

Internal Only

MINUTES OF THE EXTENDING COMPETITION IN TRANSMISSION INDUSTRY GROUP

OFGEM, LONDON

Wednesday 16<sup>th</sup> March 2016

**Present**

**Chair**

Ofgem James Norman (JN)

**Members**

Energy Networks Association	Mark Askew (MA)
National Grid	Jennifer Doherty (JD)
Scottish Power Transmission Limited	Alan Kelly (AK)
Scottish Hydro Electric Transmission plc	Malcolm Burns (MB)
Transmission Investment	Chris Veal (CV)
Diamond Transmission Corporation	Gary Thornton (GT)
Scottish Government	Heather Stewart (HS)
John Laing	Mark Westbrook (MW)

**Also in Attendance**

Ofgem	Tom Roberts (TR)
Ofgem	Joseph Baddeley (JB)
Ofgem	David Henderson (DH)
Ofgem	Saad Mustafa (SM)
DNV GL	Mark Winfield (MW) [item 3 only]
DNV GL	Rafiek Versmissen (RV) [item 3 only]

**Apologies/Did Not Attend**

DECC	Will Lockhart
National Grid	Ben Graff
Renewable UK	Gordon Edge
Balfour Beatty	John Sinclair

## **Welcome and Introduction**

The Chair welcomed participants to the meeting and conveyed apologies from DECC who were unable to attend.

## **Item 1 Terms of Reference**

- 1.1 It was highlighted that this group is seen as an evolution of the Energy Network Association's (ENA) previous Integrated Transmission Planning and Regulation (ITPR) Working Group.
- 1.2 DH presented the Terms of Reference that had been circulated to members before the meeting. Items covered included the purpose of the group, its objective, structure, core membership, sub-groups and their role, publication of the Group's work, and the quorum.

### Discussion

- 1.3 Various members welcomed the formation of the group.
- 1.4 MA commented that the ENA would represent DNOs at the steering group and disseminate pertinent information as necessary.
- 1.5 Members expressed a preference for future meetings to be set up as soon as possible to facilitate greater participation.
- 1.6 MB expressed a strong preference for NGET SO and TO functions to be separately represented in the group. The Chair indicated this was the intention, and that the Terms of Reference will be amended to reflect this more clearly.
- 1.7 The group discussed whether further representation of construction contractors and consumer groups was warranted. The Chair expressed willingness to broaden stakeholder engagement in principle but highlighted the manageability issue at the Steering Group level. It was decided that such groups may be relied on for participation in the sub-groups.
- 1.8 MA proposed that the ENA could act as Chair of the sub-groups if members felt it appropriate.

## **Ofgem update and future work**

2. Ofgem gave an overview of consultation responses to its October document, presented its current work on criteria, pre-tender arrangements, market offering, tender models, and conflict mitigation. Potential future work for the sub-groups was also covered.

### Discussion

3. MB pointed out that licence and code changes may be a key part of the work that sub-groups do.
4. Various members asked Ofgem to present a project plan detailing a timeline of key decisions and milestones to help members better understand the project. This should clearly set out work for T1, T2+ and early vs late tender model work. Ofgem undertook to prepare one for the next meeting.

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5. MB queried whether members would have an opportunity to feed into the policy areas that will be covered in Ofgem's proposed April/May consultation. JB indicated that due to time constraints this was unlikely. However, he highlighted that members will be able to feed into the policy areas that Ofgem's consultation will raise following its publication – both through the steering group and sub-groups.
6. Members queried what will happen with regards to transferring projects in T1 where TOs have carried out significant preliminary works. The Chair highlighted that Ofgem has written to TOs asking for more information on how preliminary works are carried out in Scotland, what the main challenges are, and what TOs have done to date. The TOs indicated that they will respond to Ofgem's query by the end of March.
7. Ofgem highlighted that the principle of one party carrying out consenting and transferring it to another will be similar in T1 and T2 (if the Late Model is chosen for a project in T2).
8. AK queried when further clarity will be given on which party will be responsible for carrying out preliminary works in T2. JB indicated that this will likely be covered in the May consultation document. MB highlighted that his organisation had expressed a willingness to continue carrying out this work in T2 in its consultation response.
9. MB set out that new entities discussing land rights in Scotland may be tricky as TOs have built-up specific knowledge in this area. CV noted that Scottish windfarm developers and generators have also built up such knowledge.
10. The group discussed what priority areas sub-groups could initially focus on. Ofgem indicated that, as only the late model could be used for T1 projects in-flight, it is further developing that model as a priority. However, the early model will be re-visited for further development. Ofgem undertook to bring a proposal of the work areas and timings for sub-groups to work through at the next meeting.
11. MB suggested that land rights might be a topic of consideration for a sub-group.
12. The Chair indicated that sub-groups may be formed from May onwards and that focus of sub-groups should be discussed at the next Steering Group.
13. It was also discussed that it would be useful to receive an update from NGET (SO) at a future Steering Group, on evolution of the NOA, particularly in light of competition.

### **DNV GL presentation on the Availability Incentive**

14. DNV gave a presentation on the initial design of the CATO performance incentives. The presentation covered what a CATO project is, what different requirements stakeholders have from CATO assets in terms of performance, its broad approach to developing a CATO performance incentive, and early thoughts on reliability incentives.

### Discussion

15. The group discussed the difference between reliability and availability, and how this should feed into incentives for the CATO.
16. TR indicated that the work DNV is doing will ultimately lead to a report for Ofgem and will feed into its summer consultation. A sub-group may be developed to look at this area in more depth as a number of related topics were raised during the discussion.

**Actions**

Action 1: Secretariat to arrange the next Steering Group meeting for April and consider adding dates for future meeting in members' diaries.

Action 2: Clarify that NGET SO and TO functions will be separately represented in the group. Change the Quorum to include Ofgem, the SO, one onshore Transmission Owner, and one Offshore Transmission Owner.

Action 3: Ofgem to present a timeline/project plan of key decisions and milestones at the next meeting and bring a proposal of work areas and timings for sub-groups to work through.

Action 4: DECC to be invited to give an update on its work to the steering group at the next meeting

Action 5: NGET (SO) to provide an update at a future Steering Group, on evolution of the NOA, particularly in light of competition.