



DECC/Ofgem Smart Grid Forum Meeting 8

The meeting received an update from the SGF workstreams and considered priorities for the third year of the Forum.

From	Ofgem
Date and time of Meeting	22 January 2013 13.30 – 16.00
Location	Ofgem, 9 Millbank

1. Present

1.1. See Appendix 1 for the list of attendees. Apologies were received from Judith Ward, Dave Openshaw, Marina Hod and Ashley Pocock.

2. Introductions and opening remarks

2.1. Hannah Nixon (HN) thanked everyone for their attendance and summarised the agenda. She said that the focus of the meeting would be on the Year 3 priorities so that the group is in a position to take forward this work. The group approved the minutes from last time and Gareth Evans (GE) confirmed that all actions from the previous meeting had been taken forward.

3. Update on recent DECC policy announcements

3.1. Ben Golding (BG) from DECC Strategy gave an update on how the Carbon Plan and the Gas Generation Strategy fit together. BG stated that the two documents are compatible, with the 'diversified generation' scenario in the Gas Generation Strategy based on 100gCO₂/kWh in 2030, which is consistent with the generation emissions intensity implied by the 2050 scenarios which were presented in the Carbon Plan (75-135gCO₂/kWh).

3.2. BG was asked how the National Grid 7-year plan reconciles with the Carbon Plan. He responded by saying that DECC have been working closely with National Grid on the 7-year plan and that the two plans are broadly consistent. He acknowledged that some divergence in approach may emerge between the two plans due to the uncertainty inherent in longer-term forecasting.

3.3. Petter Allison (PA) asked how the scenarios presented related to DECC's approach to microgeneration. BG replied that DECC's approach to microgeneration has not changed. PA also asked about emerging technologies such as gas heat pumps. BG said that DECC has been assessing how emerging technologies may affect the existing scenarios and will be presenting the evidence in a forthcoming Heat policy paper.

3.4. Duncan Botting (DB) raised the issue of the relationship between the case for renewables investment and the cost of new CCGT. BG replied that finalising the details of the strike price in contracts for difference should increase confidence to renewables investors.

4. Smart Metering Update

4.1. Teresa Camey (TC) gave the group an update on smart metering progress in 2012, key tasks for 2013 and the relationship to smart grids.

4.2. Last year, government notified the EU of the first version of the technical specification for smart meters (SMETS 1). DECC consulted on the second iteration of the specification (SMETS 2) and plans to publish the response shortly. Later in the year,

DECC plans to publish its response on the regulatory elements of smart meters. In 2012, the supplier licence was amended placing a duty on suppliers to roll out smart meters by 2019. Privacy and data access arrangements for suppliers and DNOs were also established last year. The consumer engagement strategy includes an obligation on large suppliers to establish and run the central delivery body.

- 4.3. 2013 will be a key year for smart metering. It will see SMETS 2 finalised; this will be the first enduring set of technical specifications for smart meters. DECC plans to award the contract for the delivery of the Data & Communications Company (DCC) in July 2013. The central delivery body should be in place by the middle of this year.
- 4.4. The smart metering developments will have significant impacts on smart grids, with development of SMETS 2 particularly important. The WAN service will define the level of performance we expect from smart metering from a DNOs perspective. There are various scenarios for future service levels. DECC is intending to procure a solution that has the flexibility to deliver a higher level of service than is currently needed.
- 4.5. HN commented that engagement is crucial for the success of smart metering and asked if DECC are getting sufficient input from stakeholders. TC replied, saying that DECC now has a more focussed approach. With DNOs/suppliers driving around 95% of the requirements, DECC is engaging with these companies through bilaterals, with positive results.
- 4.6. Phil Jones (PJ) commented on cost reflectivity. DNOs need a good sight of this as they will be picking up significant costs without much input. DNOs need to be able to manage these uncertainties in putting together their ED1 business plan submissions.
- 4.7. A question was also raised as to whether the process being driven by DNOs and suppliers sufficiently takes into account the needs of other parties. TC replied to say that the input of DNOs and suppliers has been used to extrapolate to the remaining stakeholders. DECC is very conscious of the need not to exclude new market entrants.
- 4.8. Chris Harris (CH) asked if DNOs feel they have enough sight of what is excluded from the technical specification. No DNOs came forward with any big omissions in response to this question. TC added that outage management will be included in the communications hub and that DECC is putting in place infrastructure for authorised parties to access DSR.
- 4.9. PA added that broadband is potentially more important than the smart metering communications infrastructure in terms of delivering new services to customers.

5. SGF Year 3 priorities

- 5.1. GE introduced the "SGF Year 3 Priorities" paper. DECC and Ofgem had taken an action to produce this at the last SGF meeting (23 October). All SGF members had been asked to submit their ideas as to the priorities as they saw them. Adrian Butt (AB) had drawn these ideas together and they were presented in an annex to the paper. An open workshop had been held on 5 December to discuss these ideas following which the paper had been written and circulated to SGF members for comment. Those SGF members that had commented agreed to raise their points in discussion.
- 5.2. GE proposed that after general comments had been addressed, each of the paper's recommendations would be taken in turn. PJ offered his support for the overall direction and proposals made in the paper.
 - *Recommendation 1 – The SGF should continue to act as the industry/stakeholder group to assist/advise DECC and Ofgem on smart grid issues and in particular,*

identify barriers to its delivery, subject to an annual review of the SGF's aims and objectives. This was supported by the meeting.

- *Recommendation 2 – The SGF's focus should now extend beyond the current price control process, ED1 (i.e. beyond 2015).* MC wished to clarify the meaning of this. His interpretation was that the SGF had already looked beyond 2015. However, the focus up until now was on delivering the RIIO ED1 price control. The focus should now extend beyond this. It was agreed that this interpretation was consistent with the recommendation and the meeting supported it.
- *Recommendation 3 –DECC and Ofgem, with input from interested SGF members, should develop a common view on the proposed refresh of the Smart Grid Routemap including timing and resourcing.* There was a brief discussion of the previous ENSG work and the meeting agreed that this new work should be considered further by a working group and a detailed proposal brought to the April meeting. Post-meeting note – DECC will lead this initial work.
- *Recommendation 4: It is proposed that WS6 should develop a programme of work informed by the paper at Annex 4 and with a focus on the future roles and responsibilities of parties in the value chain and their relationships with each other and consumers.* GE explained that the full scope of work for WS6 had been captured in a document that was circulated to WS6 members on 21 December. This had been summarised in the annex to the paper. The meeting agreed to support this recommendation and that the work stream would identify the specific deliverables focusing on options for smart grid development, consumer engagement and the future roles of parties in the value chain and their relationships with each other, to feed into the year 3 work programme.
- *Recommendation 5 – If the SGF agrees this area warrants further consideration, Ofgem will lead an ad hoc group to develop a proposal for work on system operation issues. This group will take account of the potential future work of the IET and bring a proposal to the SGF as to how it should engage in this area.* GE explained the background to this recommendation and sought members' views as to whether it was 'in scope' for the Forum, bearing in mind its technical nature. He also referred to work in this area being proposed by the IET (see below). JS commented that a number of near and medium term system issues were being identified that needed to be studied in detail. SJ offered his support for this recommendation. GE noted the support for the recommendation and said that he would issue an open invitation to a meeting to take this forward and would bring a more detailed proposal to the April meeting.

John Scott (JS) updated the meeting on the IET's Power Networks Joint Vision project; PNJV was launched recently following industry feedback that identified emerging engineering concerns that there are new 'whole system' challenges that would be more optimally resolved by joint working across network companies and other parties. PNJV has now held two expert seminars and established a small number of work groups addressing 'the integrated analysis, planning and operation for Britain's future electricity system'.

The group is taking steps to ensure that duplicated effort is avoided and also recognises that, while the engineering challenges may be governed by the laws of physics, there are inevitably commercial and regulatory aspects to be taken into account. Several members of the Forum are personally involved in the PNJV work, so visibility and co-ordination should readily be managed.

JS concluded by commenting that the early meetings had drawn attention to changing power system operational conditions that were already becoming evident, so the issues being addressed are relevant to both shorter and longer timescales. Two immediate matters that are receiving attention in respective companies and

industry committees, as well as jointly through PNJV, are high system voltages on the transmission system (probably resulting from changing demand characteristics in the distribution networks), and more rapid rate of change of system frequency (resulting from reducing system inertia in renewable generation at transmission and distribution levels).

- *Recommendation 6 – It is proposed that a more structured approach to monitoring/tracking other smart grid areas (including those set out in paragraphs 2.13 to 2.15) should be established.* GE explained that there were a number of issues where the SGF could not be directly involved (e.g. standards development) but should be properly informed. This recommendation was accepted by the meeting.
- *Recommendation 7 – The SGF should review the work of the existing work streams so that they form a coherent body of work consistent with delivering our smart grid ambitions (see 1.6) and any other agreed deliverables.* The meeting accepted this recommendation.

5.3. The group briefly discussed how heat fits into the SGF: both in terms of the assumptions included in low carbon scenarios, and functionally as part of the smart grid. The group agreed that more consideration needs to be given to heat in future work of the Forum.

5.4. GE closed the discussion by saying that a complete set of more detailed proposals would be brought to the April meeting based on these recommendations.

Action

- **GE & AB** to issue an open invitation to working group meetings to take Recommendations 5 & 3 work forward.
- **DECC and Ofgem** to bring a more detailed set of proposals to the April meeting based on these recommendations.

6. WS1 Update

6.1. AB gave an update on WS1. The Carbon Plan numbers still represent DECC's best estimate for the range of heat pumps which could be deployed during the Fourth Carbon Budget and Pre-2020 changes to the Renewable Heat Incentive do not have a significant impact on the range for deployment in CB4.

6.2. OLEV has revised its projections for EV take up down from 8% to 6% under the 'low take up' scenario. The mid and high scenarios remain the same. Gavin Jones (GJ) stressed his concern with the credibility of the scenarios if the low scenario changes but the medium and high do not.

6.3. Ben Davison stated that the scenarios are based on its best estimates and will continue to share any revisions to these. All 3 scenarios remain consistent with the Carbon Plan. The low take up scenario is based on current policies. Sandy Sheard (SS) stated that DECC has been providing as much information as it has and will continue to be mindful of the scenarios as evidence changes.

6.4. AB added that the Office for Renewable Deployment plan to disaggregate the scenarios for renewables to 5MW, though this will be on a national, not regional level. AB is working with colleagues in DECC to submit updates to EATL by 15 February in order to feed into the work stream 3 modelling for DNOs business plan submissions.

7. WS3 Update

- 7.1. Steve Johnson (SJ) reported that the WS3 model development has gone well with the model regionalised to the 14 licence areas. EATL is currently working to fix known bugs.
- 7.2. The DNOs made clear that the update by DECC to the WS1 scenario data required for the WS3 model must be confirmed by 15 February as the absolute deadline if these updates are to feed into ED1 business plan development.
- 7.3. The group noted that while the model includes scenarios comprising different low carbon deployment trajectories (high-medium-low) there is only one scenario for energy efficiency incorporated into the model by GL Nobel Denton. There is concern amongst some DNOs that this energy efficiency scenario might be too ambitious and therefore underestimate investment needs. The group noted a need to understand the energy efficiency scenario more and to find alternative scenarios for sensitivity analysis.
- 7.4. SJ informed the group that tipping point analysis is being undertaken to feed into the next version of the model. This will help identify the lead-in time and volume of activity that may lead to tipping points in network functional requirements.

8. WS4 Update

- 8.1. DB gave an update on WS4, stating that the enlarged membership has given the group greater visibility in the industry.
- 8.2. DB noted that there is a lot of existing smart functionality in networks that is currently not utilised. DB sought the views of the SGF on what the WS4 priorities should be. These views will feed into the April papers.

Actions

- **DB** to add the WS4 risk register to the minutes of this meeting.
- **All** to feedback to DB on suggested priorities for WS4.
- **DB** to check forward work paper against risk register to ensure coherence.

9. WS5 Update

- 9.1. GE updated the group on WS5. The work is progressing, but the pace could be increased. He said that the ENA have offered to provide a project management role to the work stream and have appointed a technical editor for the LCN Fund web portal. Smart Grid GB is re-launching its website with a view to supporting this work.
- 9.2. GE noted that WS5 could engage more with the research community. Ofgem and DECC have written a joint letter to UKERC's new Director of Research to ask for help in better connecting the research activities concerning smart grids and meters.

10. ENSG Update

- 10.1. Mike Calviou informed the group that the ENSG will be meeting at the end of January. It is undertaking a cross-electricity networks project. It has produced a scoping document including a gap analysis. The work will cover transmission, offshore networks, the transmission/distribution boundary and interaction with gas networks.

Actions

- **MC** to circulate an update paper to the SGF in February to help identify any overlaps.

11. European/International Update

- 11.1. John Christie (JC) gave an update on the International Smart Grids Network. The network is undertaking an inventory of the smart grid projects in each country, and by 15 February, there should be a list for all ISGAN members. The ENA will derive a lot of its contribution from WS5.
- 11.2. The EU Demand Connection Code stakeholder meeting is looking at major priorities. This is now with ACER who will decide whether to recommend it to the Commission.
- 11.3. GE offered an update on the SG Task Force. Expert Group 3 is looking into different models for data flow, exploring three models. The Commission is expected to consult in the first half of this year. Further steps are not clear at present. The Commission is encouraging more development of the single market with a clear focus on competition; some Member States are some way behind GB. Expert Group 1 is undertaking a gap analysis of the need for new standards to implement smart grids across Europe, with the results due soon.

Actions

- **GE** to circulate the Expert Group 3 report to the Forum when it is published.

12. Next Meeting

- 12.1.** The next meeting will be held on 25 April at 13:30, hosted by DECC.

Appendix 1

Attendees:

Mike Calviou	National Grid
Chris Welby	Good Energy
Gavin Jones	Electralink
Phil Jones	Northern Powergrid
Robert Symons	WPD (by phone)
Duncan Botting	PB Power
John Scott	Chiltern Power
Gavin Jones	Electralink
Petter Allison	British Gas
Steve Johnson	ENWL
Roger Critchley	BEAMA
Jim Sutherland	Scottish Power (by phone)
Nick Jenkins	Cardiff University (by phone)
Mike Calviou	National Grid
Chris Welby	Good Energy
Chris Harris	RWE npower
Graham Meeks	CHPA
Ben Davison	OLEV

DECC: Sandy Sheard, Adrian Butt, Ben Golding, Teresa Camey, John Christie, Tom Luff

Ofgem: Hannah Nixon (Chair), Gareth Evans, Colin Sausman, Mark Askew, Tim Aldridge