Minutes

Flexibility and Capacity Working Group

Summary of the second Flexibility and Capacity Working Group meeting	From	Ofgem
	Date and time of Meeting	30 May 2012
	Location	Ofgem, 9 Millbank, London

1. Present

- Dora Guzeleva Ofgem
- Anna Rossington Ofgem
- Donald Smith Ofgem
- Nicola Meheran Ofgem
- James Hope Ofgem
- Jacob Kane Ofgem
- Mark Askew Ofgem
- Tom Johns Ofgem
- James Goldsack Ofgem
- Paul Mitchell SSE
- Stewart Reid SSE
- Graeme Vincent SP
- John O Gray SP
- Zoltan Zavody RenewableUK
- Adrian Butt DECC
- Diana Chklar RWE
- Iain Miller Northern Power Grid
- Nigel Turvey WPD
- Paul Bircham ENW
- Steve Cox ENW
- Keith Hutton UKPN
- David Walker West Coast energy
- James Marsh DECC

2. Minutes –09/05/2012

2.1. Two minor adjustments were suggested and following these amendments members approved the minutes from the last meeting.

2.2. It was also agreed that AB would present the work on the Low Carbon Technologies scenarios at the next meeting.

Action	**Person – By**
AB to present on the SGF at the next meeting	AB –20/6/12
Ofgem to amend and publish minutes	Ofgem – 08/06/12

3. Terms of Reference

3.1. Ofgem noted that the FCWG ToR had been updated following comments at the last meeting and highlighted that before the meeting copies of the ToRs for workstream 3 and workstream 6 of the Smart Grids forum were circulated.

3.2. Ofgem then presented a slide which outlined the relationship between each of these working groups.

3.3. One attendee asked whether large connections would be covered at the flexibility and capacity group or the connections working group. DG agreed to discuss this with the chair of the connections working group and clarify at the next meeting.

3.4. Another asked if Ofgem could provide high-level updates of the outcomes of other relevant workgroups at future meetings. It was noted this would be possible but at a high-level it may be difficult to indicate where all the overlaps occur. Ofgem agreed to circulate a link to where all ED1 working group minutes are published on the Ofgem website[1].

3.5. There was a brief discussion about the smart grid forum groups' ToRs. One attendee asked if workstream 3 would look at the impact of European network codes, currently in development. Ofgem noted that the ToRs did not include this topic at present, although this would need to be considered at a later date and workstream 3 may be the most appropriate place to cover it.

3.6. Another attendee asked what the definition of a "smart grid" is. It was noted that the Frontier Report provides a suitable definition[2].

3.7. The group then discussed the possibility of a flexibility and capacity sub group to explore how the model being developed by the smart grid forum could be applied to RIIO-ED1. It was agreed that this would be discussed further with the Smart Grid Forum and that this group would be updated.

Action	**Person-by**
Ofgem to circulate link to where working group minutes are published	Ofgem– 20/6/12
Ofgem to update group on high-level outcomes from other related workstreams and working group at next meeting	Ofgem–20/6/12

4. Role of DNOs in the low carbon economy.

4.1. DG introduced a discussion on the role of the DNOs in the low carbon economy. AB then set out DECCs views on the topic. He stated that the DNO should take a facilitative, not an active role and stated the following considerations:

- DNOs should not subsidise low carbon but should remove barriers to the connection of low carbon technologies
- DNOs should treat customers fairly and not penalise customers for poor network planning
- DNOs should be incentivised to adopt the most cost-effective approach to enable low carbon connections

4.2. A number of attendees felt that there are already a large number of organisations who are responsible for ensuring that GB meets it carbon targets and that the DNOs could make a contribution to reducing carbon, but should not be specifically incentivised to do so.

[1] Workgroup meeting notes are published on the following page of the Ofgem website: http://www.ofgem.gov.uk/NETWORKS/ELECDIST/PRICECNTRLS/RIIO-ED1/WORKING-GROUPS/Pages/index.aspx
[2] The definition can be found on page 15 of the report, which is published on the Ofgem website at http://www.ofgem.gov.uk/Networks/SGF/Documents1/RPT-STC-%20SGCBA%20final1%20-181111.pdf

4.3. Attendees then discussed the difficultly of distinguishing between an "active" role and a "facilitating" role. The group discussed whether if a DNOs proactively build their network, this goes further than just removing barriers. Some expressed concern that this would mean DNOs having to anticipate future demand and take on the risk of that demand not materialising.

4.4. One attendee noted the importance of access to transparent information on the networks. They stated this information would help generators and other stakeholders know where the most suitable locations to connect are and this could help the DNO plan network reinforcement more efficiently.

4.5. Three attendees agreed to write a short summary paper to capture the discussion on this topic in advance of the next meeting.

Action	**Person – By**
Write a short paper capturing this discussion on the role of DNOs	ZZ with AB & IG 20/6/12

5. Outputs, incentivise and uncertainty mechanisms from a DNOs perspective

5.1. Each DNO gave a short presentation on potential outputs, incentives and uncertainty mechanisms to address flexibility and capacity for RIIO-ED1. Their slides are published alongside these minutes.

5.2. Discussions during the presentations raised a number of issues/observations:

- Some of the proposed mechanisms would only work if the DNO has notification of the low carbon demand connecting.
- The existing load indices only measure peak, so will not recognise the benefits of DSR (in terms of encouraging demand to avoid peak), other than the peak will not increase.

5.3. Following the presentations the group debated the key differences between DPCR5 and RIIO-ED1 and whether a unique challenge exists for RIIO-ED1. A number of points were raised by attendees:

- The issues themselves aren't new (i.e. managing network load growth and new connections) but the potential scale and speed is unprecedented.
- Clustering is a unique problem – ED1 could see a relatively small number of customers dramatically increase their usage and these customers are likely to be concentrated in particular areas. Such clustering is not necessarily predictable.
- Network issues and the type of low carbon technologies connecting will vary across the country.
- There is a difference between the potential problems at EHV/HV and LV – and also a different in the potential solutions.
- Reverse power flow is an increasing issue but not a new one. This will be a particular problem at LV with the connection of PV.

- There is uncertainty over whether significant reinforcement will be needed in ED1 or later in ED2. Initial thoughts are that it will be relatively small for ED1, but there was concern about delaying investment in ED1 that could cause a significant increase in investment costs in ED2/ED3.

- Customers could play a bigger role than they have been in the past. Likely need for a DNO/customer interface.

- Network load profiles have remained steady for 40 years – over ED1 this could change dramatically.

- The distribution network may be asked to meet a level of demand that the current network is not designed to do.

5.4. One attendee noted that the current DPCR5 mechanisms could be applicable for ED1 but that they are likely to focus on solutions that minimise unit costs over the short term rather than considering longer term solutions that could provide benefits beyond ED1 into ED2.

5.5. It was noted that DNOs have highlighted before that the current DPCR5 DG incentive which is based on average connection cost of DG is not working as intended and may need to be reviewed. One attendee responded that with a few tweaks the DG incentive could be improved for ED1.

5.6. Attendees then discussed how load indices could be utilised in ED1. A range of potential uses were identified and PB agreed to put together a list and description of their potential uses in ED1.

5.7. Ofgem then asked attendees if they considered additional outputs and incentives were needed to ensure network flexibility and capacity, asking if they were, what would the DNOs be required to deliver and how could that target be quantified? In response to this question DNOs agreed to consider what outputs they would be delivering for their ex-ante allowance and what should be measured.

Action	**Person – By**
Outline potential uses of LIs	Paul Bircham – 15/06/12
What outputs are DNOs delivering for their ex-ante allowance – what should be measured?	DNOs – 15/06/12