PSC Completes Audit of National Grid’s Statewide Operations

Management & Operations Audit Focused on Construction Planning, Operational Efficiencies

Utility Directed to Implement 24 Audit Recommendations

ALBANY — The New York State Public Service Commission (Commission) today approved an implementation plan for the Commission-adopted recommendations in the recently completed management and operations audit of three National Grid USA subsidiaries: Niagara Mohawk Power Corporation, the Brooklyn Union Gas Company or KEDNY, and KeySpan Gas East Corporation or KEDLI. Further, the Commission mandated that National Grid USA’s subsidiaries comply with the provisions of that implementation plan. The audit focused on construction program planning and operational efficiency.

“Our audit closely examined the utilities’ readiness to deliver service for New Yorkers, response to New York’s clean-energy initiatives, the effectiveness of its gas safety processes and procedures, and how these companies plan for and manage information systems projects,” said Commission Chair John B. Howard. “We also reviewed issues from previous management and operations audits that require follow-up review, such as organizational structure, project estimating processes, and work management processes to improve operations and service for customers.”

The Commission’s management and operations audit program includes regular comprehensive management and operations audits, focused operations audits, and statewide utility comparisons. The law provides the Commission the authority to conduct management and operations audits of natural gas and electric utilities. For large electric and natural gas utilities, the law requires such audits at least once every five years.

This audit is a second cycle management and operations audit of National Grid USA’s Commission-regulated subsidiaries. National Grid USA has three operating utilities in New York State. Niagara Mohawk provides both electric and gas service across a wide portion of upstate New York. KEDNY provides gas service in portions of New York City. KEDLI provides gas service on Long Island and a small area of New York City.

The Commission’s oversight of National Grid’s implementation of audit recommendations commenced with its acceptance and public release of the final audit report on November 19, 2020. National Grid submitted an implementation plan to fulfill these recommendations on December 21, 2020. In its action today, the Commission approved the companies’ implementation plan in response
to the final report, which has been reviewed by Staff subject matter experts to ensure all of the plan’s guidelines and deliverables satisfy the report’s recommendations and findings.

National Grid is expected to make the necessary changes that will improve performance and to demonstrate executive-level commitment to this process. Recommendations being implemented include the following:

- **Corporate Governance:** The audit found that the National Grid USA board of directors should exercise greater authority and oversight and make improvements to monitor governance compliance matters. National Grid will establish an external strategic advisory board for the New York companies comprised of independent, outside senior leaders with expertise in the areas of clean energy, business development, customer service and government policy to advise on strategic policy decisions;

- **Information Systems:** The audit recommended that National Grid evaluate the management oversight and performance management of information systems functions. National Grid will put in place a dedicated New York Chief Information Officer to oversee information systems investments for the New York companies; and

- **Electric System Planning:** The audit found that National Grid’s upstate utility should incorporate the non-wires alternatives (NWA) project development and solicitation process earlier in its capital planning process, and better integrate the consideration of these projects into its processes. National Grid has responded by instituting changes to consider NWA opportunities earlier in parallel with traditional projects and at all stages of the overall capital delivery process.

In the area of performance management, National Grid will identify metrics related to grid modernization and environmental goals and include those in performance and incentive compensation programs for relevant employees.

Today’s decision may be obtained by going to the Commission Documents section of the Commission’s Web site at www.dps.ny.gov and entering Case Number 18-M-0195 in the input box labeled "Search for Case/Matter Number." Many libraries offer free Internet access. Commission documents may also be obtained from the Commission’s Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500). If you have difficulty understanding English, please call us at 1-800-342-3377 for free language assistance services regarding this press release.

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