

RIIO-T1¹ outputs working group: Environmental impact and customer satisfaction/conditions of connections

Note of second meeting – 8 September 2010

1. Introduction

1.1. The second meeting of the group was on Wednesday 8 September 2010. See Annex A for a complete external members list.

1.2. Ofgem introduced the meeting re-iterating key features of the terms of reference for the group and the draft programme setting out the objectives for the different meetings.

1.3. Ofgem emphasised the need to build on the productive and wide-ranging discussion from the previous meeting. This would make sure that the second meeting started to feed in to identifying primary outputs and leading to the third meeting being able to discuss what to do with the outputs, how much each matters to users/customers, interrelationships, trade offs etc.

1.4. The group re-iterated its interest in having transparent access to the membership and work of the TPCR5 reliability/availability group and potentially the GDPCR2 groups. This recognises that the terms of reference is clear that some related issues are being discussed by that group. The first note of the reliability group is expected to go onto the Ofgem website by the end of the week (same timeframe as with the first note from this group).

Action: Ofgem would add the notes of the first meetings of the groups to the website and make sure that the Ofgem leads are aware of potential overlaps or other cross group interests.

2. Environmental impact

Introduction

2.1. Ofgem introduced the section. The discussion followed the classifications agreed at the previous meeting (network internal/network external/broad environmental impacts). As agreed then given the limited time at the last meeting spent on the broad measure this was the focus of the discussion.

Broad measure

2.2. Outputs reflecting the broad environmental impact relate not to the environmental impact of the network but instead its contribution to changes in the wider energy system. In particular this means changes consistent with meeting the Government's decarbonisation and renewables targets and reflecting the CCC advice around de-carbonisation of the electricity sector (2030) to meet the 2050 targets.

2.3. One member of the group noted that there were a number of overlaps between the outputs on environmental impact and connections/reliability and availability/customer satisfaction and suggested that it would be useful for the group to be clear on what would be covered in each output category.

¹ TPCR5 is now known as RIIO-T1

2.4. Ofgem presented the simple carbon mapping exercise that it had completed in advance of the session in line with the action agreed at the previous meeting. The group noted that the simple exercise provided an illustration of the potential gains in carbon reductions that could be achieved in the generation sector as compared with the networks. They therefore noted that the development of a broader measure of environmental impact could help to facilitate some of these gains.

2.5. A member of the group noted that the losses incentive might potentially discourage the development of this type of low carbon generation. In particular, they pointed out that as much renewable generation can be remotely located, a strong losses incentive could provide disincentives toward connection of this type of generation. The group recognised that it would be important not to create perverse incentives through any losses output.

2.6. The group discussed the range of mechanisms in place to encourage the energy sector as a whole to make changes e.g. renewables obligations, feed-in tariffs. It therefore recognised the possibility of double counting from adding outputs in this sub category.

2.7. The group recognised the regional differences in context where the Scottish TOs are predominantly connecting low carbon sources of generation while in England and Wales, National Grid have a wider mix of sources. It was also noted that in Scotland, local revenue drivers remunerated the transmission companies for extending the networks to meet new demand/supply.

2.8. An argument made was that as had been seen in distribution it is possible for a network company to make a new project unviable through policy choices and that this might be countered by a primary output in this area.

2.9. The distinction between 'renewables' and 'low carbon' energy sources was highlighted along with the different targets pertaining to each. The need for precision in definition around any primary output was recognised. There was also a view that any change to encourage network use for renewables might act at the expense of encouraging greater network use by low carbon sources.

2.10. As in the previous meeting, encouraging electricity networks to favour a particular generation source was not considered appropriate. The discussion considered whether there was a preference to allow an output to be developed which would favour a particular type of generation. In considering this, there was recognition that the key behaviours involved are the way the network companies deliver connections and make capacity available. It was recognised that where the reliability group needed to understand the environmental aspect, it was important for this group to discuss and for Ofgem to facilitate any interaction required.

Action: Ofgem would report to the group on progress/direction of the reliability and other relevant groups.

2.11. The group suggested that, given the 'connect and manage' changes, evidence of any problem in the network companies supporting different generation types might only be available some time after the new framework had come into operation. Until then the group recognised that it would be difficult to ascertain whether a problem exists. A suggestion was therefore made that it may be worthwhile undertaking a post-implementation review a couple of years after connect and manage became operational. This would allow a better understanding of whether the new regime had addressed some of the previously identified concerns surrounding the connections arrangements. It would allow consideration of whether a change was needed that was not covered by small changes made through code modifications.

2.12. The group also discussed whether there might be any merit in considering an output measure around priority dispatch for renewable generation. The general feeling was that the market arrangements in place already should provide for this as renewable generations would be able to submit higher bids into the balancing mechanism (BM) given the promise of a renewable obligation certificate (ROC) and that they would not have any fuel costs. However, the group noted that if constraint management were to lead to more renewable generators being constrained off, this would be a point of concern. They set out that this could be an area that could be looked into as part of the post-implementation review of the connect and manage arrangements as there would be a period of transition until the required wider reinforcement works were completed to remove potential constraints. The group noted the links to anticipatory investment and suggested this was an issue that should be outlined to the reliability and availability working group.

2.13. The group recognised there might be some benefit in considering outputs around the network meeting any specific technical requirements needed to support particular types of user. This might provide an incentive to make sure problems don't arise around particular users, including those for which the Government carbon and renewables targets apply.

2.14. The group said that the SQSS review was relevant to where TOs would invest and how. This was also relevant to the readiness of the technological interface between network and user. The group also noted the role that innovations funds could play in this area and suggested that there might be some merit in looking at the past performance of the IFI and the types of projects that had been progressed using this funding.

Action: Ofgem would look into the operation of the IFI in transmission and the types of projects that have been progressed to date.

2.15. The group recognised that network users new to the industry might have additional needs compared to current players but this was considered a matter for discussion in relation to the customer satisfaction output.

Action NG would present to the group on existing information requirements to users of the network.

2.16. A member of the group noted that, at the last meeting, there had been some discussion about the potential development of a separate output category related to low carbon targets but that it appeared that many of the issues relevant to this category have been threaded through other aspects of the regime. The group discussed whether it was sensible to at least collect data related to individual networks on the level of energy flowing sourced from renewables. However, distinguishing the networks role in facilitating the flow of low carbon energy was identified as a problem. Some members of the group felt that there was real importance attached to ensuring that we had a broader measure in place that would allow us to monitor what types of generation had been connected and the impact of this on the carbon content of energy flow on the system. A suggestion was made that this could represent a 'carrot' for companies to improve their performance in this area but that there should not be any equivalent 'stick' as the network company would not have control over the type of generation that connected.

2.17. Planning was identified as a key obstacle to network companies completing developments needed to support particular users including renewable and low carbon users. It was noted that gas networks already have a stick in relation to this as no slippage is allowed for planning issues. In gas payment continues but the transporter is exposed to the 'buyback' cost. In electricity, there remains concern to understand the implications of the new planning process.

RIIO-T1 outputs working group: Environmental impact and customer satisfaction/conditions of connections

2.18. The group considered the use of the well-justified business plan in reflecting plans to reduce carbon intensity.

Action: Renewables UK would consider how a potential broader measure linked to the carbon content of energy flow, reflected in business plans, could work in practice.

Visual impacts

2.19. Ofgem set out thoughts following discussions at the previous meeting. In particular, there was a recognition that there might be a need to broaden out the definition to include habitats and landscapes, in the form of a strategic environmental assessment. This would allow the network companies to look at the environmental impact of their plans ex ante and facilitate the development of their network at a high level and in a holistic way.

2.20. It was noted that under the RIIO framework there would be greater emphasis on consulting with local authorities and interested parties and that this should address some of the issues. They felt that it would be important that this primary output should not be the subject of penalties.

2.21. It was suggested that Ofgem's previous focus encouraged a balance favouring the lowest cost solution over the wider cost/benefits. Specific questions were raised about how considerations of visual and ecological impacts would fit with Ofgem's duties and also how these would sit with TO's licence conditions.

Action: Ofgem would consider implications of duties on this area and consider how business plans might be used to justify the right balance.

2.22. The transmission companies had produced a draft paper and Ofgem agreed to review this for the next meeting,

Action: Ofgem would review TO draft paper.

3. Social

3.1. As per the action from the first meeting, the group considered whether there was a need to have a social output because the 'connect and manage' arrangements was established as a public service obligation.

3.2. It was generally agreed that the group would not recommend a social output reflecting this but noted that if the terms of the obligation were altered then we might need to re-consider.

4. Connections

4.1. In considering the type of output(s) that might be applied in relation to connections the previous meeting's definitions were broadly followed. Time was split into pre-application, application and building works.

4.2. The group felt that information provision about connections could be better dealt with along with other information provision in customer satisfaction. Though it was noted that different consideration might be relevant around network users who were new to the industry.

4.3. At the first meeting broad similarities had been noted between electricity and gas in relation to the activities and existing obligations. In this meeting, gas was examined

in greater detail. In general the above was found to be correct but with many important distinctions including the absence of a specified time for pre-connection.

4.4. With focus on the time taken in the different phases of connection a key concern raised was that in some cases either a minimum time or an agreed specific project time might be bettered without a better outcome being produced overall (e.g. delivery in advance of connector readiness).

4.5. Three options were identified to be considered:

- no. of days target;
- 'reasonable endeavours' type qualitative measure; or
- Menu of options – allowing connectors to pay more for a higher quality (faster) connection or less for a slower than standard connection.

4.6. Variations based on improvements from a benchmark were also discussed.

4.7. The network companies had submitted a short paper on the connections outputs and Ofgem proposed that it would bring together the group's discussion and consideration of this paper in a table of possible outputs to be tested and developed at the group's third meeting.

Action: Ofgem would review TO paper and combine this with the discussions at the second meeting into a progress table on primary outputs in this area.

5. Consumer satisfaction

5.1. National Grid presented on their experience of quantitative and qualitative surveys of their customers.

5.2. A working assumption made by the group was that it was the type of methodology that could be extended to the Scottish Transmission companies in principle. However, it was noted that the SO/TO elements would need to be carefully separated. The qualitative assessment enabled NG to see where customers felt they performed well e.g. technical understanding and safety focus. It also identified areas where performance was judged less successful with room for improvement e.g. customer management and relations.

5.3. National Grid's survey categorised the following activities:

- connections and charges;
- regulatory frameworks;
- control room activities;
- outages; and
- contracts/settlements.

5.4. Using the definitions discussed at the first meeting of the group, National Grid confirmed that the customers involved in these survey's were 'direct customers' rather than the wider 'indirect customers' category.

RIIO-T1□ outputs working group: Environmental impact and customer satisfaction/conditions of connections

5.5. The group identified a future task of considering whether the quantitative survey was capable of use directly as a primary output and how a benchmark (pass/fail) level would be identified.

5.6. While there was some concern about having financial incentives in this area the telephony incentives in electricity distribution were highlighted.

5.7. The group discussed benchmarking connections information provision against construction KPIs.

5.8. The group also considered the other two elements of the stakeholder engagement broad measure developed for electricity distribution:

- complaints; and
- stakeholder engagement.

5.9. There was some concern about a complaints metric being used mechanistically for various reasons including small sample size and wide range of drivers of company reputation.

5.10. In relation to the stakeholder engagement the group felt that the starting point should be the same approach as in electricity distribution.

Annex A: Environment and customer satisfaction/conditions of connections working group. External contacts

Name	Organisation	E-mail
Brendan Murphy	AEP	BMurphy@aepuk.com
Paul Miner	CPRE	Paulm@cpre.org.uk
Murray Birt	CBI	Murray.Birt@cbi.org.uk
Alison Russell	Centrica	alison.russell@centrica.com
Tim Rotheray	CHPA	tim.rotheray@chpa.co.uk
Jonathan Purdy	EDF	jonathan.purdy@edfenergy.com
Laura Bartle	EON – Central Networks	Laura.bartle@eon-uk.com
Tim Russell	REA	tim@russellpower.co.uk
Tricia Wiley	REA	twiley@r-e-a.net
Alex Murley	Renewables UK	A.murley@renewable-uk.com
Guy Nicholson	Renewables UK	g.nicholson@renewable-uk.com
Jonathan Scott	Rio Tinto Alcan	jonathan.scott@riotinto.com
Eddie Proffitt	MEUC	eddie.proffitt@gmail.com
Keith Davies	Countryside Council for Wales	k.davies@ccw.gov.uk
Bill Band	Scottish Natural Heritage	bill.band@snh.gov.uk
Pauline McCracken	National Grid	Pauline.mccracken@ngrid.com
Hêdd Roberts	National Grid	hedd.roberts@uk.ngrid.com
Suzanne Reid	National Grid	suzanne.reid@uk.ngrid.com
Mike Thorne	National Grid	mike.thorne@uk.ngrid.com
Aileen McLeod	SHETL	Aileen.mcleod@scottish-southern.co.uk
Victoria Hunter	SHETL	Victoria.Hunter@scottish-southern.co.uk
Iain Anderson	SHETL	Iain.anderson@scottish-southern.co.uk
Landel C Johnston	SHETL	Landel.c.johnston@scottish-southern.co.uk
Alan Michie	SPTL	Alan.Michie@SPPowerSystems.com
Joe Dunn	SPTL	Joseph.Dunn@SPPowerSystems.com
Angus Campbell	SPTL	Angus.Campbell@SPPowerSystems.com
Stephen Murray	SPTL	Stephen.Murray2@scottishpower.com
Scott Mathieson	SPTL	scott.mathieson@scottishpower.com