

Integrated Transmission Planning and Regulation workshop

Coin Street Neighbourhood Centre

16 May 2012

Welcome to the workshop and introductions

Agenda for the afternoon

1.00 to 1.30 – Registration	
1.30 – Introduction to the ITPR project	Ofgem
Explanation of the interactions between ITPR and other Ofgem work areas	Ofgem
Comment from DECC on the ITPR project including interactions with current DECC work areas	DECC
Comment from National Grid on the ITPR project including interactions with current National Grid work areas	National Grid
3.00 Break – tea & coffee	ALL
3.10 Introduction to the group discussions	Ofgem
Group discussions	ALL
Feedback from group discussion and Q&A	ALL – chaired by Ofgem
4.45/5.00 – Next steps and close	Ofgem

Welcome to the workshop and introductions

Aims of the workshop:

- 1) To provide additional information on the scope and timing of the ITPR project
- 2) To assemble stakeholders' early views on the ITPR project
- 3) To identify case studies and specific issues that should could be taken forward as part of the ITPR project
- 4) To encourage responses to the open letter – deadline 25 May!
- 5) To provide information on how stakeholders can engage with the ITPR project

This is an open session to discuss the challenges we face around the development of the future network. We appreciate that some of you may wish to have project specific discussions – we welcome bilateral discussion where appropriate.

The transmission landscape – what are the challenges?

- There are new challenges on the horizon
 - High penetration of renewable generation
 - Requires a step change in scale of investment for new infrastructure
 - ...and potentially in the traditional approach to system operation too
 - Growing integration with Europe through interconnection and coordination of TSO activities (e.g. TYNDP)
 - Interdependence between systems is increasing ...
 - ...as is the need for cooperation with other EU TSOs
- Recognising these challenges - what is the objective of the ITPR project?
 - Economic and efficient deployment of transmission (onshore, offshore and cross border) to ensure a secure, sustainable power system for the future
- Against a backdrop of...
 - maintaining a stable regulatory framework for existing transmission investment commitments
 - ...and building on momentum already gained for new investments (e.g. offshore and cross border)

Introduction to the ITPR project

Charlotte Ramsay
Head of European Strategy, Ofgem

Background: The current approach

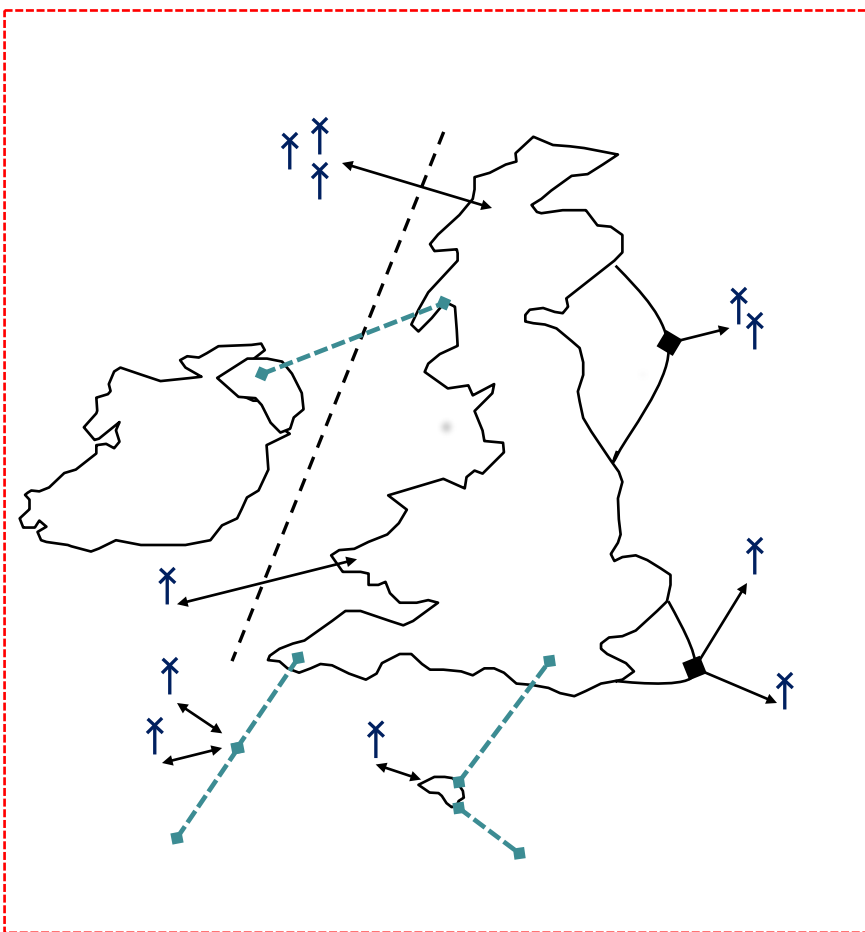
Planning & System Operation

- **NETSO:** focuses on real-time operation and balancing, and has a role in system planning and coordinating grid connection offers but
- **TOs:** devise plans based on user commitment / demand in their system – obliged to cooperate with NETSO in doing this
- Some joint planning for TOs under ENSG
- **Interconnection:** developed by third parties as discrete projects.

Delivery

- **Onshore** – Monopoly regulated TOs – eight-year revenue stream, with some flexibility mechanisms (e.g. Strategic Wider Works)
- **Offshore** – Competitive, asset-specific tender for 20 regulated revenue stream
- **Cross-border** – Third-party led, on first-come-first-served. Merchant-based or cap & floor regime

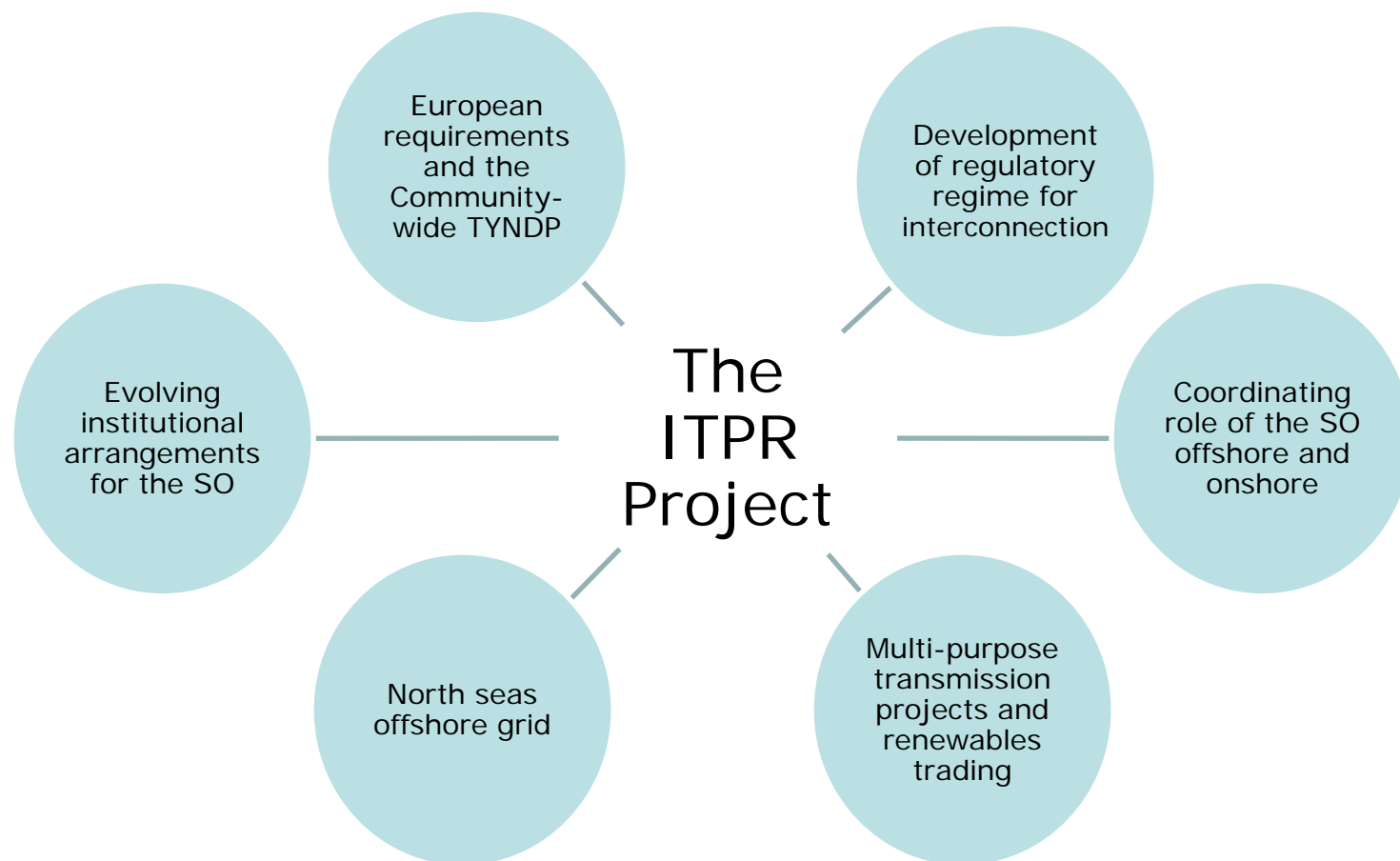
Introduction to the ITPR project



We have initiated the ITPR project to consider 2 main elements:

1. The role of the System Operator in system planning – what incentives does it face and are these appropriate for planning an integrated system onshore, offshore and cross-border?
 - “Planning for an integrated network”
2. To consider whether the current regulatory regimes for transmission investment can work together effectively to deliver efficient investment for an integrated transmission system?
 - “Delivering an integrated network”

Introduction to the ITPR project: Project drivers



Introduction to the ITPR project: Project scope

- The project will look at:
 - the status quo in planning and delivery,
 - identify drivers for integrated projects and processes,
 - and develop options to resolve gaps or issues where needed
- It will consider in detail the following key areas:
 - The role and incentives on the System Operator around system planning
 - *Including governance and institutional arrangements of the NETSO*
 - The interactions between the SO, TO, OFTOs and ICs with relation to:
 - *System planning*
 - *Delivery of integrated transmission infrastructure*
 - Identification and analysis of real and hypothetical case studies to:
 - *explore interfaces between our regulatory regimes*
 - *identify possible issues with the current approach*

What do we hope to achieve?

To ensure the GB regulatory regime for electricity transmission facilitates the most efficient and economic investment planning and delivery over the long-term

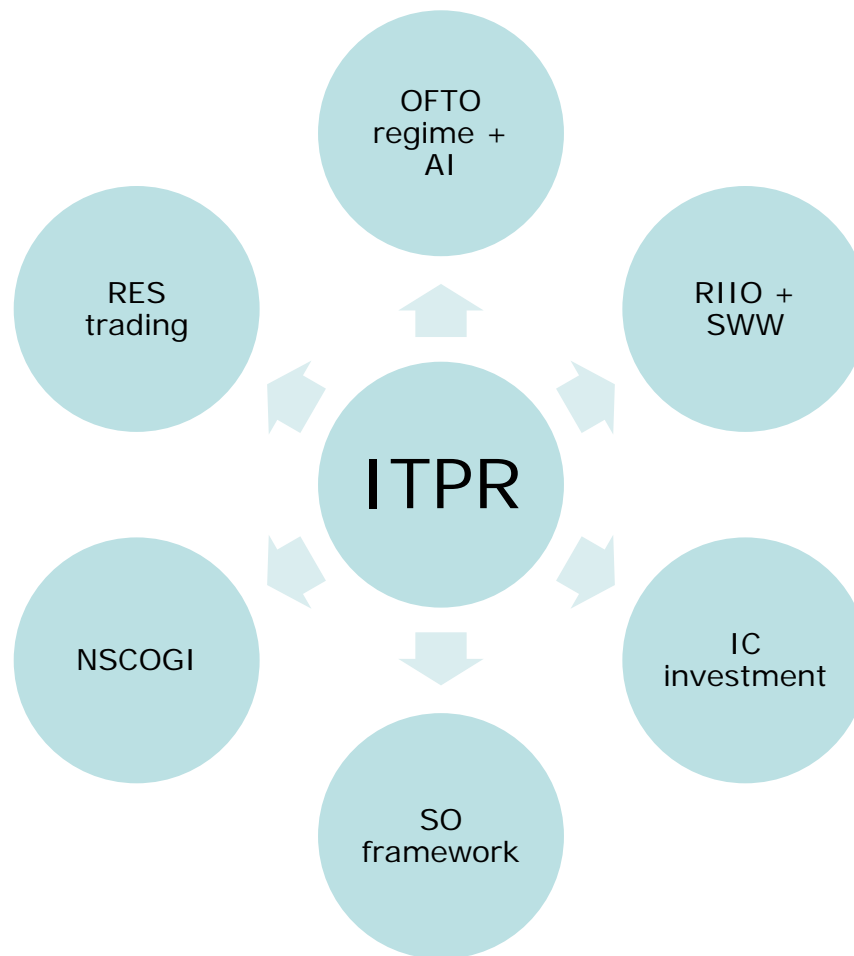
Against this objective, the ITPR project will ensure:

- Our approach takes account of **interactions** and **synergies** between onshore, offshore and cross-border transmission
- The regulatory regimes by which investment in multiple-purpose transmission projects is delivered are **consistent**
- Our interaction in Europe facilitates appropriate contributions from GB to the European TYNDP and the strategic direction of pan-European transmission investments

Provisional project timings

- 25th May – final date for responses to Open Letter
- October 2012 – initial consultation planned
 - Issues paper, initial findings and high level options where possible
- March 2013 – follow up consultation
 - Options to resolve identified problems
- July 2013 – final proposals
 - possible start of implementation where appropriate

ITPR – interactions



Project interactions

Jon Parker

Head of Offshore Coordination Policy, Offshore
Transmission

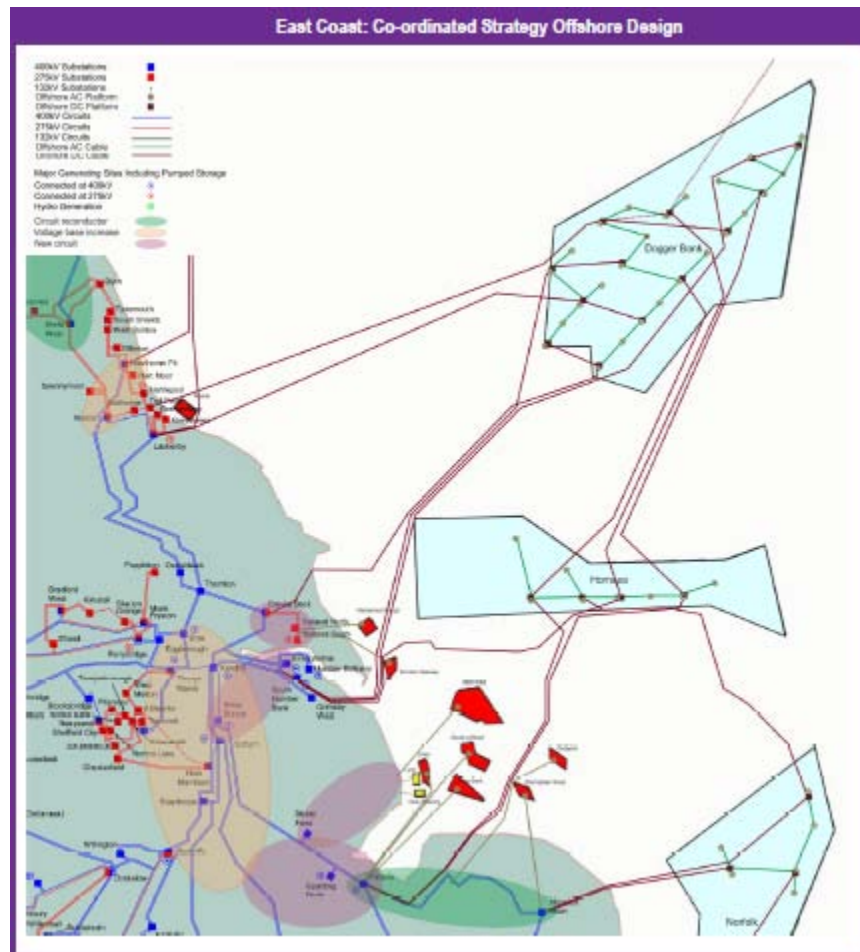
Andy Burgess

Associate Partner, Transmission and Distribution
Policy

ITPR interactions – Offshore coordination

Offshore coordination

- DECC-Ofgem conclusions document published in March setting out potential benefits from and barriers to coordination
- Ofgem consultation on two of the key issues - efficient network planning and anticipatory investment (AI) – now closed
- National Grid have consulted on their proposals to make improvements to network planning documents.



ITPR interactions – Offshore coordination

Offshore coordination consultation focused on:

- ensuring there is an effective framework to identify where coordination between offshore projects or with onshore network needs is beneficial
- case for reform of ODIS and SYS
- providing clarity on the treatment of AI in offshore transmission, whether this is driven by coordination between offshore projects or wider network needs

ITPR will consider:

- whether further improvements are needed to system planning to take into account cross-border dimension and to ensure the institutional structure is effective
- consistency of regulatory regimes for projects that could have multiple purposes, such as where they could include offshore transmission assets and interconnection

ITPR interactions – TO investment framework

Onshore transmission

- Overarching framework is the RIIO:T1 eight year price control commencing April 2013. The TOs' business plans have included cross-border and offshore context
- We will need to consider in ITPR the impact (if any) of our view of the SO's role in planning
- As part of RIIO-T1, the Strategic Wider Works (SWW) mechanism enables large reinforcement projects to be considered for funding within the price control period
- ITPR will not look at the SWW mechanism itself but may play a role in facilitating the delivery of some of the projects and will examine the effect of the different GB (onshore and offshore) and European regimes and the incentives these create
- Our ongoing work to enable competition in transmission will take into account the ITPR project

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ITPR project - interactions with current DECC work areas

North Seas Countries' Offshore Grid Initiative (NSCOGI)

ITPR workshop – 16 May 2012

MoU signed by 10 countries in December 2010 to:

- facilitate a strategic, coordinated development of offshore grids to ensure more cost-effective investment
- identify and tackle barriers to grid development, in particular regulatory, legal, market, planning, authorisation and technical issues

Due to present recommendations to Ministers end 2012

Working Group 2 looking at the regulatory and market issues raised by integrated cross-border offshore infrastructure (wind farms and interconnections)

Link to ITPR project



One of WG2 deliverables is to develop proposals on how such offshore developments might be regulated. No EU regulatory regime at present.

First WG2 report showed that the regulatory regimes are very different in the 10 countries for offshore generation, grid development and interconnection. Also clear that the UK regime is the most complicated!

Virtual case studies being used to develop mechanisms to enable energy to be traded over an integrated offshore generator-interconnector asset

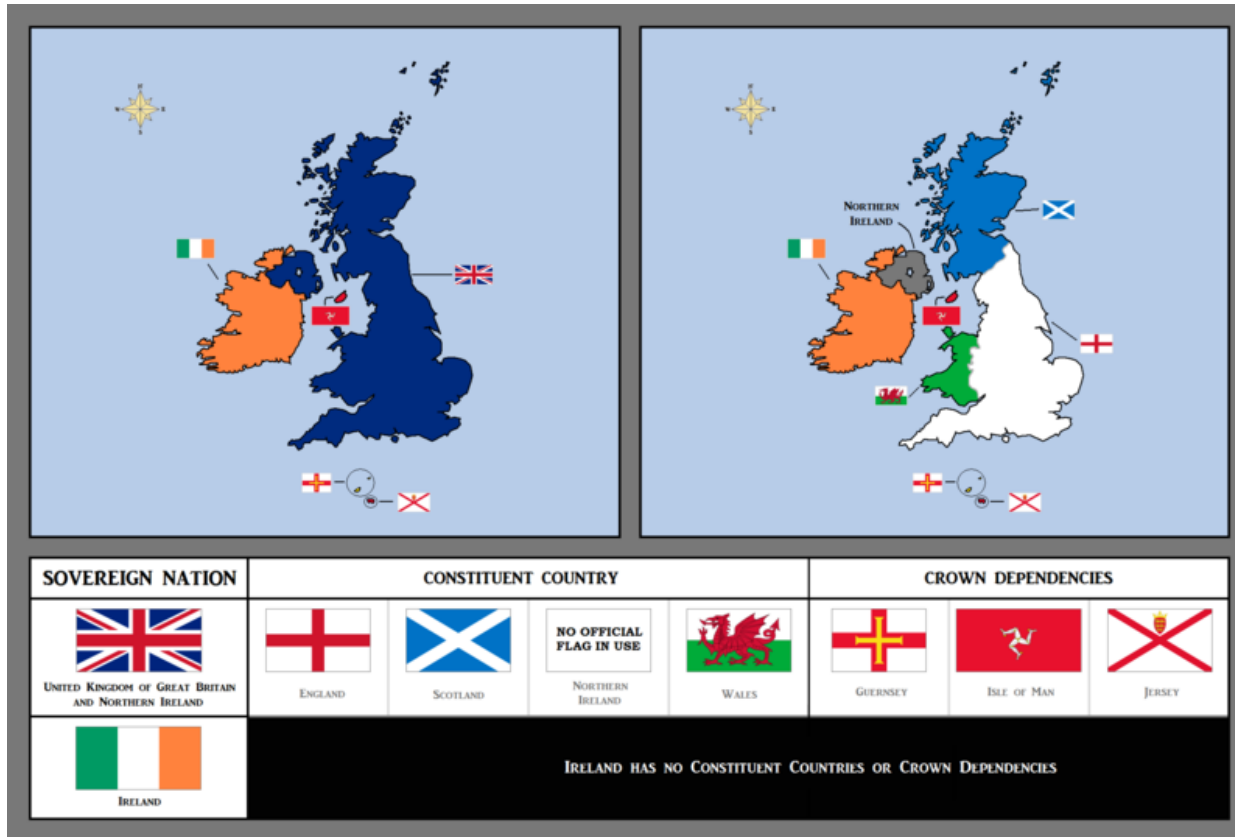
ITPR project should provide a valuable contribution to the wider NSCOGI work

- set out to meet 2020 target through domestic action and to reduce costs of meeting target
- recognise uncertainty on cost and delivery of electricity, heat and transport out to 2020 and energy demand.
- trading could mitigate some of the risk to 2020 target – committed to take enabling powers where offers benefits to UK
- very complex area given myriad of various support schemes, state aids, accreditation, subsidiarity etc and the fact that we are moving to new low carbon support mechanism

- Call for Evidence (to June 11th) to better:
 - Understand the availability and potential for trading – including potential to export energy and credits
 - Including statistical transfers and joint projects
 - Understand the potential costs, benefits and risks to the UK of trading
 - Understand the barriers to trading

All Islands Approach

- Also working through British – Irish Council to consider how joint projects/statistical transfers between BIC Members might work



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Integrated Transmission Planning & Regulation (ITPR)



Planning for an integrated electricity transmission system

Integrated System Plan

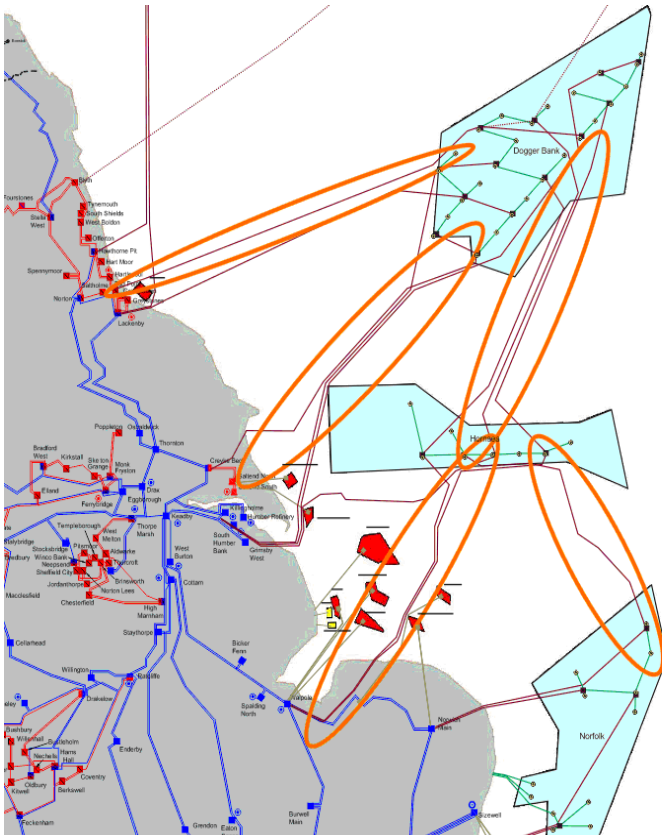
- We agree with the objectives of the ITPR project and feel that the timing is right for this project
- There is no fundamental difference between the onshore, offshore and interconnector networks
 - Integrated planning, optimising all transmission assets has the potential to deliver significant benefits to GB consumers (vs un-coordinated alternatives)

Challenges

- There are significant challenges to address:
 - Cross-border interfaces need to be simple, clear and transparent
 - Roles, incentives, liabilities and risk ownerships and influences need to be:
 - Clear and mutually consistent between the multiple parties acting within the regulatory frameworks
 - Aligned with GB consumer interests
- These issues are arising now and existing frameworks are significantly 'stretched' in providing clarity and certainty for developers seeking to connect to the network

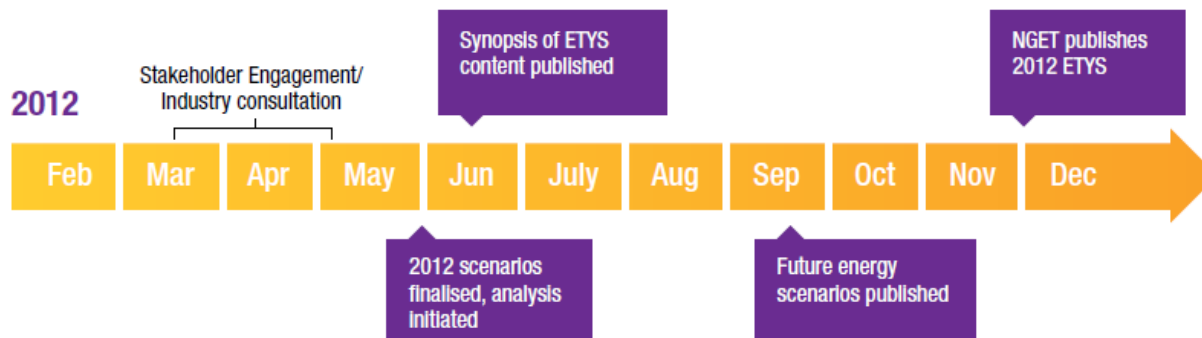
We are moving things forward...

- Recognising the need to provide a clear, coordinated system plan we have already taken the first steps:
 - Our approach under RIIO
 - Extensive stakeholder engagement
 - Open and transparent process
 - Commencing with integrated offshore offers:
 - Integrated offer off the east coast – signed connection offers at Dogger (6GW) and Hornsea (2GW) – application for anticipatory investment
 - Our plans to deliver a new Electricity Ten Year Statement (ETYS)



Review of SYS & ODIS

- Historically these documents have served us well
- Feedback through our ODIS consultation identified a need to review these documents
- In March 2012 we outlined our plans for these documents
- Our written consultation recently closed



NGET: National Grid Electricity Transmission

Consultation Feedback

- “We are happy with a scenario based approach”
- “We support the proposed amalgamation of the SYS and the ODIS”
- “The aims of the ETYS are broadly consistent with the needs of future generation developers”
- “The Future Energy Scenarios work is important”
- “Information on the contracted background needs to be retained”

“We strongly support the concept of a harmonised network planning document and the stated objectives”

“The current separation of documents is misleading and not reflective of how the transmission system is expected to evolve”

Electricity Ten Year Statement

- The need for an optimal design solution needs to be through a transparent process which is open to full independent scrutiny.
- Our proposed E-TYS document is a vehicle for communicating this plan
 - New and innovative document
 - Wider stakeholder engagement via annual consultation process
 - Enable customers to access data/information they require more efficiently via a suite of relevant, focused documents
 - Enable customers to assess opportunities to connect using wider range of energy scenarios, and consider future uncertainty.
 - Longer time frame commensurate with RIIO-T & European obligations as a minimum
 - Include onshore and offshore developments within the same documents, based on consistent scenarios

Integrated System Plan

- We agree with the objectives of the ITPR project and feel that the timing is right for this project
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Introduction to group discussion

Aim of the group sessions

- To explore the project drivers, and to identify further issues and case studies which will inform the ITPR project and future proposals. Focus on 3 main areas:
 - The current approach
 - Scenarios which provide examples and help to identify any issues
 - Options to improve coordination

Format of the group session

- 45 minutes to discuss the questions set out on your table
 - Tables 1-4: Question set 1
 - Tables 5-8: Question set 2
- 1 minute for a group member from each group to highlight the main points following the discussion
- Wider group discussion and Q&A chaired by Martin Crouch.

Group discussion

Specific questions have been provided on your table – please discuss the questions and be prepared to report back to the group on main discussion points.

Tables 1-4: Question set 1

Tables 5-8: Question set 2

Following the group discussion, each group will be given 1 minute to comment on the main areas of discussion

This will be followed by a wider discussion and Q&A

Group discussion feedback and Q&A

Question set 1

The current arrangements

1) SYSTEM PLANNING and the NETSO:

(A) How well does the NETSO (National Electricity Transmission System Operator) interact with the GB Transmission Owners (TOs) and developers (e.g. interconnectors and grid users) around system planning?

(B) Are the arrangements between the NETSO and other parties appropriate to ensure efficient and economic system planning?

2) POTENTIAL OPTIONS:

(A) How do you think the issues, if any, around system planning could be addressed?

(B) How could further coordination between TOs, OFTOs and Interconnector Owners be achieved?

Group discussion feedback and Q&A

Question set 2

Scenarios which highlight the issues

3) IDENTIFYING SCENARIOS/PROJECTS and REGIME INTERFACE:

(A) Are there additional project/scenarios that we should consider in understanding the current and future challenges around system planning and development? We have identified some generic scenarios which are set out on the print-out and in the annex to the open letter.

(B) Given the scenarios set out in the open letter (see print-out) – what possible problems do you see arising and what could possible outcomes look like?

4) POTENTIAL OPTIONS:

(A) How could further improvements, where necessary, be made to the current regime setup?

Close and next steps

How can you get involved...?

- March Open Letter consultation (closes 25 May!)
- Identification of additional case studies for analysis (discussion from this workshop will feed into our problem analysis as part of the ITPR project)
- Bilateral discussions with TSOs, project developers and other interested parties
- Wider consultation planned to take place in October 2012.

Thank you for participating!

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, a hand is shown holding a white document. In the bottom left corner, a blue gas burner is visible. The overall theme is energy and customer service.

ofgem

Promoting choice and value
for all gas and electricity customers