

Reliability and Safety Outputs Working Group – 25 August 2010

Reliability and Safety Outputs Working Group	From Date and time of Meeting Location	Ofgem 25 August 2010 1-5 pm Ofgem Conference Room 1 – Millbank, SHETL Offices Perth (via videoconference)
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1. Present

1.1. A full list of attendees is shown below.

John Mackay	Ofgem
Brett Everett	Ofgem
Daniel Newby	Ofgem
Nicola Cross	Ofgem
Paul Branston (items 7 and 8 only)	Ofgem
Paul O'Donovan (items 7 and 8 only)	Ofgem
Hedd Roberts	NGET/NGG
Michelle Clark (items 5 and 6 only)	NGET
Ursula Bryan	NGET
Alan Michie	SPTL
Stephen Murray	SPTL
Angus Campbell	SPTL
Aileen McLeod	SHETL
Landel Johnston	SHETL
Julian Delic (items 5 and 7 only)	HSE
Bill Bates (items 5 and 7 only)	HSE

2. Apologies

2.1. Alex Murley (RenewableUK), Barbara Vest (AEPUK)

3. RIIO and the Framework for setting outputs in TPCR5

Ofgem provided an overview of the outputs-led framework to be implemented for TPCR5.

4. Purpose of this working group (including timetable)

4.1. Ofgem outlined the purpose of this working group including an indicative program of work, timetable and terms of reference for the group (including that the group is a forum for discussion and is not a decision making body).

5. Electricity safety –primary outputs and secondary deliverables

5.1. Ofgem and the TOs presented progress on developing consolidated outputs for safety in the areas of public safety, asset management and staff safety.

5.2. It was noted that all TOs measure staff safety for internal reporting using the frequency of safety incidents. It was also argued that including a measure of severity

can dilute the message of safety performance. In addition one participant questioned the value of severity as a useful measure of safety performance.

- 5.3. The working group discussed the importance of understanding failure modes in safety performance. It was noted that Asset Health Indices (AHI) provide a useful measure in this respect.
- 5.4. The working group discussed whether there should be a financial incentive placed on safety outputs as part of the price control. It was noted that TOs are required to comply with all legal safety requirements and always endeavour to outperform against safety targets. It was also noted that incentives placed on outputs such as customer minutes lost can have an impact on safety unless appropriate exclusions are included in the measurement methodology.
- 5.5. It was noted that the group has experienced difficulty in developing an overall meaningful metric for safety performance.

Action

TOs to consider comments from the working group and further develop their safety straw man. This will be provided to the HSE for their comment.

Person - By

*TOs, HSE – 7
September 2010*

6. Electricity reliability - primary outputs and secondary deliverables

- 6.1. Ofgem and the TOs discussed progress made on developing a primary output around energy not served (ENS) for NGET, SPTL and SHETL. Specific issues that were discussed included:
 - treatment of 132kV networks in remote areas of Scotland that are designed to a lower level of security;
 - avoiding duplication of engagement with customers by Ofgem and TOs on the levels and incentives to be developed for ENS; and
 - how to deal with the volatility and small database of statistics on loss of supply events.
- 6.2. Ofgem noted the preliminary work on developing secondary deliverables based on the TO's Network Output Measures (NOM) Methodology.

Action

Ofgem agreed to provide comments on the TOs proposal on a joint methodology for estimating unsupplied energy.

Person - By

*Ofgem- 3
September 2010*

7. Gas safety –primary outputs and secondary deliverables

- 7.1. Ofgem and the TOs presented progress on developing gas safety primary outputs and secondary deliverables.

Action

TOs agreed to provide details of their gas safety straw man to the HSE for their comment.

Person - By

TOs, HSE

8. Gas reliability – primary outputs and secondary deliverables

- 8.1. Ofgem and the TOs discussed progress on developing primary outputs and secondary deliverables for gas reliability.

- 8.2. It was noted that there is the absence of a measure similar to ENS used in electricity transmission.
- 8.3. The group discussed how best to define primary outputs and secondary deliverables in the context of the reliability of the gas transmission network.

Action

The group agreed to hold a further meeting dedicated to gas reliability outputs on 7 September 2010.

Person - By

*All – 7
September 2010*

9. Congestion

- 9.1. Ofgem outlined the key issues to be considered in developing outputs for congestion on the electricity transmission network.
- 9.2. The working group discussed Frontier's recommendations for incentivising an efficient level of constraints in electricity transmission. It was noted that the ultimate outcome being incentivised is minimising the Net Present Cost of constraints plus network investment.
- 9.3. It was noted that a key issue is how to anticipate and incentivise a lowest Net Present Cost outcome in an environment of significant uncertainty (for example uncertainty around future generating capacity).
- 9.4. The group discussed the work required to enable moving from the deterministic criteria in the SQSS towards a cost/benefit investment model, and also how exceptions to the SQSS arise. It was noted that:
- both inter and intra regional investments are covered by the SQSS;
 - there is an existing process in place to deal with derogations from the SQSS; and
 - the area of residual uncertainty in the current framework is the 'connect and manage' framework and the treatment of anticipatory investment.
- 9.5. The group discussed ways of separating anticipatory from definitive investment. For example a distinction could be made between investments for which generating capacity has been contracted and those that have not been contracted.
- 9.6. However this is complicated in cases where reinforcement projects are intended to address both local growth and congestion requirements.
- 9.7. The group discussed three potential approaches for a regulatory framework to deal with anticipatory investment:
- Using the Electricity Networks Strategy Group (ENSG) to better engage with stakeholders. This could also involve greater engagement between the TOs and Ofgem on what stages of a project need to be delivered by when.
 - TO incentives around rate of return on anticipatory investment, which could reward good forecasting and investment decisions, whilst capping the risk of stranded investments.
 - Placing an overall incentive on the level of constraints.
- 9.8. The group also discussed short-term management of constraints and the scope for incentivising availability to address constraints (for example through outage planning).

Action

TOs to further consider and develop a proposal for incentivising anticipatory investment to address constraints. This will be circulated and discussed at the next working group.

Person - By

*TOs – 7
September 2010*

10. Date of next meeting

TOs agreed to consider the proposed meeting dates (9 September, 30 September, 21 October) and advise Ofgem of their availability.