- e) Invest in appropriate capability (internal and supply chain) to realise the above

The above approach has been derived from UKPN's experience since 2010 allied to insight from work that has been carried out to benchmark UKPN with other major Infrastructure client organisations in order to understand best practice in the procurement and delivery of major capital programmes. This has helped UKPN to identify the key value levers available to drive efficiencies and help inform the on-going development of UKPN's future strategy in this area.

Figure 1 illustrates the key value levers that make up UKPN's strategy for driving capex efficiencies in ED1 and reflect those activities required to progress to a Level 4 maturity.

Figure 1 UK Power Networks capital programme & procurement strategy



# 2 Confidentiality Note

Please note that due to reasons of commercial confidentiality, whilst the whole document has been submitted to Ofgem, the main body of this document has not been published on our website.

