

# DECC-Ofgem European Stakeholder Group for Electricity

15 October, 13:30 – 16:00

Elexon - 4th Floor, 350 Euston Road, London, NW1 3AW

## Minutes

Chair: Ofgem (Mark Copley)

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### **Housekeeping**

The minutes from the last meeting were approved.

Actions from the last meeting were:

1. Mark to ask ENTSO-E what proportion of third party projects which applied for inclusion in the TYNDP were successful.
  - This was completed: ENTSO-E received 33 applications and in total the 2014 TYNDP includes 24 projects (13 transmissions projects and 11 storage projects). Out of the 24 projects accepted in the 2014 TYNDP, 19 are listed as Projects of Common Interest (nine transmission and 10 storage projects).
2. Ofgem to explain the mechanisms of the CBCA more clearly:
  - This was covered by David Freed's presentation (see below), as well as how it links in with PCI selection and the TYNDP processes.

### **Network Codes**

#### European Network Code (ENC) implementation in GB- DECC

- Jon Robinson (DECC) presented slides to the group.
- Stakeholders encouraged DECC and Ofgem to consider whether a mechanism could be used to reduce the timescales to make license changes, if required, to ensure the implementation of ENCs on time.
- Jon Robinson (DECC) outlined possible tools to implement ENCs and highlighted DECC's intention is for the UK to comply with the code requirements while incurring the least cost in implementation and delivery.
- He also highlighted the need to maximise implementation timescales by starting work as early as possible and packaging changes where possible.
- Mark Copley (Ofgem) emphasised the importance of planning for implementation as soon as practicable to minimise time pressures.

- Stakeholders sought clarification over which parties were considered when assessing the 'least cost' method of implementation.
- Jon Robinson (DECC) emphasised legislative change would be a last resort.
- Marta Krajewska (Energy UK) highlighted that a number of pan European and Regional decisions must be made to implement ENCs. Mark Copley (Ofgem) emphasised Ofgem has been engaging with fellow regulators to facilitate these decisions.
- Garth Graham (SSE) highlighted the requirement to go line by line through the ENCs and stressed the need to provide stakeholders with the opportunity to be included in this exercise.
- Rupika Madhura (Ofgem) noted the Requirements for Generators working group (established to implement the code) is open for all stakeholders to attend. This group will consider line by line mapping.
- The importance of communication between Ofgem, DECC and stakeholders was re-enforced.

#### Feedback and questions arising from the CACM cross border committee of 9<sup>th</sup> October 2014 – DECC

- Will Francis (DECC) went over the timing and progress of the CACM code. The next comitology meeting will be 7<sup>th</sup> November and a re-worked draft of the code text (incorporating comments from the meeting) is expected by the end of October.
- Key issues discussed in the meeting were:
  - o Collective decision making
  - o Nominated Electricity Market Operators (NEMOs)
  - o Capacity calculation
  - o Bidding Zone Review
  - o Committees
  - o Amendment process
- DECC expressed their interest in receiving continued support and input from stakeholders during the comitology process.

### **Infrastructure**

#### Overview of linkages between elements of EU infrastructure policy – Ofgem

- David Freed (Ofgem) presented the key elements of the European network development under the Energy Infrastructure Package (EIP). The EIP creates a process for developing an EU-wide list of Projects of Common Interest (PCIs). He then went on to explain how the Electricity Ten Year Statement (ETYS) feeds in to the Ten Year Network Development Plan (TYNDP) and how

that in turn feeds in to the PCIs. See slides for useful flow diagram of how the process operates.

- The difference between Cost-Benefit Analysis (CBA) and Cross Border Cost Allocation (CBCA) was highlighted and funding mechanisms were discussed for the PCIs. Overall there is very little money available to directly fund these projects, and it is more about incentivising and reducing risk for investment.
- If stakeholders have any questions they should get in touch with David.Freed@ofgem.gov.uk.

### Second round of PCIs

- Much has been learned about PCI selection after the first round and the selection process for the second round is underway. A list of candidate projects will be confirmed by November and the evaluation methodology will be agreed by January 2015.
- Stakeholders asked for a discussion on the Cost Benefit Analysis methodology for selecting PCIs when it is published for consultation by the JRC. It was suggested as an agenda item for the next meeting.

## **European Developments**

### European Commission

- Will Francis (DECC) discussed the rejection of Alenka Bratusek from VP of Energy Union and appointment of Violeta Bulk as her successor who will take the Transport portfolio, swapping with Maroš Šefčovič who will take the VP role. Cañete has been approved as Commissioner of Energy and Climate Change. It was noted that he is seen as being aligned with the UK's views on market based approaches to energy.

### Internal Energy Market (IEM) Communication

- The IEM Communication was released by the Commission on Monday 13<sup>th</sup>. More information, including a press release summarising the key points, can be found [here](#).

### Capacity Markets and State Aid

- Will Francis (DECC) informed the group of the Commission's decision that the proposed UK Capacity Market is in line with State Aid rules.
- Ofgem to discuss interactions between the Capacity Market and the Cap and Floor Regime.
- The decision to give state aid to Hinckley Point was also discussed, and the potential legal challenge was highlighted.

- There was a question of what would happen if the work went ahead only to have a court overturn the decision. Would the costs go to consumers?
- **Action on DECC to find out what would happen if this did occur.**

### Bridge to 2025

- Mark Copley (Ofgem) briefly outlined the Bridge to 2025 and what the potential next steps could be. Any questions relating to this should be directed to Ofgem.

### **AOB**

- Stephen Powell up-dated the group on the [publication of its Final Decision Paper on the High Level Design of the new wholesale electricity market, I-SEM](#) and the meeting held on the 17<sup>th</sup> September between the two Irish regulators.
- It was concluded that combining the JESG meetings and DECC-Ofgem was an improvement on previous arrangements but any further ideas about how to maximise efficiency of the two would be welcome. Please email ideas to [jack.robinson@ofgem.gov.uk](mailto:jack.robinson@ofgem.gov.uk)

<b><u>Attendees</u></b>	<b><u>Representing</u></b>
Adam Boorman	Cornwall Energy
Eleana Mylona	DECC
Jon Robinson	DECC
John Costa	EDF
Julian Rudd	DECC
Helen Stack	Centrica
Natasha Smith	Ofgem
David Freed	Ofgem
Mark Copley	Ofgem
Jack Robinson	Ofgem
Rupika Madhura	Ofgem
Richard Sarty	N2EX
Steve Wilkin	Elexon
Garth Graham	SSE
Esther Sutton	E.ON
Marta Krajewska	Energy UK
Will Francis	DECC
Bec Thornton	NGET

Sara-Lee Kenney	NGET
CEM Suleyman	Drax
Stephen Powell	
Vince Hammond	NGIC