

SO-TO Expert Group 22 Meeting Notes
Wednesday April 16, Millbank
10:30 – 13:30

Present:

Richard Haigh	Ofgem Betta Project (Chairman)	RH
David Nicol	SPT	DN
Leslie Burns	SPT	LB
Nigel Brooks	NGC	NB
Phil Lawton	NGC	PL
Mike Lee	NGC	ML
David Densley	SHTL	DD
Mike Barlow	SHTL	MB
Alec Morrison	SHTL	AIM
Peter Wibberley	Ofgem Betta Project	PW
Anthony Mungall	Ofgem Betta Project	AM
Patrick Smart	Ofgem Betta Project	PS

Apologies:

Bridget Morgan Ofgem Technical

Introduction and minutes of last meeting

1. RH introduced the meeting and apologised for the late circulation of papers. MB and DN expressed concern at the late circulation and pointed out that it gave very little time to read them and therefore restricted the amount of useful advice they could provide at the meeting. DN asked if there were any timescales which could be established in order to prevent recurrence of the problem. RH undertook to redouble efforts to ensure that minutes were circulated within 5 working days, however he did not believe that Ofgem could give firm commitments in respect of the circulation draft STC text. RH explained that draft STC text is subject to internal development and review and is updated on a regular basis. Whilst this text is only intended to be illustrative of the drafting to be included in the STC, it makes sense for the versions provided to STEG members to be as reflective as possible of Ofgem/DTI's thinking at that time. MB explained that he wasn't looking for time to consult with colleagues and undertake in depth analysis, rather just sufficient time to read all of the drafting provided. RH acknowledged the point but emphasised that this text was intended to capture Ofgem/DTI's conceptual thinking and would be revisited many times before it would become part of the final STC. Ofgem would seek to ensure that wherever practicable, papers were circulated in time for their consideration prior to the meeting.
2. LB identified a typo in para 31 of the minutes of STEG 21. RH invited further comments on the minutes after the meeting.

Update on Progress

3. RH explained that Ofgem/DTI had, for the time being, largely drawn a line under development of draft STC legal text which will be included in the May consultation paper. This will include a section, referred to as Parties and Participation, which will cover some of the more governance related matters such as the constitution of the STC Panel and the change management procedures. RH stated that Ofgem/DTI are more

inclined to seek advice from the STEG participants on the technical sections of the STC, the likes of which they have already circulated, than on some of the governance related matters. RH asked if STEG members would like to see drafting of the Parties and Participation section of the STC prior to the next meeting. LB stated that he would.

4. MB asked if the other sections of the STC that have previously been circulated to STEG would be attached to the May consultation paper. RH confirmed that drafting based upon the text discussed at STEG would be included subject to statements which made clear that they represented snapshots of work in progress.

Asset Planning and Availability of Assets

5. RH stated that the May consultation paper will explain what it is that TOs will make available to the GBSO and that this could be split conceptually into:
 - assets capable of transmitting electricity.
 - information relating to those assets.
 - ancillary equipment which allows transmission to take place in an appropriate manner (which might be combined with the first category) and
 - the means by which the system to be reconfigured.
6. RH explained that Ofgem had yet to decide whether these 4 elements should in fact be 3 by merging the first and third bullets into one broader definition of “assets”. The general idea is that Ofgem wants the availability of assets section of the STC to capture conceptually the things that the GBSO will require from the TO in order to allow it to operate the system in an economic and efficient manner.
7. PW asked if the definition of ancillary assets included the means of providing information as well as equipment to allow the system to be reconfigured and other things? RH replied that it may cover all 3 but this had yet to be decided. He gave the example of protection equipment, which may be considered as a means of automatically reconfiguring the system, as PW himself had pointed out in a prior meeting.
8. MB agreed with the understanding of availability of assets comprising of assets which transmit, information on those assets and the means of reconfiguring. However, he explained how he could see these concepts being spread around the various section of the STC. MB continued that if Investment Planning is to be thought of as the means by which a change to the detail of the available assets is brought about then this may make for complications in capturing the effect of an investment plan within the STC.
9. RH explained that it was currently being proposed that the operational availability of assets section of the STC will set out that which the TO is to make available on the basis of the above concepts. Ofgem/DTI expect that the TO will provide the GBSO with an inventory of these available assets and the Investment Planning section of the STC will set out the process that TOs will follow in bringing about change to the assets covered in that inventory. PW asked if the STC would set out the principles of asset availability or would it set out some of the detail of the assets. RH was not sure at the time.
10. LB expressed concern at Ofgem’s proposed way forward on availability of assets in respect of the data that the TOs would be expected to provide. LB understood why the GBSO would need information on the potential outputs and timescales associated with

assets, but he could not see any reason why the TO should be required chapter and verse on every single piece of equipment. PL drew the analogy of an MOT, where one needs to know that the brakes are there and they work but not necessarily who manufactured them. He continued that inevitably there would be a gray area where GBSO and TO may disagree on whether it is necessary to provide certain pieces of data, particularly when an asset starts to become depleted and becomes a candidate for removal from service. RH indicated that he believed that it would be necessary to identify what data was needed by the GBSO and to make sure that this was made available in relation to the things provided by the TO. Whether this was “chapter and verse” or a small subset of information depended on what was actually needed to do the job. This was, as yet, undefined and the approach being proposed for the STC was not intending to pre-judge this.

11. RH suggested that STC will provide for the revision of capabilities of assets further to a limitation of capability or when the asset is removed from service altogether. RH continued that he would expect the STC to make provision for the concepts of nominal and operational capability, nominal being normal operating conditions and operational being that which applies under actual conditions. If there is a limitation on an asset then the operational capability will fall below the nominal capability and the GBSO should be required to operate within the limitation. The STC should also give the GBSO the right to be involved in some way in an investigation as to why the limitation is in place and also should define what should happen to the GBSO if the capability of an asset is exceeded. RH suggested that as had previously been discussed, the proposal was that assets should be made operationally available at their nominal capability unless there was a planned or an unplanned outage (the latter perhaps in some cases being triggered by an alarm). To the extent that new investment was required as part of the remedial action to restore capability, it was recognised that these new investments would need to be developed in conjunction with the other investment developed in the investment planning section of the STC. He did not believe that exactly where things were written down was overly important at this stage – although it was necessary to understand where one process needed to fit in with another.
12. NB noted that this seemed a sensible approach in general but warned against writing too hard a procedure into the STC as in reality, improvements to the capability of the system could be brought about by minor investment at short notice which may not necessarily change the asset base. NB gave the example of installing a fan next to an overheating transformer coil. Temporary and permanent changes to asset ratings need to be provided for.
13. RH acknowledged the point but maintained that the concepts of availability of assets and bringing about change to those assets through the investment planning process hold true. PL gave the example of where a DAR needs to be switched out which, even though it the circuit may still be at full capability, restricts its operational parameters. DN responded that the capability of an asset is made up of many different factors and the presence or otherwise of an operational DAR would be one such non-numeric factor. RH agreed and suggested that operational capability must take account of normal and abnormal operating circumstances.
14. ML asked who decides whether a down rating is temporary or permanent. RH questioned whether that was relevant. At some point there would be changes to the overall capability of the assets provided by the TO and their incentives will determine the action that they take in response to those changes whether they be temporary or

permanent. ML stated that in the existing regime the question of whether investment is undertaken is answered through cost benefit analysis. How will this be addressed when the relevant information resides in two separate organizations instead of one?

15. DD responded that the situation under BETTA becomes more clear cut in that if the GBSO asks the TO to invest in a particular area then the TO will be more than likely to undertake that investment because the fact that the GBSO has asked for it would seem to present a compelling case for its inclusion in the RAB at the next price control review.
16. NB stated that the definition of normal asset capability is key to this debate and it may be very complex and will involve many different factors. PL suggested that, from a GBSO point of view, if an asset is restricted for whatever reason he would like to see it returned to its pre-fault rating rather than re-rated. MB stated that this all forms part of the TO's licence condition to provide an efficient and planning standard compliant system. If a fault occurs then the TO must restore normal service or face possible breach of that condition.
17. PL acknowledged that there will be obvious cases where a serious fault has occurred e.g. a stretch of line has fallen down where the TO will invest in restoring full capability but he also suggested that there is bound to be a gray area around more minor faults where it was uncertain as to whether the TO would make the necessary investment.
18. NB drew the analogy of the car that runs perfectly but when you turn it off it will not start again for at least half an hour. Is it down to the person who provides the car to resolve the problem or could it be left in the restricted state? RH responded that an assessment of the extent of the inconvenience of the fault and the cost of fixing the fault would determine the outcome of that dilemma. PW suggested that if the fault is part of the planning standard compliant system that is handed over to the GBSO from the outset then it could be left as it is, if not it should be fixed. RH stated that whether or not the restriction is temporary or permanent is irrelevant, the decision on whether the TO should invest should depend on the outcome of cost benefit analysis.
19. NB stated that the undertaking of this analysis and how the eventual decision is taken based on the outcome of that analysis is fundamental to this process. RH responded that this issue applies across the whole of the interactions covered by the STC. NB suggested that he would to examine the bigger picture of investment planning beyond that set out in the circulated text, which takes into account other inputs such as new connections and how decisions will be taken in those circumstances. RH suggested that this all relates back to the question of whether we set out in the STC the things that transmission licensees have to take into account and how hard they have to try or whether we require them to act in accordance with their statutory and licence obligations. If we attempt to set out everything that an STC party will have to do in order to satisfy these obligations, the resulting set of considerations will be both incomplete and probably in some respects inappropriate. As had been previously discussed at STEG, RH did not believe that such an approach was possible in the timescales available, and even if it were, it would still not be desirable. By requiring the STC parties to act in accordance with their licence obligations and with the "greater good" principle set out in section 9 (2) of the act, then all decisions should be aimed at delivering the optimal solution for the market as a whole rather than for the individual licensee. RH acknowledged the STC must provide for the exchange of information such that appropriately informed assessments and decisions can be taken.

20. NB agreed with this statement, but asked what task the investment planning process is attempting to perform. He suggested that it would need to take account of new connections and load growth but the process set out in the text appeared to be very “plan based”. RH asked how the task would differ from that which faces the transmission licensees today? NB responded that in England and Wales there has been a high number of new connections to the system in recent years and he guessed that, due to the development of renewables in Scotland, the Scottish Companies may have experienced something similar. NB suggested that the process that we have set down would not appear to be capable of dealing with these levels of activity.
21. RH responded that if we can get the concept of what it means to make assets available right then it doesn’t matter whether it be new connections or some other driver but we still have to turn the investment planning handle. LB suggested that the circulated drafting handled new connections in a broadly appropriate manner.
22. MB said that, whatever procedures are in place, the TOs will be under an obligation to do the right thing for the greater good. The investment planning process needs to ensure that there is clear mechanism for this to take place, regardless of timeframe, and that the TO can receive sufficient data in order that it can fulfill its obligation. RH agreed but acknowledged that there will be instances where agreement on the appropriate action can not be reached in which case a default position needs to be established. In the case of investment planning it is the TO’s view which prevails and in relation to operational matters the GBSO’s view will prevail but both decisions are to be subject to possible referral for determination. MB suggested that a lack of knowledge on either side should not be grounds for the raising of a dispute. This should only occur where it is considered that a party is failing to meet its “acting for the greater good” obligation.
23. NB asked why, if we are relying on the greater good, does the circulated text on investment planning appear to be so prescriptive in areas such as timescales. RH agreed and suggested that it may be possible to do without an STC altogether and just require the transmission licensees to perform in accordance with 9 (2) and then let them get on with it. RH said that Ofgem/DTI’s view is that it may be helpful to predefine certain procedures in order to provide an overall framework within which the STC parties can operate.
24. NB said that he would like to look at the investment planning text and how it fits in with the bigger picture and the overall purpose of the STC.

Draft STC text on Asset Planning

25. RH explained that the asset planning procedure should apply to all of the assets which are made available in accordance with the concepts outlined earlier (assets which convey, means of providing information, and means of reconfiguring). DN stated that transmission licensees would not plan ancillary equipment, such as protection equipment and breakers, 5 – 7 years ahead of real time. LB agreed and suggested that the extent of the detail that seems to be required is excessive. RH accepted the point stating there should levels of detail appropriate to the timescales.
26. NB expressed concern at use of the word “indication” in the wording in that it could mean all things to all men and may not allow for the provision of sufficient information to enable the process. LB said he believed that the word “indication” reflected the

certainty of the information at 7 years out. DN stated that the wording needs to reflect what can be realistically provided in these timeframes. MB added that the plans would be refined as they moved closer to real time and would not “store up a problem”.

27. RH stated that the draft text attempts to establish the information which needs to be exchanged and in what timescales. PL suggested that the sentiment of co-ordination between investment plans and also with outage planning needs to be captured within this text. LB suggested that the investment planning and outage planning procedures may run in parallel and converge in certain instances. RH agreed and that process will need to set where they interact. NB proposed that instead of the word “indication” the text should refer to a sub document procedure. PL suggested that it should make it clear that at any stage sufficient information is exchanged (and analysis undertaken) to demonstrate that the proposed works are not mutually incompatible.
28. LB suggested that in relation to the question in the footnote on clause 1.1.1, it should refer to just primary assets in those timescales (ie 7 years out). He also said that the wording appears to address additional investment in the system but not removal and asked if this was intentional. RH responded that it was Ofgem’s intention for the asset planning section of the STC to cover removal as well as construction in fact any change to the things provided by the TO to the GBSO.
29. DD noted that the information set out in clause 1.1 seems to be akin to the SYS and asked if the GBSO would be taking this information from all 3 TOs and stapling it together to produce a SYS, or would they be producing their own commentary based on the information provided. If it was the latter then this raises concerns as it gives the GBSO the opportunity to discriminate in favour of its affiliated TO business. DN asked if the GBSO could exclude information that a TO had provided to help pull together the SYS? RH asked if a TO would allow information on the possible closure of generation plant belonging to an affiliated company to go into the SYS? DN suggested that these issues may result in production of a public and a private SYS. RH suggested that the SYS under BETTA, in relation to the Scottish networks, may be less informative than it is now, reflecting the “mechanistic” manner in which the E&W SYS is developed in the current E&W marketplace. In any event, it was recognised that the TOs would need to have some input into the development of the SYS. It was noted that SYS related issues needed to be addressed, but that this was outside the direct scope of the current discussion.
30. In relation to clause 1.2.1.2, LB asked what were the types of issues which could not be agreed? The investment plan would take account of investment included in the price control view and as such would not appear to be up for debate. RH stated that inclusion in the price control calculations was not necessarily a sign off of an exclusive list of the work that is to be undertaken in the 5 year period. Planned works change and should be open to challenge hence the right for referral of disputes in relation to specific investments.
31. DD commented that drafting of disputes appears to leave the possibility of Ofgem micro-managing investment plans. He also questioned what vires Ofgem would use to determine upon that dispute. A dispute could only be raised if a party was not planning its system in accordance with its licence conditions and the 9 (2) greater good principle. It would appear therefore, that in determining upon that dispute it would have to be placed in the context of its planning standard licence condition. DD asked what form of action could Ofgem take if it decided to uphold such a dispute. PL suggested that the

only thing it could do would be to withhold allowable revenues, which again would be performed through the licence. DD proposed that the right to dispute investment decisions should not reside in the STC but rest, as is currently the case, as a matter for licence enforcement.

32. RH acknowledged that the last thing Ofgem want to do is to determine upon disputed investment plans. However, it should be noted that the potential for disagreements on those plans will increase given that they will be provided to the GBSO, who will be expected to operate the installed assets at some point in the future, as opposed to the general public. DD responded that if the GBSO really wanted an investment changing then the TO is unlikely to say no as it could use the GBSO's pleas as justification to Ofgem for inclusion within the RAB. RH noted that this could not be taken as a guarantee that it will be included within the RAB. RH drew the analogy with the CUSC where disputes are referred to the authority on the application of the charging methodology which is itself covered in a licence condition. RH also suggested that it would not be in anyone's interests to constantly raise disputes on proposed investment plans.
33. RH commented this discussion raises the issue of whether the STC is viewed as an enforceable contract between transmission licensees or as a regulatory code.
34. In relation to clause 1.2.1.2, DN said that the current form of words suggests that the STC parties will agree procedures for co-ordination every year which is unlikely to be the intention. RH agreed. DN also noted the reference to a specific procedure to deal with the production of an agreed plan, which does not appear to be consistent with the approach previously adopted whereby the STC parties draw up whatever procedures they deem necessary to allow them to meet their higher level obligations. RH acknowledged the inconsistency and that Ofgem had yet to decide on the best way to refer to the procedures within the Code. He noted that it came back to the issue of the extent to which Ofgem should be spoon-feeding the parties or alternatively left to sort things out amongst themselves.
35. RH asked if there were any more general comments on the drafting on asset planning. NB noted that this is a living, ongoing process and the drafting needs to capture this. MB noted this comment but requested that we don't go too far the other way. The annual review and planning process needs to be maintained.
36. MB noted that insofar as data exchange was concerned (clause 1.3 of the drafting), TOs would need access to much more information from the GBOS than simply that gathered from users under the Grid Code – i.e. the TOs would need SO generated information as well. This point was accepted, although exactly what data was needed was yet to be fully defined.
37. On a more general note, RH asked the group if they were content with the way they were working ie we draw up text, circulate it and discuss at monthly meetings. He asked if the group would like to meet more frequently?
38. MB noted that it was important that STEG takes account of the progress of the development groups and that text should be fed back to them to ensure that we are pulling in the same direction. NB suggested that STEG invites representatives from relevant development groups to the next meeting. RH suggested that the focus of the development groups should now move on to deliverables and the timescales for those

deliverables. DN suggested that STEG could help the development groups to prioritise their work in production of those deliverables. RH noted that the original idea was to focus on the “big ticket” items such as the control room question and on systems development. AIM stated that groups had set out their process against which they will attempt to deliver. How realistic that process is, no one really knew due to the uncertainty of the magnitude of the task.

39. DN noted that in relation to the Data Exchange development group, they were confronting issues relating to access to data as a result of the GBSO having the direct contractual relationship with the user for connections. As final point on the asset planning drafting, LB noted that clause 1.6 refers to a request for change to the plan when it would be more appropriate to refer to it as a proposal.

Next STEG meeting

40. Wednesday 30 April at Ofgem’s offices in Glasgow (10:30 – 13:30).