

MINUTES OF THE EXTENDING COMPETITION IN TRANSMISSION INDUSTRY GROUP

OFGEM, LONDON

Thursday 28th April 2016

Present

Chair

Ofgem James Norman (JN)

Members

DECC	Will Lockhart (WL)
Energy Networks Association	Mark Askew (MA)
National Grid (System Operator)	Ben Graff (BG)
National Grid (Transmission Owner)	Lloyd Griffiths (LG)
Scottish Power Transmission Limited	Alan Kelly (AK)
Scottish Hydro Electric Transmission plc	Malcolm Burns (MB)
Transmission Investment	Mike Lee (ML)
Diamond Transmission Corporation	Gary Thornton (GT)
Scottish Government	Heather Stewart (HS)

Also in Attendance

Ofgem	Gordon Hutcheson (GH)
Ofgem	Joseph Baddeley (JB)
Ofgem	David Henderson (DH)
Ofgem	Saad Mustafa (SM)
DECC	Emma Mildred (EM)

Apologies/Did Not Attend

John Laing	Mark Westbrook
Renewable UK	Eamonn Bell
Balfour Beatty	John Sinclair

Welcome and Introduction

- 1.1 The Chair welcomed participants to the meeting.
- 1.2 The Chair asked if members had any comments on the updated Terms of Reference. As none did, the Terms of Reference for the group were agreed.
- 1.3 The minutes of the last meeting were circulated and members were asked to review for the next meeting. [Action 1](#)
- 1.4 The Chair noted Balfour Beatty's continued absence. The secretariat will ask whether the organisation wants to be a member of the steering group. [Action 2](#)

Item 2: Ofgem update on project plan of key decisions and milestones

- 2.1 DH provided an update on Ofgem's project plan for extending competition in transmission. Members were informed that timelines presented were indicative, subject to change, and reflect policy in development at time of drafting.

Discussion

- 2.2 MB questioned whether there would be further information on criteria in Ofgem's upcoming consultation. JB noted that there would.
- 2.3 LG asked whether future projects that straddle RIIO-T1 and RIIO T-2 would be competed under the late or early model, and also therefore whether the preliminary works for any such projects would be taken forward by the TO or SO. GH and JN commented that timing of development of the early model and of SO licence changes would be a critical factor in that determination, but that unless Ofgem specifically said differently, all projects that straddle T1 and T2 would: i) follow a late tender model; ii) have preliminary works undertaken by the TO. Further, Ofgem's previous consultation indicated that tendered T1 projects would follow the late model.
- 2.4 Members requested Ofgem to bring forward some examples/diagrams of how projects might fit into timelines. [Action 3](#)
- 2.5 Members discussed having more visibility of projects to understand what drives deadlines. The TOs said they might be able to offer some more information on SWW projects. [Action 4](#).
- 2.6 Members questioned whether Ofgem would publish project specific impact assessments for competed works. Ofgem stated that for any projects tendered in T1, before deciding whether to tender each project, it would consider any work undertaken to date by the TO and how this affects the impact of tendering the project (as well as whether the project meets the new, separable and high value criteria). Ofgem would consult on their views. Ofgem then noted that it does not intend to do project impact assessments for T2 as projects will be taken forward with full visibility of the new regulatory regime. Ofgem further commented that providing regulatory certainty and clarity on who is doing what as early as possible in T2 is important.
- 2.7 The Chair noted that Ofgem will table the timeline every quarter and keep members apprised of updates. [Action 5](#).

Item 3: Future work plan

- 3.1 DH talked through the provisional work plan for the steering group and the potential workflow for the working groups.
- 3.2 The Chair noted that over the next couple of months the turnaround for working groups is challenging due to Ofgem publications timelines. However, following this period, working groups will generally have scope for considering issues over a longer period of time.
- 3.3 MB commented that further detail on when the steering groups and workgroups will meet and what they will cover would be helpful in members being able to provide adequate resource. Ofgem agreed to set out further dates for steering groups (particularly those in June and July) and to work with ENA on dates for working groups (eg early CATO build working group) and the topics they would cover. [Action 6](#).
- 3.4 Whilst some members recommended that the working groups deal with multiple issues simultaneously to speed up the process; others noted that smaller organisations may struggle to resource such working groups adequately.
- 3.5 AK asked whether Ofgem can map some of the consultation or decision points that are driving the timings for the work being undertaken – to relate these to the work of the steering and working groups. [Action 7](#).
- 3.6 GT asked Ofgem to clarify what will be covered under ‘risk allocation’. GH commented that Ofgem is still designing policy on this and that a future Ofgem consultation will have more detail.
- 3.7 There was a request that tender specification work be introduced to steering group by e-mail, so working group can start in late May or early June. Ofgem agreed to provide a summary of the proposed tender specification working group to steering group members by email. [Action 8](#).
- 3.8 Members asked Ofgem to consider whether any working groups could be merged to drive efficiencies. [Action 9](#).

Item 4 Introduction to ‘what is a CATO’ and the CATO availability incentive

- 4.1 GH presented on the timing, main issues and format of the CATO availability incentive working group to be held later in the afternoon.
- 4.2 GH provided a similar summary for the ‘what is a CATO’ working group to be held in the near future.
- 4.3 GH noted that the working group should produce an accurate summary of the discussions it has had and the main issues discussed.

Discussion

- 4.4 MB commented on the need to ensure that all transmission owners and future CATOs have the same incentives to drive the same behaviours.
- 4.5 Members expressed a preference for a long working group session on ‘what is a CATO’, particularly as this might have some overlap with the availability incentive work. Ofgem undertook to work with the ENA to consider the appropriate length for such a meeting.
- 4.6 Members expressed a willingness to consider the ‘what is a CATO’ subject from either a bottom up or a top down perspective. This would involve considering possible roles, responsibilities and obligations and use these to build up the incentives needed for a CATO, or look at why a CATO

needs to be different from a TO/OFTO and its impact on incentives and obligations as compared to those that apply to TOs/OFTOs.

- 4.7 GT suggested focusing the discussion on the three project types identified by DNV-GL in their presentation at the last steering group meeting.
- 4.8 The ENA undertook to organise the 'what is a CATO' working group with input from Ofgem.
Action 10.

Item 5 DECC update on legislation

- 5.1 DECC provided an update on draft legislation and the Energy and Climate Change Committee's pre-legislative scrutiny process.
- 5.2 DECC expects the Committee to publish its final report in early May.
- 5.3 DECC expects to revisit the drafting of the legislation with the views of both stakeholders and the Committee.
- 5.4 DECC Reiterated that Ministers remain committed to working with Ofgem to make competition a reality.

Item 6 Ofgem update on May consultation

- 6.1 JB noted that Ofgem's May consultation will provide further detail on criteria definitions, principles around packaging of projects and the process for project identification.
- 6.2 JB added that the consultation would also cover pre-tender arrangements, with a specific focus on roles, incentives and funding under the late model.
- 6.3 Conflict mitigation proposals will also be covered with a focus on conflict mitigation for TOs when bidding in their respective transmission areas.