

## Smart Grids Forum work stream 6

The third meeting of work stream 6 of the SGF; regulatory and commercial issues	From Date and time of Meeting Location	Tim Aldridge 18 June, 10am-2pm Ofgem, 9 Millbank	21 June 2012
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### 1. Present

Name	Organisation
Dora Guzeleva	Ofgem
Ben Smithers	Ofgem
Tim Aldridge	Ofgem
James Goldsack	Ofgem
Adrian Butt	DECC
Gavin Jones	Electralink
Chris Allen	Elexon
Tim Newton	E.On
Ian Povey	ENWL
Lilian MacLeod	NG
Jim Cardwell	NPG
Graeme Vincent	SP
Beverley Grubb	SSE
Judith Ward	Sustainability First
Nigel Turvey	WPD
Dave Openshaw	UKPN

### 2. Minutes and actions from last meeting

2.1. The minutes were circulated at the meeting for comment. There are some outstanding actions that need to be addressed, detailed below.

Action	Owner	By
Send comments on minutes of second meeting to Ofgem	All	25 June
<b>DSR</b>		
Check the process through which aggregators are able to contact new commercial or DG customers (repeated from last meeting)	Marina Hod (KiwiPower)	27 June
Are there any regulatory impediments to a DNO entering into a fixed-term contract for DSR? (repeated from last meeting)	Beverley Grubb (SSE)	2 July
Investigate whether the current charging framework would encourage DNOs to approach existing customers to offer DSR to accommodate a new customer without reinforcement (repeated from last meeting)	Beverley Grubb (SSE)	2 July
Make a distinction between existing and new customers in terms of the commercial impact of DSR (repeated from last meeting)	Ofgem	2 Jul
Is the detail within the connection charging statement i.e. the maximum demand for domestic customers common under the Common Connection Charging Methodology? (repeated from last meeting)	Ofgem	28 June
<b>Storage</b>		
In the absence of any regulatory or commercial constraints, what is the business model you would like to implement to enable greater use of storage in RIIO ED1? (repeated from last meeting)	UKPN, SSE, WPD	27 June
Investigate the size of storage solutions which are included in	WS3	27 June

the WS3 scenarios (repeated from last meeting)	attendees	
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### 3. Deliverables

- 3.1. Tim Aldridge outlined the two-stage reporting process of the work stream to September. The work stream members agreed to further meetings over August and September to consider more specific commercial and regulatory impediments/enablers to smart grid solutions in RIIO-ED1.

Action	Owner	By
Book work stream meetings for August and September to consider specific commercial and regulatory enablers/impediments	Ofgem	31 July
Provide outline structure of first report to discuss at next meeting	Ofgem	28 June

### 4. High level issues on DSR

- 4.1. Ofgem summarised the key assumptions and barriers associated with DSR.

Action	Owner	By
Provide comments on existing DSR case studies	All	27 June
Report back on progress with ER P2/6 at next meeting	Dave Openshaw (UKPN)	2 July

- 4.2. The group considered the role of energy efficiency and demand reduction in relation to DSR and agreed that this would be worth including in DSR case studies.

Action	Owner	By
Log demand reduction as a separate DSR measure so that investment in energy efficiency measures may be reflected in incentives for DNOs in ED1. Such case studies should consider the need for a more direct relationship between DNOs and customers	Ofgem	2 July
SSE to report back on progress with direct customer involvement in Shetland	Beverley Grubb (SSE)	2 July

- 4.3. The group then went onto discuss arrangements for locating electric vehicle charging points. A question was logged as whether there is the need for a price signal for locating commercial charging points. Consideration also needs to be given to whether the current distinction between domestic and commercial customers is right. It was noted that the Green Deal is based on property-specific rather than customer-specific arrangements and that such an approach might be suitable for DSR.

Action	Owner	By
Invite OLEV to provide briefing on policy for incentivising EVs	Ofgem	28 June
Add working assumption that, at a commercial level, the current connection regime is right until government policy changes	Ofgem	28 June

- 4.4. The group considered charging arrangements with respect to avoiding reinforcement, responding to the scenarios presented by Ofgem. The group noted that the resolution of the scenarios would require a situation-sensitive response, dependent on the type of customer and state of the network, for example. One approach may be to separate out a fixed charge for connection, alongside a variable charge for capacity to reflect the constraints on the local network. Consensus emerged that there is merit in re-visiting the 'second-comer rule', albeit this is not necessarily the best forum for doing so.

4.5. Two key issues emerged from this discussion: what happens with capacity created ahead of times (conventional or DSR) and how to charge customers who benefit from this.

Action	Owner	By
Are there any barriers to innovative charging in the Common Connection Charging Methodology?	Ofgem	2 July

4.6. Nigel Turvey updated the group on the ENA's work on notification for the connection of heat pumps. He noted that the issue of power quality is important, though often overlooked compared with thermal capacity. The type of heat pump used will affect the costs to the network. This therefore raises questions over the validity of assuming socialisation for the connection of all LCTs. Three options were put forward for resolving the issue:

- Socialise everything
- Establish a threshold for socialisation, above which costs are not smeared
- Separate power quality from capacity.

Action	Owner	By
Reconsider working assumption on socialisation of costs for connecting LCTs	Ofgem	2 July
Investigate the three options for addressing costs for different LCTs	Nigel Turvey (WPD)	27 June
Investigate how power quality is dealt with in DECC's Heat Strategy	Adrian Butt (DECC)	27 June
Consider European Commission design standards for LCTs	Graeme Vincent (SP)	27 June

## 5. DSO

5.1. Tim Aldridge presented a working definition of DSO but invited others to contribute.

Action	Owner	By
Circulate definition of DSO used in European Network Codes	Graeme Vincent (SP)	Complete (see below)
Suggest alternative definitions of DSO	All	27 July

5.2. Lilian MacLeod discussed the notification requirements of National Grid with respect to network balancing undertaken by the DNO. The group noted the important distinction between pre- and post-gate closure. Consideration was also given to the GSP boundary as a suitable threshold between the balancing activities of the TSO and a potential DSO role. The group agreed that a fully-fledged DSO is not realistic during the course of ED1 and should be re-considered for ED2.

Action	Owner	By
Provide update on European requirements for the distribution connection code when available	Graeme Vincent (SP)	tbc

## 6. Integrated energy systems

6.1. The group considered some existing commercial and regulatory barriers to integrated energy systems. In some respects, such systems are the result of the combination of other smart grid solutions, such as DSR and storage. However, the benefits of such an approach can be extended to partner organisations, including gas networks for example. In such instances, it can be difficult to value the benefits of such an approach to the different parties involved. Often existing schemes are funded through innovation funding rather than business as usual.

Action	Owner	By
Pull out wording from the transmission licence that refer to the shared benefits of the TSO (and how limiting this is)	Lilian MacLeod (NG)	27 June
Consider examples of partnership working where benefits are not commensurate to investment across the board but are differential among the partners	Beverley Grubb (SSE)	27 June

## 7. Technical solutions

7.1. Dave Openshaw presented two papers on the technical solutions from WS3, covering their complexity, and the commercial and regulatory barriers. The group felt that some of the issues from the commercial and regulatory paper could helpfully be included in the reporting for WS6. Charging for investment ahead of need was also raised as an issue for further consideration.

Action	Owner	By
Send any views to Dave Openshaw on his two papers	All	27 June
Consider the best forum for addressing investment in, and charging for, capacity ahead of need	Ofgem	2 July

## 8. Date of next meeting

8.1. Monday 2 July, 10:00-14:00. Ofgem, 9 Millbank.

8.2. Agenda items to include:

- DSR
  - case studies
  - update on ER P2/6
  - update from Shetland
- Storage
  - business models
  - update from WPD on project with Isentropic
- Report outline

## 9. Completed action

### ***Definition of DSO used in European Network Codes***

The EU 3<sup>rd</sup> Package (Directive 2009/72/EC) provides the following definition for DSO In Article 2(6)

'distribution system operator' means a natural or legal person responsible for operating, ensuring the maintenance of and, if necessary, developing the distribution system in a given area and, where applicable, its interconnections with other systems and for ensuring the long-term ability of the system to meet reasonable demands for the distribution of electricity;

Their responsibilities are laid out in Article 25 (1)

The distribution system operator shall be responsible for ensuring the long-term ability of the system to meet reasonable demands for the distribution of electricity, for operating, maintaining and developing under economic conditions a secure, reliable and efficient electricity distribution system in its area with due regard for the environment and energy efficiency.