

NATIONAL GRID MONITORSHIP: FOURTH QUARTERLY REPORT
(July 15, 2020)¹

Pursuant to the Settlement Agreement of November 24, 2019 (the “Settlement”)
between the New York State Department of Public Service (“DPS”) and National Grid
USA, The Brooklyn Union Gas Company d/b/a National Grid NY and KeySpan Gas
East Corporation d/b/a National Grid (collectively, “National Grid”)

Since the Third Quarterly Report, the Monitor has continued to conduct a substantial review of National Grid’s compliance with the Settlement. As of July 1, 2020, the Monitor has conducted approximately 70 interviews and issued more than 125 requests for documents. The Monitor also continues to attend key executive meetings conducted by National Grid internally relating to its compliance with the Settlement.

National Grid has cooperated with the Monitor’s requests for interviews of its employees. However, since the Third Quarterly Report, National Grid has failed to provide complete and timely responses to certain requests by the Monitor. In those instances, National Grid produced responsive materials only upon his repeated questioning and/or their identification by him. (See Atts. 1-4: letter dated June 15, 2020, letter dated June 22, 2020, and two letters dated June 23, 2020.) In view of that, National Grid appears not to be undertaking diligent searches for responsive materials or, more worrisome if the case, to be making a concerted effort to minimize or evade production of materials requested by the Monitor.²

In this Fourth Quarterly Report, the Monitor finds that National Grid has complied with Settlement ¶ IV.a and .b. As discussed at length in prior Reports, National Grid issued its LT Report on February 24, 2020 and its Supplemental LT Report on May 8, 2020 (collectively, the “LT Reports”). The Monitor also sets forth an assessment of the current status of National Grid’s compliance with several other obligations under the Settlement.

I. The LT Reports and the Public Comments

As called for by Settlement ¶ IV.a, the LT Reports set forth and analyzed in depth several reasonably available options for meeting long-term demand, including recommendations and the identification of actions needed to implement them. National Grid provided important clarity

¹ A draft of this Fourth Quarterly Report was provided for comment to National Grid and to DPS on July 1, 2020. Insofar as the Monitor independently deemed appropriate, their comments have been incorporated herein. Unless a later time is indicated, the Fourth Quarterly Report contains the Monitor’s findings as of July 1, 2020. This Fourth Quarterly Report follows three Reports respectively dated March 13, 2020, April 17, 2020 and May 26, 2020, familiarity with which is assumed.

² At a meeting conducted among several of National Grid’s most senior U.S. and U.K. executives on June 19, 2020, the agenda included the “action” item: “Look to reduce the scope of monitors [sic] evidence request re risk & corporate governance, and then liaise with [U.K. board chair and U.K. CEO] to get comfort with what we’re sharing ([U.K. General Counsel and U.S. General Counsel]).”

regarding the cost and efficacy of potential solutions, the dangers they might pose, and the impediments that might be faced when moving them forward.

National Grid also conducted six public meetings to solicit public input on the LT Report as required by Settlement ¶ IV.b, and National Grid addressed the key points raised by the public in the Supplemental LT Report. Despite the challenges posed by Covid-19, National Grid undertook reasonable efforts to provide opportunities for the public to share their views on the LT Report.³ In conjunction with that public feedback, the Supplemental LT Report expanded on the LT Report in meaningful ways on numerous topics, including as described further below.

Based on the Monitor's investigation, National Grid undertook substantial, concerted efforts to produce the LT Reports in a manner that incorporated input from multiple internal departments as well as outside consultants. As required by the Settlement, National Grid produced the LT Reports which were well organized, iterative and collaborative and stood in marked contrast with National Grid's historical approach to addressing the potential future gap between gas demand and supply capacity which led to the moratorium.

In several respects, one can identify areas where the LT Reports might have provided broader or deeper analysis. For example, given the serious concerns raised by many members of the public regarding environmental harm that NESE and other long-term solutions might pose, National Grid's handling of the topic could have been pursued in more detail and depth. Likewise, National Grid could have better spelled out proposed plans to deploy energy efficiency measures successfully in the future. Despite these and other areas where the LT Reports were less than comprehensive, National Grid did substantially comply with the requirements of Settlement ¶ IV.a and .b.

In further regard to the sufficiency of the LT Reports, the Monitor finds that National Grid has met Recommendation 1.a and .b. from the First Quarterly Report and also Recommendation 1 from the Second Quarterly Report. National Grid did so by providing more information at the public meetings and in the Supplemental LT Report⁴ regarding: (1) potential future moratoria under different options; (2) reliance upon CNG trucking in certain scenarios; (3) permitting and timing demands that must be met to execute upon the two alternative options recommended by National Grid; (4) National Grid's view on the potential adjustment of the

³ The National Grid website dedicated to information about the long-term solutions and public meetings contained, among other things, an online survey and a link to the PSC website through which the public could provide comments regarding this matter. After earlier extensions, the PSC had advised the public that comments would be accepted until May 1, 2020, at 4:30 p.m. National Grid updated its website before the end of the comment period at approximately 3:00 p.m. on May 1, 2020, and removed the survey and link to the PSC website. Although National Grid's action was inopportune, it did not pose a breach of the Settlement and apparently was harmless given that: (a) the survey was immaterial (see Third Quarterly Report at 9 n.10), and (b) the PSC website has remained active and many individuals have continued to post comments.

⁴ While National Grid might have addressed these matters in the first instance in the LT Report, which might have more literally complied with Settlement ¶ IV.a (calling for the requisite analysis within three months of the Settlement), the Monitor does not view National Grid's production of two reports to constitute a breach of the Settlement but a constructive step aligned with the goals of the Settlement.

Design Day standard; (5) the interaction of the CLCPA and other environmental public policy goals with National Grid's analysis; (6) the impact of Covid-19 upon National Grid's demand forecast; and (7) National Grid's response to areas of concern about the LT Report voiced by the public.

* * *

Settlement ¶ IV.c states in its entirety as follows:

National Grid agrees that a long-term option or options should be identified and agreed to by the State of New York by June 2020 to allow a safe and adequate construction and transition period and have the long-term option or options in place and functioning in approximately two years.

Insofar as the Settlement and the Protocol Agreement call for the Monitor to assess National Grid's compliance, the Monitor finds that National Grid, as of this time, has taken actions consistent with this provision.

First, given the Monitor's findings above regarding the LT Reports, National Grid plainly "identified" several long-term options in the LT Reports by June 2020 and, in particular, made two recommendations in the Supplemental LT Report on May 8, 2020. As to the NESE project, one of the two recommendations, the DEC and the New Jersey Department of Environmental Protection denied the WQC permit necessary for that project on May 15, 2020. Even if one gave credence to the argument that the NESE project could not constitute a viable option "identified" by National Grid after May 15, 2020 -- or arguably earlier, given permit denials in prior years -- National Grid had put forward an alternative recommendation in the Supplemental LT Report, i.e., LNG Vaporization and the ExC project, combined with incremental EE, DR and electrification.

Second, based on interviews of National Grid executives and the review of documents, National Grid is taking steps to pursue LNG Vaporization and the ExC project, combined with incremental EE, DR and electrification. As a practical matter, these items depend upon obtaining federal, state and local approvals at certain junctures which will necessarily extend beyond June 2020, as exemplified by potential issues with New York City (as described below at 7-8). At this time, National Grid obviously cannot ensure its receipt of these various approvals from multiple authorities and, even as to the relatively small portion falling within the authority of New York State, consideration of those items is premature given the status of National Grid's planning and implementation. Indeed, the Settlement language explicitly contemplates that "approximately two years" would be required for "a safe and adequate construction and transition period."

In sum, National Grid put forward a series of options in the LT Reports pursuant to the requirement that it "present and analyze comprehensively and clearly all reasonably available options" (Settlement ¶ IV.a), and National Grid also took extensive efforts "to solicit public input" on those options (Settlement ¶ IV.b). Insofar as National Grid has begun taking steps

toward “a safe and adequate construction period” under Settlement ¶ IV.c, National Grid currently remains in compliance with this provision even though more efforts obviously will be required of National Grid over time for implementation.⁵

II. Risk, Compliance and Forecasting

As to National Grid’s implementation of Recommendations 2, 3 and 4 from the First Quarterly Report, these efforts remain ongoing. Set forth below is a description and progress report regarding the key elements of these projects.

Recommendations 2 and 4. These recommendations -- which National Grid accepted and committed to implement in a letter to the PSC on April 27, 2020 -- call for a review of National Grid’s governance structure around risk management, the monitoring and testing of controls, and development of contingency plans, and also including the possible establishment of the role of Chief Compliance Officer. It was recommended that National Grid obtain support from outside management consultants for this review.

In February 2020, the Monitor’s First Quarterly Report (at 13-15) described in detail National Grid’s governance structure which, among other things, lacked mature, robust, well-organized and empowered risk and compliance functions. In addressing serious issues of the kind leading to the moratorium, National Grid relied generally on reactive, ad hoc, crisis management tools -- such as short-lived committees populated by business executives operating without any independent risk/compliance leadership. Absent were deep-rooted teams and best practices to identify and manage risk over the long term. Since then, National Grid has taken meaningful steps to improve its risk management but lags in regard to its compliance structure.

First, in March 2020, National Grid’s newly-appointed U.S. President undertook to establish and lead a U.S. Risk Committee covering its U.S. businesses including the GBU. With the U.S. President exhibiting leadership “from the top,” the importance to National Grid’s franchise in the U.S. of identifying and mitigating risks has been emphasized, and the U.S. Risk Committee has undertaken to establish a new enterprise risk management process. The Monitor has reviewed materials from the U.S. Risk Committee and has begun to attend its periodic meetings. Although still in its development stage, the U.S. Risk Committee aims to maintain a foundational risk register, to review the reporting of regular testing of controls, to conduct deep dives into top risks, and to conduct similar risk management best practices. While the ultimate success of this going-forward effort remains to be seen when built out with a regular cadence --

⁵ In a letter to the PSC dated June 1, 2020, National Grid rejected Recommendation 2 from the Monitor’s Second Quarterly Report, which recommended that National Grid conduct one or more in-person public meetings after it issued its Supplemental LT Report, social-distancing restrictions permitting. In rejecting the recommendation, National Grid stated that it could not practically implement another in-person meeting and that “the Company does not see the need to conduct additional public meetings.” With its unqualified unwillingness to hold another public meeting upon the issuance of the Supplemental LT Report (including in the coming weeks and months as National Grid implements a long-term solution), in the opinion of the Monitor, National Grid reverted to its past rigidity, shortsightedness and resistance to providing increased transparency to the public.

particularly given the broad scope of business operations and risks to be covered -- this effort constitutes a materially positive step forward by National Grid in the U.S.

Second, in April 2020, National Grid appointed a U.S. Chief Risk Officer on an interim basis. The Monitor has interviewed the U.S. Chief Risk Officer and observed her participation in the U.S. Risk Committee; this function is appropriately intended to commit a senior officer to interact across National Grid's U.S. business units, oversee the preparation and compilation of a risk register, ensure that suitable control testing is conducted, and perform similar professional risk management functions. Given the recency and interim nature of this appointment, questions remain outstanding regarding whether the role will be supported by sufficient resources, exhibit sufficient independence from the business leadership, and receive sufficient direct access to National Grid's parent board for the reporting of any concerns. For now, National Grid indicates that it will build out the U.S. Chief Risk Officer role in such key respects.

Third, National Grid submitted an implementation plan to the PSC on April 27, 2020, indicating that it had selected KPMG to consult as to the structuring of its compliance and risk functions. Some two months later, National Grid provided to the Monitor a draft statement of work for the KPMG project, which was deficient in multiple respects. (See Att. 5, letter dated June 10, 2020.) In late June 2020, National Grid revised its plan so that: (a) KPMG would be retained to support a review of National Grid's risk management process in the U.S. in a manner addressing the Monitor's concerns, and (b) another firm to-be-determined will support a review of the compliance function. Neither engagement has been finalized. In discussing the latter with the Monitor, the U.S. President of National Grid provided positive indications that the compliance function, when built out, will cover a broad range of regulatory compliance obligations, maintain clear independence of business operations, and possess strong competence. Apparently due to the delay in retaining consultants, National Grid did not meet the target dates included in the April 27 submission to the PSC of: (a) May 15 for a "[c]omprehensive review of centralized risk and compliance structure, and (b) June 1 for a "[j]ob description for the US Chief Compliance Officer."⁶

Recommendations 3 and 4. These recommendations (which National Grid also certified to the PSC that it accepted and committed to implement in full) concern a review of the integrity and quality of data, modelling and forecasts around gas demand and supply capacity, including National Grid's engagement of outside consultants for advice. National Grid has retained two consultants -- Ernst & Young ("E&Y") and Marquette Energy Analytics ("Marquette") -- to

⁶ In large part, these delays appear to arise from a diffused attempt to embed the review of compliance and risk management in the Service Territory by extending a prior global review managed from the headquarters of National Grid's parent in the U.K. and described by the U.S. General Counsel as a "top-down approach." The lack of greater ownership, governance and leadership by National Grid executives in the U.S. over the U.S. compliance function is disconcerting. As shared during an interview of the global Head of Group Assurance based in the U.K., National Grid earlier had used KPMG with a "light touch" and driven the project internally. This manner of addressing the GBU's risk management needs in the U.S. from the U.K. has been unsuccessful for National Grid and its customers in the Service Territory, as demonstrated by the events leading to and including the Settlement.

assist with the review of forecasting and related processes in the GBU. Although at initial stages, these efforts appear to be right-sighted and pushing forward appropriately.

As to E&Y, the project has been well scoped and organized to deconstruct the current forecasting process at National Grid, to identify “pain points,” and to propose a series of improvements. E&Y conducted over 50 interviews and held a series of workshops with National Grid executives, and E&Y drew conclusions consistent with the Monitor’s findings. For example, National Grid has operated with limited ability and agility to conduct scenario planning in its forecasting efforts, among other reasons, because National Grid’s forecasting has relied largely on historical trends, has not fully captured and incorporated demand-side solutions, and has lacked clear accountability and strategic direction in its decision-making process.

Working with E&Y, National Grid plans to implement several new capabilities including: a new executive role designated as the responsible “process owner” for forecasting across the GBU; a significant expansion of scenario analysis; the evaluation of non-supply solutions; the creation of new roles (particularly for more demand-side expertise); and a series of new and enhanced interactions and inputs across departments for developing demand forecasts, identifying any gap with supply capacity, and proposing solutions in order to close any gap. In addition, the project will seek to incorporate this new operating model with National Grid’s new risk management efforts, in order to identify and mitigate related risks in gas forecasting and planning.

In concept, the project undertaken by National Grid with E&Y offers many significant improvements, which might well have avoided the moratorium had they been pursued and implemented in the past. Execution on this plan will require concerted follow-through efforts by National Grid, including cultural adjustments requiring much greater communication and coordination across its internal departments and with customers and other external stakeholders.

As to Marquette, National Grid has retained it to perform an independent analysis of National Grid’s load forecast and design day/design hour requirements. This project will extend several months, and efforts to date focus upon the collection from National Grid of very large amounts of data for assembly and incorporation into models for analysis by Marquette.

III. The Revised Action Plan

On December 3, 2019, and pursuant to Settlement ¶ III, National Grid filed its Action Plan with the PSC, which was intended to ensure that gas supply capacity would meet demand in a Design Day scenario during the Winters of 2019/2020 and 2020/2021. Since then, National Grid’s approach to certain pieces of the Action Plan have evolved. Accordingly, National Grid filed a revised Action Plan on June 24, 2020 (the “Revised Action Plan”).

The Revised Action Plan does not substantially vary from the original Action Plan, but it does clarify which CNG injection sites National Grid has determined to prioritize for Winter 2020/2021. For Winter 2020/2021, National Grid intends to expand the Glenwood CNG injection site and to construct a CNG injection site at Inwood, for a total of three CNG injection

sites (the third site being Riverhead, which became operational last winter).⁷ National Grid also plans to construct a fourth CNG site at Barrett, but that site currently is not intended to be in service until February 2021; National Grid does not believe that a fourth CNG site will be necessary for Winter 2020/2021 as long as the others are in service. The Revised Action Plan notes, however, that “[i]f Glenwood or Inwood is delayed, the schedule for Barrett will be advanced as required to meet winter 2020/21 needs.” In addition, a CNG injection site is being developed at Greenpoint “in parallel as an interim measure if other on-system projects are delayed.”

IV. Increased Permitting Risk

A. New York City Permits

Various aspects of the Revised Action Plan and National Grid’s long-term solution require permits from New York City agencies. For example, the CNG and the LNG Vaporization projects at Greenpoint are located within the City and require permits from the New York City Department of Buildings (“DOB”) and the Fire Department of the City of New York (“FDNY”). Throughout the monitorship, the Monitor has repeatedly inquired of National Grid about the sufficiency and status of National Grid’s efforts to obtain necessary permitting, including permits from the City. Further highlighting this concern, the Monitor’s First Quarterly Report stated as to National Grid’s proposed CNG facility in Greenpoint that: “[t]he viability of obtaining necessary permits was placed in some doubt when Mayor de Blasio issued Executive Order 52 on February 6, 2020, which states that ‘the City will not support the addition of infrastructure within its energy shed that expands the supply of fossil fuels via pipelines or terminals for the transfer of fossil fuels’”

Since the Monitor’s First Quarterly Report, National Grid has taken steps in the normal course of business toward the preparation and submission of permit applications to the DOB and the FDNY for the CNG and the LNG Vaporization projects at Greenpoint, and some permit applications have been approved. As recently as early June 2020, National Grid reported internally that permitting for the CNG and the LNG Vaporization projects was “on track.” In addition, National Grid reported progress (albeit delayed due to Covid-19) in negotiating a memorandum of understanding with New York City regarding LNG trucking, which together with truck station permits from the City would be required to achieve the LNG Vaporization option.

In late June 2020, however, National Grid began reporting an increased level of risk around obtaining permits from New York City because, in recent discussions with the Mayor’s office, National Grid was advised that -- in addition to obtaining permitting from the DOB and the FDNY in the normal course -- direct approval from the Mayor’s office will be needed for National Grid’s projects. This extra layer of review by the City raises the prospect of possible

⁷ One sentence in the “Operations Resources” section of the Revised Action Plan (at 10) suggests that four CNG sites are planned for Winter 2020/2021. The rest of the Revised Action Plan indicates that National Grid will need three sites for Winter 2020/2021, so the reference to four sites appears to be an error.

delays in National Grid's obtaining necessary approvals (if approvals are granted by the City at all) for key elements of National Grid's plans to supply natural gas in both the short- and long-term to customers in the Service Territory, which includes large parts of the City. To be specific, if the City denies permits to elements of the Revised Action Plan, then sufficient gas capacity may be unavailable for a Design Day in Winter 2020/2021 absent the successful adoption of contingency measures. Likewise, if the City denies permits needed for the long-term solution -- such as LNG Vaporization, which constitutes a key element of National Grid's plan since the denial of the WQC permit for NESE -- then customers in the Service Territory may face the risk of a future moratorium and/or a serious service disruption during a cold weather event, despite the Settlement and the very extensive undertakings and multimillion dollar expenditures required thereunder of National Grid by New York State.

B. Glenwood CNG Expansion

As explained above, National Grid's plan to provide adequate supply to the Service Territory in Winter 2020/2021 envisions operating the Riverhead CNG site, expanding the Glenwood CNG site, and adding a third CNG site at Inwood. In the last few months, National Grid has consistently reported that permitting for the Glenwood expansion is not at risk. For example, since at least February 2020, internal scorecards provided to National Grid executives regularly indicated that permitting for Glenwood was "on track." However, the Town of Oyster Bay recently advised National Grid that it must obtain a use variance for its planned work to expand the Glenwood site. Apparently, National Grid had relied upon a verbal understanding with one or more Oyster Bay officials that a variance would not be required, but the Town recently adopted a different position.

Requiring a use variance places National Grid's planned timeline for the Glenwood expansion at risk for Winter 2020/2021 because a public hearing on the variance application will not be held until August 6, 2020, and construction has been planned to begin on September 15, 2020. Accordingly, the need for a public hearing and the risk that a variance will not be granted (or, even if granted, that the process will push out construction by more than a few weeks) could remove the Glenwood expansion as a viable supply source for Winter 2020/2021.

National Grid is still pursuing the Barrett and Greenpoint CNG sites in parallel to the Glenwood expansion, but National Grid does not anticipate those sites to be in service by Winter 2020/2021 (assuming permitting can be obtained at any juncture). As a contingency plan given the risk facing the Glenwood expansion, National Grid believes that it has "some flexibility," according to one executive, to bring the Barrett CNG site into service a few months earlier for Winter 2020/2021. Nonetheless, as the additional approvals required by New York City and the Town of Oyster Bay illustrate, National Grid similarly should anticipate the possibility of delays (if not permit application denials) with the Barrett and Greenpoint sites. Thus, National Grid may need to mount more concerted, robust efforts to pursue an alternative site to Glenwood in order to ensure that National Grid can provide adequate natural gas supply capacity for Winter 2020/2021.

V. Data Systems Regarding Applications for Service

Recommendation 3 from the Monitor’s Second Quarterly Report recommended that National Grid ensure that, in the event of a future moratorium, “its systems are capable of tracking applications, contacts and related data without significant manual intervention and reconciliation.” In its June 1, 2020 letter to the PSC, National Grid accepted the recommendation and acknowledged that “[t]racking applications and customers inquiries received through various channels during the 2019 moratorium presented a challenge that required significant resources to manage day-to-day.”

In June 2020, multiple National Grid personnel involved in these processes conducted a “Brainstorming Workshop” to develop high-level ideas for enhancing National Grid’s systems in order to better track applicants in case of a future moratorium. The Monitor observed the workshop and found it to be a productive session that elicited thoughtful feedback by participants about past challenges and possible solutions going forward. For example, participants discussed their desire for better integration between the systems that track billing, customer contacts, and work management. Participants also proposed various additional process and governance improvements.

After this positive early step, much work remains to be advanced by National Grid in order to address the Monitor’s recommendation, and the Monitor will continue to evaluate the additional steps National Grid takes.

VI. Potential Alternative Uses for CAP Funds

In Recommendation 4 from the Second Quarterly Report, the Monitor wrote that “National Grid should evaluate potential alternative uses for the funds allocated to the CAP consistent with the Settlement” in light of the CAP’s relatively low utilization rate. National Grid accepted this recommendation but has not determined how it will redeploy any unspent CAP funds. Since the Second Quarterly Report, the number of claims has increased from approximately 52 to approximately 156 claims (as of June 18, 2020). Approximately 90 claims have been paid, totaling more than \$1.1 million. Accordingly, it still appears likely that National Grid will have significant funds remaining out of the \$7 million allocated to customer assistance under the Settlement, and National Grid still needs to evaluate alternative uses for those funds consistent with Recommendation 4.

Attachment 1

Adam H. Schuman
ASchuman@perkinscoie.com
D. +1.212.261.6919
F. +1.212.399.8009

June 15, 2020

VIA EMAIL

Pamela Viapiano, Vice President, Gas Business Planning & Performance, National Grid
(pamela.viapiano@nationalgrid.com)
Philip DeCicco, Deputy General Counsel, National Grid
(philip.decicco2@nationalgrid.com)

Re: **The Settlement Agreement of November 24, 2019 (the “Agreement”) and the Protocol Agreement of January 31, 2020 (the “Protocol Agreement”), each between the New York State Department of Public Service (“DPS”) and National Grid (as defined in the Agreement)**

Dear Ms. Viapiano and Mr. DeCicco:

I write to express concern regarding the provision of complete and timely responses by National Grid to my requests. As described below, instances repeatedly have arisen where I learn of the existence of documents that are responsive but have not been produced.

For example, I attended National Grid’s Gas Forecasting and Planning Governance Board meeting on June 11, 2020. During that meeting, a Powerpoint presentation was given, and the discussion also referenced “detailed reports” on the same topics having been conveyed to other attendees. In Request 38, I had asked for “[a]ll agendas, presentation materials, and meeting minutes relating” to these very meetings from January 2018 to the present, yet the materials described above have not been produced. Likewise, Request 13 asked for “[a]ll design day gas demand and supply forecasts,” and Request 14 sought all documents “supporting the accuracy and validity of the forecasts.” In addition, my not receiving these materials -- which I learned about by chance -- causes me to question how many other responsive materials have not been produced by National Grid about which I may never know.

Likewise, my letter dated May 20, 2020, similarly arose from my needing to press National Grid to supplement responses with ongoing materials, and National Grid then did produce more documents. Again, when the situation arises where I affirmatively need to seek out materials that should already have been produced, it calls into question National Grid’s diligence in producing materials and raises concern that many more materials -- about which I may never learn -- should have been provided.

Finally, Request 27 requested “[a]ll versions of dashboards, scorecards, or any other documents reflecting National Grid’s progress in implementing the terms of the Agreement.” If

Pamela Viapiano, Vice President
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National Grid's board received reports on this subject, then those materials should have been produced in response to Request 27 or in response to the slew of other requests asking for "all" documents regarding various subjects concerning the Agreement. Having not received the materials one might reasonably expect to discover, I issued several requests more particularized to the board on June 3, 2020, for production on June 12, 2020, and the transmittal e-mail specifically noted that these documents would have been responsive to Request 27. Nonetheless, virtually no documents were produced in response and then, at approximately 6:00 p.m. on June 12, National Grid requested a call to discuss the requests, which we did this morning. All of the matters discussed this morning (largely involving redaction) could have been identified and addressed by National Grid shortly after receiving the June 3 requests, if not even earlier had National Grid evaluated these same materials for responsiveness to my earlier requests.

I stress again that National Grid should err on the side of disclosure and provide complete responses to requests so that I can make a complete and accurate assessment of National Grid's compliance with the Agreement.

Sincerely,



Adam H. Schuman

cc: Cynthia McCarran, Deputy Director, Office of Electric, Gas and Water, DPS
(cynthia.mccarran@dps.ny.gov)
Brandon Goodrich, Assistant Counsel, DPS
(brandon.goodrich@dps.ny.gov)

Attachment 2

Adam H. Schuman
ASchuman@perkinscoie.com
D. +1.212.261.6919
F. +1.212.399.8009

June 22, 2020

VIA EMAIL

Pamela Viapiano, Vice President, Gas Business Planning & Performance, National Grid
(pamela.viapiano@nationalgrid.com)
Philip DeCicco, Deputy General Counsel, National Grid
(philip.decicco2@nationalgrid.com)

Re: **The Settlement Agreement of November 24, 2019 (the “Agreement”) and the Protocol Agreement of January 31, 2020 (the “Protocol Agreement”), each between the New York State Department of Public Service (“DPS”) and National Grid (as defined in the Agreement)**

Dear Ms. Viapiano and Mr. DeCicco:

One week ago, on June 15, 2020, I wrote to express my concern about National Grid’s provision of complete and timely responses to my requests. I specifically pointed out that, among other lapses, National Grid had not provided me materials relating to a June 11, 2020 meeting of National Grid’s Gas Forecasting and Planning Governance Board. As I explained in my June 15 letter, these materials were responsive to at least three prior requests. A week has now passed, and I still have not received the requested materials, nor have I received any explanation for the delay.

Despite my having written and raised concern about National Grid’s responsiveness, National Grid still has not provided me with the slide deck from the Gas Risk and Compliance Committee meeting held on June 18, 2020, just three days after my letter. Just as with the Gas Forecasting and Planning Governance Board materials, National Grid should promptly produce presentation materials from the Gas Risk and Compliance Committee meetings. There should be no ambiguity regarding National Grid’s discovery obligations in connection with such meetings.

In addition, I wrote in my June 15, 2020 letter about the delay in receiving materials that had been due on June 12, 2020. As to Request 113, I still have not received any response for materials created by Pilko beyond the “Draft Findings Report” dated March 24, 2020. As to Request 104 regarding compliance trackers (following an interview specifically asking about compliance tracking and reporting), three e-mails were exchanged on June 15-16, 2020 in an effort to understand the scope of National Grid’s response to Request 104 which initially provided only two “COVID Regulatory Tracker Scorecards” from April and May 2020. When asked to confirm whether there is compliance reporting to the U.S. executive team other than those reports, National Grid provided examples by e-mail of compliance reporting processes and offered to update the

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response to Request 104 “to provide more information on the various compliance reporting processes.” We asked National Grid to do so and specifically requested that National Grid “produce all compliance reports provided to Badar Khan, Cordi O’Hara, and/or John Bruckner or their predecessors from January 2018 to the present” (but that National Grid could “omit any reports that relate solely to Finance/SOX or HR/labor matters”). We continue to await this delayed response and materials, and this process should not have required us to engage in such extended dialogue and follow-up with National Grid in order to obtain basic materials.

Sincerely,



Adam H. Schuman

cc: Cynthia McCarran, Deputy Director, Office of Electric, Gas and Water, DPS
(cynthia.mccarran@dps.ny.gov)
Brandon Goodrich, Assistant Counsel, DPS
(brandon.goodrich@dps.ny.gov)

Attachment 3

Adam H. Schuman
ASchuman@perkinscoie.com
D. +1.212.261.6919
F. +1.212.399.8009

June 23, 2020

VIA EMAIL

Pamela Viapiano, Vice President, Gas Business Planning & Performance, National Grid
(pamela.viapiano@nationalgrid.com)
Philip DeCicco, Deputy General Counsel, National Grid
(philip.decicco2@nationalgrid.com)

Re: **The Settlement Agreement of November 24, 2019 (the “Agreement”) and the Protocol Agreement of January 31, 2020 (the “Protocol Agreement”), each between the New York State Department of Public Service (“DPS”) and National Grid (as defined in the Agreement)**

Dear Ms. Viapiano and Mr. DeCicco:

I write further to my letters of June 15 and June 22, 2020, which pointed out, among other things, National Grid’s failure to provide me with requested materials relating to the June 11, 2020 Gas Planning and Forecasting Governance Board meeting, including a presentation and related gas forecasting reports referenced at that meeting. After my letter yesterday, National Grid responded by e-mail that, as to materials for internal National Grid meetings that the Monitor attends, the Monitor “should be seeing” the materials “at the same time as the internal company participants.” As National Grid’s e-mail acknowledged, however, the presentation slides for the June 11, 2020 Gas Planning and Forecasting Governance Board meeting “were only displayed at the meeting and not distributed to the participants.” Thus, I did not receive copies of the slides -- which were responsive to a previous request and which I explicitly asked for in my June 15, 2020 letter -- until you provided them yesterday in response to yet another letter by me. And, as discussed further below, I have yet to receive the “detailed reports” referenced at the meeting.

National Grid appears to misunderstand and minimize its obligations to provide materials requested by the Monitor. The Monitor should not simply receive materials prepared in connection with the meetings only if National Grid happens to circulate them to meeting participants. For example, whether presentation slides are distributed to National Grid meeting attendees or not, National Grid must promptly produce such slides pursuant to the Monitor’s requests and National Grid’s obligations under the Agreement and Protocol Agreement. Indeed, those materials need to be produced to the Monitor because they are responsive to his requests regarding the subject matter, even if the Monitor does not attend the meeting.

Pamela Viapiano, Vice President
Philip DeCicco, Deputy General Counsel
June 23, 2020
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In addition, on a regular status call with National Grid this morning, I reemphasized these points and was alarmed to learn that National Grid still does not appreciate its obligation to produce the “detailed reports” relating to gas forecasting discussed during the June 11, 2020 Gas Planning and Forecasting Governance Board meeting. As I explained in the June 15, 2020 letter, these reports are responsive to my requests for “[a]ll design day gas demand and supply forecasts” (Request 13) and all documents “supporting the accuracy and validity of the forecasts” (Request 14). Even after sending that letter more than a week ago, as of this morning National Grid still had not taken efforts to identify this material in order to produce it. This lack of diligence in ensuring that sufficient efforts are taken to comply with my requests -- particularly National Grid’s failure to produce new material responsive to prior requests, as the material is created -- is highly troubling, especially after I now have repeatedly expressed concerns to National Grid about its discovery lapses.

Sincerely,



Adam H. Schuman

cc: Cynthia McCarran, Deputy Director, Office of Electric, Gas and Water, DPS
(cynthia.mccarran@dps.ny.gov)
Brandon Goodrich, Assistant Counsel, DPS
(brandon.goodrich@dps.ny.gov)

Attachment 4

Adam H. Schuman
ASchuman@perkinscoie.com
D. +1.212.261.6919
F. +1.212.399.8009

June 23, 2020

VIA EMAIL

Pamela Viapiano, Vice President, Gas Business Planning & Performance, National Grid
(pamela.viapiano@nationalgrid.com)
Philip DeCicco, Deputy General Counsel, National Grid
(philip.decicco2@nationalgrid.com)

Re: **The Settlement Agreement of November 24, 2019 (the “Agreement”) and the Protocol Agreement of January 31, 2020 (the “Protocol Agreement”), each between the New York State Department of Public Service (“DPS”) and National Grid (as defined in the Agreement)**

Dear Ms. Viapiano and Mr. DeCicco:

In response to my letter earlier today, National Grid sent another e-mail stating that you had talked to your team about the Gas Planning and Forecasting Governance Board meeting of June 11, 2020, and you “are not aware of any ‘detailed reports’” referenced at that meeting. You suggested that “[i]t’s possible there were references to the detailed forecast data that is used to prepare the slides and graphs presented at the Governance Board meeting” and “attach[ed] an Excel file with the underlying data.” Whether the referenced documents were “detailed reports” (a term used by at least one National Grid employee at the meeting) about the gas forecast, “detailed forecast data” or both, the concerns I have repeatedly expressed remain the same: the document National Grid produced today -- 12 days after the relevant meeting -- clearly is responsive to Request 14 for all documents “supporting the accuracy and validity of the forecasts” and should have been produced long before now.

The Monitor should not be required to make repeated requests for such materials, National Grid is obligated to take it upon itself to perform diligent searches for responsive materials, and

Pamela Viapiano, Vice President
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this episode raises the specter that many more documents responsive to the Monitor's requests have not been produced as required.

Sincerely,



Adam H. Schuman

cc: Cynthia McCarran, Deputy Director, Office of Electric, Gas and Water, DPS
(cynthia.mccarran@dps.ny.gov)
Brandon Goodrich, Assistant Counsel, DPS
(brandon.goodrich@dps.ny.gov)

Attachment 5

June 10, 2020

Adam H. Schuman
ASchuman@perkinscoie.com
D. +1.212.261.6919
F. +1.212.399.8009

VIA EMAIL

Pamela Viapiano, Vice President, Gas Business Planning & Performance, National Grid
(pamela.viapiano@nationalgrid.com)
Philip DeCicco, Deputy General Counsel, National Grid
(philip.decicco2@nationalgrid.com)

**Re: The Settlement Agreement of November 24, 2019 between the New York State
Department of Public Service and National Grid**

Dear Ms. Viapiano and Mr. DeCicco:

I write to raise concern based on my review of the draft statement of work (the “SOW”) between National Grid and KPMG, which you shared with me yesterday evening. As you know, National Grid’s retention of KPMG has been relied upon in National Grid’s plan, submitted to the PSC on April 27, 2020, for implementing Recommendation 2 of the Monitor’s First Quarterly Report.

First, according to the SOW, National Grid’s leadership and accountability for the KPMG project would sit with National Grid plc in the U.K. -- the SOW states that “[t]he work will be sponsored by Alison Kay,” the Group General Counsel -- rather than in the U.S. with executives having direct oversight and responsibility for National Grid’s U.S. Gas Business Unit (“GBU”).

Second, the SOW identifies the project as “the next iteration of previous risk transformation activities,” which is described as “great work” even though prior efforts by National Grid to improve risk management obviously failed to avert the moratorium in the Service Territory. Indeed, as noted in the Monitor’s First Quarterly Report (at 14), National Grid had “no dedicated executive with the title Chief Compliance Officer or Chief Risk Officer sit[ting] on the U.S. executive team reporting to the U.S. CEO of National Grid, nor on the executive team reporting to the COO of the U.S. GBU at National Grid, nor on the executive team reporting to the New York Jurisdiction President of National Grid.” In addition, National Grid had not complied with an outside consultant’s recommendation in 2014, in conjunction with a management and operations audit, calling for National Grid to create a Chief Risk Officer role, as further explained in the First Quarterly Report (at 14).

In short, National Grid should be taking a fresh look at its U.S. Gas compliance and risk management in order to implement best practices, rather than agreeing to a SOW which at the outset scopes such a critical project for limited, incremental efforts building upon a failed model.

Third, the SOW is vague and general, and the brief “Customer deliverables” read in their entirety as follows:

1) Risk & Control Framework

- i. Support for the rapid development of an enhanced risk and control framework with the Customer’s BUs and Functions in the UK and US to demonstrate progress at the September 2020 Audit Committee.
- ii. Support to ensure the above activity is part of a structured improvement stream of work to co-create risk & controls between 1st & 2nd Line of Defence (LOD), which are continuously improved, tested and stored in the Archer system and the embedded understanding and capabilities in the 1st and 2nd LOD.

2) 2nd Line Re-Design

- i. Support for the analysis, design and embedding of a high performance 2nd LOD, in line with the Customer’s end-state expectations, in partnership with each BU and Function, in parallel to assessing and designing an effective 1st LOD.
- ii. Support for an effective 3 LOD (focusing on 1st & 2nd Line) operation covering people, process and technology and the day to day performance, operating approach and ways of working to enable a truly business owned and engaged approach to risk management where 2nd and 3rd lines can focus on their key roles.

3) Future State Design

- i. Support the development of a clearly defined end-state for risk management in the 1st and 2nd Line that will create a dynamic and embedded approach to reduce potential risk issues, cost and complexity.
- ii. Support the design and embedding of enhanced corporate governance and risk framework (inc. risk appetite, emerging risk, insights and reporting, risk culture).

4) Enabling Change

- i. Coach and support a structured change management approach to align and engage key stakeholders and the broader risk community on a journey to embedded risk management.
- ii. Support the set-up, Terms of Reference, agendas, approach and running of a programme Steering Committee and Design Authority.
- iii. Support the broader transformational change around agility, role modelling, learning mindset & culture and develop compelling narrative for employees, regulators & customers that reinforces that risk management is embedded.

Absent is any “statement of work” to be performed by KPMG that directly addresses National Grid’s implementation plan submitted to the PSC on April 27, 2020, including (as stated in a recent interview of National Grid’s U.S. General Counsel, Keri Sweet-Zavaglia) that this project will provide an independent assessment of the risk and compliance enhancements that National Grid intends to make in the U.S., and will lead to the establishment of a dedicated U.S. Compliance Officer with suitable responsibilities and resources for compliance testing.

In light of the above concerns, I suggest that National Grid revisit the terms of its SOW with KPMG accordingly.

Sincerely,



Adam H. Schuman

Cc: Cynthia McCarran, Deputy Director, Office of Electric, Gas and Water, DPS
(cynthia.mccarran@dps.ny.gov)
Brandon Goodrich, Assistant Counsel, DPS
(brandon.goodrich@dps.ny.gov)