

Meeting 25 – Smart Grid Forum Work Stream Six

Minutes from meeting 25 of the Smart Grid Forum work stream six (WS6).

From
Date and time of
Meeting
Location

Ofgem
Tuesday 17 June 2014
2.30pm – 5pm
Ofgem, 9 Millbank

23 June 2014

1. Present

Kevin Spencer (KS)	Elxon
Gavin Jones (GJ)	Electralink
Brian Robinson (BR)	CGI
Conrad Steel (CS)	Citizens Advice
Andrew Spencer (AS)	Northern Powergrid
Olaf Islei (OI)	APX group
Jon Bird (JB)	Sustainability First
Mark Hughes (MH)	Element Energy
Duncan Sinclair (DS)	Baringa
Nick Screen (NS)	Baringa
Graham Ault (GA)	Baringa
Laura Morris (LM)	ETI
Tamar Bourne (TB)	Regen SW
John Christie (JC)	DECC
Nigel Turvey (NT)	Western Power Distribution
Yselkla Farmer (YF)	BEAMA
Judith Ward (JW)	Sustainability First
Jenny Rogers (JR)	SSEPD
Adriana Laguna (AL)	UK Power Networks
Brian Shewan (BS)	SSEPD
Andrew Neves (AN)	Engage Consulting
Tabish Khan (TK)	British Gas
Adam Gillert (AG)	Bird and Bird
Eamonn Bell (AB)	Open Energi (UKDRA)
Zoltan Zavody (ZZ)	RenewableUK
Alice Etheridge (AE)	National Grid
Euan Norris (EN)	Scottish Power Energy Networks
Andrew Jones (AJ)	EDF
Solmaz Moshiri (SM)	EDF
Jill Caine (JC)	Electricity Storage Network
Dora Guzeleva (DG)	Ofgem
Grant McEachran (GM)	Ofgem (Smarter Markets)
Chiara Redaelli (CR)	Ofgem (Smarter Markets)
Mark Askew (MA)	Ofgem
Pooja Darbar (PD)	Ofgem (Smarter Markets)
Amy Freund (AF)	Ofgem
Keavy Larkin (KL)	Ofgem
Andy White (AW)	Ofgem

2. Apologies

Tim Newton (E.on) and Emma Pinchbeck (Ecuity)

3. Review of the previous minutes

- 3.1. DG invited the group to comment on the minutes from the previous meeting. The group had no comments to add.
- 3.2. The group carried one action forward. Citizens Advice to complete review of WS6 interim report from customer perspective.

Action	Person – By
Review of WS6 interim report from customer perspective.	Citizen Advice – 9 July

4. Updates

- 4.1. MA informed the group that Electralink has kindly volunteered to review the options developed by WS6 to identify which data flows already exist within the data transfer network or which can be adapted for the purposes required.

Action	Person - By
Review WS6 options for smart grid engagement against current data flows to identify where new data flows are needed.	Electralink – End of July

5. Smarter Markets Programme Update

- 5.1. CR updated the group on the Smarter Market Programme's work. Key areas of activity covered in the update included –
- Electricity Market Reform (EMR) – the Smarter Markets team has completed an assessment of EMR and its impact on incentives for providing DSR.
 - SO Incentives – the Smarter Markets team will present options for the incentive for comment at a future WS6 meeting.
 - Retail Market Review (RMR) – the Smarter Markets team will update WS6 in Autumn on whether the assessment will impact on WS6 options.
 - DCC and smart metering – the Smarter Markets team are assessing the need for changes to current arrangements for regulating access to smart metering infrastructure.
 - Europe – the Smarter Markets team is providing input to both the Agency for the Cooperation of Energy Regulators (ACER) and the Council of European Energy Regulators (CEER) to influence EU strategy on DSR.
- 5.2. PD presented a detailed update on the Smarter Markets team's review of EMR and the capacity market. CR noted that the Smarter Markets team welcome any comments from the working group.

6. Visibility of generation curtailment

- 6.1. NS presented slides summarising the findings of Baringa's report on actively managed distributed generation and the BSC. The report was commissioned by Elexon.
- 6.2. NS noted that the report's findings are based on active trials and discussions with stakeholders.
- 6.3. NS presented five potential commercial models for the active management of distribution connected generation –
- Rules based model (Model 1)
 - Static market (Model 2)

- DSO/TSO balancing (Model 3)
- Integrated local balancing (Model 4)
- Expanded national balancing (Model 5)

NS described the 'static market' and 'integrated local balancing' models in detail, setting out how they could work and what the implications on balancing and settlements would be. The static market model is suggested as a preferred potential near term option, whereas the integrated local balancing model is suggested as a preferred longer term option for creating efficient and consistent balancing signals.

6.4. The group noted that the options described in the WS6 interim report do not capture model 4 described by Baringa. The group agreed that a roles and responsibilities diagram would be added to the WS6 report showing how the integrated local balancing model could work.

6.5. NS concluded that in the near term (<2020), levels of DG will be relatively low and the need for active network management will be limited to specific areas of the network. Price signals and competition for curtailment could promote efficient balancing with limited changes to the BSC required. This model would need trialling urgently.

6.6. In the longer term (>2020), NS concluded that the penetration of DG is likely to expand requiring more fundamental market and settlement reform. The Baringa report proposes a model based on integrated national and local balancing. Elexon would be key to delivering the necessary changes, which would need to be tested and proven in the next 2-3 years. NS noted that the likely tipping point at which the latter model would become feasible would be at 1TWh or curtailed generation.

6.7. NS suggested innovations needed for testing the commercial models proposed above –

- Improving existing ANM through data visibility/ transparency
- Simple market model to incentivise efficiency by creating a price for curtailment
- Testing the concept of a local balancing mechanism.

Action	Person – By
Circulate Baringa report	Ofgem – End of June
Add DG option similar to Baringa model 4 to WS6 report	Ofgem - July

7. Distribution of value

7.1. AJ presented a table showing the distribution of value of DSR from supplier's perspective. He had devised a methodology to calculate the value and completed the table using the methodology and today's values. AJ suggested that the methodology could be applied to the forward looking numbers used by TK previously. This would give a more accurate picture of the value of DSR to suppliers and how that value could be distributed.

7.2. JB presented on the distribution of value from a DNO's perspective. JB noted that DSR used in post-fault scenarios would offer value to DNOs through avoided ISS and GSOP payments. DG noted that greater value could be derived from avoided reinforcement. AL noted that UKPN consider there to be significant potential DSR benefits in planned outage scenarios rather than post-fault.

Action	Person - By
Share distribution of value table completed from TO/SO perspective	AE – 9 July
Provide further comments on distribution of value tables	Distribution of value sub-group

8. Revised work plan

8.1. AF explained Ofgem's proposal to introduce six sub-groups to carry forward aspects of the WS6 work plan. The group agreed with the proposed approach and agreed that the six proposed sub-groups were appropriate. The sub-groups are –

- Storage/ DG
- Community energy
- Customer participation
- Smart meters
- Visibility
- Distribution of value

8.2. Ofgem provided draft terms of reference (ToR) for each of the proposed sub-groups. DG explained that the purpose of the sub-groups is to provide additional support to address specific issues which can assist in delivering the overall WS6 work programme. Each sub-group will be required to nominate a chair who will be responsible for pushing forward the sub-group's work and reporting back to WS6. Ofgem will provide secretarial support to the sub-groups.

8.3. DG invited the group to review the proposed ToR for each sub-group and to comment on them. DG also invited members of the group to nominate representatives to sit on the sub-groups.

8.4. Group members noted that the time frames included in the ToR seemed ambitious and perhaps unachievable. DG agreed that the first task of each sub-group should be to review the deliverables and timeframes of the ToR to ensure that they can be met. The group agreed that all sub-groups would report back to the next meeting with finalised ToR and an outline work plan.

8.5. ZZ noted that it would be useful to include in the ToR for each subgroup an additional deliverable setting out recommendations on implementation of options that relevant parties (industry, Ofgem, DECC) can consider for future work. DG agreed that this ties in with the objectives and the next work stage of WS6 and noted that the sub-groups should take this into consideration when discussing their ToR.

8.6. DG invited the group to send any further comments on the ToR to Ofgem via e-mail.

Action	Person - By
Circulate all ToR to WS6 members	Ofgem – 20 June
Arrange first meetings of new sub-groups	Ofgem – By next meeting
Inform Ofgem if interested in sub-group participation	All – 23 June
Report back to WS6 on agreed ToR and intended work plans	Sub-group chairs – By next meeting

9. Distribution of risk and curtailment contract

9.1. The group agreed to discuss this item at the next WS6 meeting on 9 July.

Action	Person - By
Add distribution of risk and curtailment contracts to agenda for 9 July	Ofgem – By next meeting

10. Any other business

10.1. The group did not raise any other business.

11. Date of upcoming meetings

11.1. 9 July 2014 (2pm - 5pm)

11.2. 7 August 2014 (2pm – 5pm)

11.3. 5 September 2014 (12noon – 3pm)