

TPCR5 outputs working group: Environmental impact and customer satisfaction/conditions of connections

Note of third meeting – 29 September 2010

1. Introduction

1.1. The third meeting of the group was on Wednesday 29 September 2010. See Annex A for a complete external members list.

1.2. Ofgem introduced the meeting highlighting the objectives for the meeting. In particular 'to try to come to a view or views on primary outputs' and then identify the resulting work to be done to inform Ofgem for its December 'initial strategy' consultation. The latter would include at least the principles behind the nature of incentives, target levels, measuring current performance levels and interactions/tradeoffs with other primary outputs.

1.3. Ofgem recognised the need to consider the primary outputs considered in this group with the other output categories and it would look at the possibility of a meeting of stakeholders to consider the outputs from the different working groups.

Action: Ofgem would consider a possible meeting to consider all the output categories in November. (proposed date 22 November 12:30 – 16:30)

1.4. For each of the output categories Ofgem provided tables reflecting the discussions to date in draft to aid the discussion. These are set out at the start of each section below.

2. Environmental impact

Type of impact	Primary outputs	Secondary deliverables	Still to be resolved
Broader issues around overall de-carbonisation/renewables targets	➤still considering system wide carbon measure – for discussion today but no primary output established	➤still considering system wide carbon measure] ➤still considering technical compatibility	➤How to measure any primary output/secondary deliverable ➤Checks on conclusions on other output categories ➤Any financial incentive
Internal business impact Business carbon footprint SF6	➤BCF ➤SF6 measure	➤None identified to date	➤How to reflect trade off between BCF and facilitating new connections /improved reliability ➤Basis for financial incentive ➤Target level (principles)
External impact Visual amenity & noise	➤in strategic environmental assessment and business plan] ➤no primary output?	➤None identified to date	➤What should business plan guidance say in this area

Broad environmental objectives

- 2.1. Renewables UK presented to the group. This presentation reflected thinking started during the RPI-X@20 project.
- 2.2. The presentation highlighted the importance of the targets and objectives in place in relation to renewable generation as part of the energy mix and de-carbonisation. It highlighted that it was important to take the right decisions now.
- 2.3. The group then discussed the degree to which network companies might act as an obstacle to the achievement of these objectives.
- 2.4. Some in the group highlighted the key determinants being outside network companies control e.g. dependent on the operation of the energy market. Others were concerned that it was important to have some way of discouraging network companies from acting as a constraint to low carbon generation. The need to be clear about what would fall within the SO responsibility and what the TO responsibility was highlighted. In particular, the group felt that we should consider how to overcome the difficulties that could be caused in co-ordinating TO and SO responsibilities to deliver the right overall outcome.
- 2.5. The group recognised that both renewable and low carbon objectives needed to be sorted out and that perverse incentives 'doing one thing at the expense of the other' should be avoided. Trade offs were discussed in relation to the incentive to reduce losses and the incentive to enable more generation generally particularly renewable generation.
- 2.6. Ofgem agreed in its presentation that the key decisions about make up of generation was outside the TO control and partly outside the SO control, where the workings of the energy market determines.

Action: TOs to consider for presenting to the next meeting aspects within and outside their control that might play a part in helping or hindering the attainment of the renewables and de-carbonisation targets. Some to consider included anticipatory investment, connections process and availability.

- 2.7. The SQSS review was identified as a key interaction with this with planned final conclusions in Spring 2012.

Emissions

- 2.8. While many saw merit in principle in including this, the group generally favoured arrangements that were simple to manage and wondered whether sufficient mechanisms were already available. The group recognised the need to understand the interaction with the Carbon Reduction Commitment and the Emissions Trading Scheme in any measure.
- 2.9. When considering losses (a significant proportion of network carbon emissions losses were split into losses due to electrical use and network losses). It was noted that network companies have a duty to deliver an economic, co-ordinated network.
- 2.10. On SF6, the group discussed the past performance of the incentive in place for two of the TOs.

Action: SP to consider lessons learned from their experience of the SF6 incentive.

Visual Amenity

- 2.11. While a metric might be possible the group generally favoured it being reflected as an ongoing process.

- 2.12. The group agreed that it was important to consider how proposals in the well-justified business plan in this area would be considered. The group suggested thinking about the Holford rules and what guidance this might provide for working up business plans and engaging with stakeholders.
- 2.13. The group discussed the role of the planning process and noted the uncertainties with the new arrangements.
- 2.14. The iterative process with the developer was highlighted where:
- request is made;
 - TO identifies lowest cost approach; and
 - if planning difficulties TO then considers undergrounding/hedgerow replacement option

3. Consumer satisfaction

Type of impact	Primary outputs	Secondary deliverables	Still to be resolved
Consumer satisfaction	Customer relations: based on assessment of quantitative consumer satisfaction survey/qualitative consumer satisfaction survey/complaints/assessment of Stakeholder engagement process (wider indirect customers)		[might need to reflect new customers/users – need to consider how to do this]

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

3.2. 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.

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

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

3.4. 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.

3.5. 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.

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

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

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

- complaints; and
- stakeholder engagement.

3.9. 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.

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

Action: National Grid to report on its 'lessons learned' findings on its survey work.

Action: Scottish Companies to consider what changes would be needed to the National Grid survey to be used in relation to them.

Action: Ofgem to review the DPCR5 arrangements.

4. Connections

Connections	Split into stages 1. pre connection 2. Delivery of connection [availability taken account of in reliability output] Output based on timing but 3 options 1. Specific timeframe 2. Best endeavours type measure 3. Menu of options [where user can purchase higher quality connection service]		Does this work in the same way for Scottish TOs as for NG
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4.1. Ofgem presented on the Transmit project work (following its recent launch). Many in the group felt that both the connections and charging review might have impact on the relevant outputs.

4.2. There was recognition that the commercial arrangements for the connectee was probably an issue for TransmiT and that no further work in relation to the output was needed around a possible menu of options.

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