

MINUTES OF THE EXTENDING COMPETITION IN TRANSMISSION INDUSTRY GROUP

OFGEM, LONDON

Monday 20<sup>th</sup> June 2016

**Present**

**Chair**

Ofgem

James Norman (JN)

**Members**

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

Chris Veal (CV)

Diamond Transmission Corporation

Gary Thornton (GT)

Scottish Government

Heather Stewart (HS)

John Laing

Mark Westbrook (MW)

Renewable UK

Eamonn Bell (EB)

Balfour Beatty

John Sinclair (JS)

**Also in Attendance**

Ofgem

Joseph Baddeley (JB)

Ofgem

Elizabeth Cooper (EC)

Ofgem

David Henderson (DH)

Ofgem

Gordon Hutcheson (GH)

Energy Networks Association

Elizabeth Smith (ES)

National Grid (System Operator)

Joanna Carter (JC)

Scottish Hydro Electric Transmission plc

Leticia Pelizan (LP)

Balfour Beatty

Dan North (DN)

**Apologies/Did Not Attend**

DECC

Will Lockhart (WL)

## **1. Introductions and actions from last meeting**

- 1.1 The Chair welcomed participants to the meeting, including representatives from Balfour Beatty who have now joined the group.
- 1.2 The minutes of the previous two meetings were agreed and Ofgem will publish these on its website.<sup>1</sup>
- 1.3 The actions from the previous meeting were reviewed; these have all been met, with the exception of Action 4: TOs to consider if they can provide more information on SWW projects. Ofgem will coordinate information on SWW projects from its webpage and from TOs. **Action 1 (updated action)**

## **2. Initial thoughts on Ofgem consultation on criteria, pre-tender and conflict mitigation arrangements**

- 2.1 JB talked through the slide outlining roles and responsibilities for projects developed during the RIIO-T1 and RIIO-T2 periods. There was some discussion about the roles for projects being developed in RIIO-T1, but where construction starts in RIIO-T2. The Chair noted that if the TO has already been funded for pre-construction works, then Ofgem would expect the TO to continue these works. There was then a discussion about which body should carry out preliminary works for any new projects identified during the RIIO-T1 period where it is clear construction will not commence until RIIO-T2. The Chair noted that Ofgem was not aware of any such projects at this point and was keen to understand more about what they were and when they might come forward. The Chair noted that until such time as Ofgem obligated another party to carry out preliminary works for any such projects, then those projects should be taken forward under the 'status quo' arrangements, ie by the relevant TO. Finally, the Chair noted that Ofgem expected to make a decision on the party responsible for undertaking preliminary works for RIIO-T2 projects after the wider upcoming consultation on future role of the SO.
- 2.2 HS asked if Ofgem will decide whether projects in the different development phases would be delivered under an early CATO build or a late CATO build. GH noted that Ofgem will decide on the tender model to be used on a case-by case basis depending of the specific project circumstances at the time. He noted that the early CATO build model is still under development. Finally, GH noted that any RIIO-T1 SWW projects to be competed would be tendered under the late CATO build model.

## **3. Work reports**

- 3.1 MA provided an update on the working group reports.
- 3.2 What is a CATO?
  - 3.2.1 JC noted that a comment about "identifying the solution of best form" for an option is misleading, as this will emerge through recommendation in the NOA. It was noted that the STC will need to enshrine the role of the NOA. MA will update wording in the report to reflect this.
  - 3.2.2 MB asked what the requirements for TOs and CATOs would be under Black Start. GT noted that the SO will alert key generators, but the TO/CATO will need to ensure particular transmission routes are available for use and that they have sufficient resources in place at the time. Other members noted that there may need to be further updates to the STC relating to generator

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<sup>1</sup> <https://www.ofgem.gov.uk/electricity/transmission-networks/forums-seminars-and-working-groups/extending-competition-transmission-working-group>

requirements under black start to reflect EU network codes. MB requested that this point be clarified in the report.

- 3.2.3 CV noted an area where further development is required is what the 'boundaries of influence' for the CATO will be, given its role within the onshore network, and the responsibilities it will need to undertake. He noted this will be a key requirement which is different from OFTOs and bidders will need to understand what the impacts are/could be. MA noted that, similarly, greater clarity of roles is needed in the areas of new connections and stakeholder engagement.
- 3.2.4 GH noted that Ofgem will highlight the working group reports in its upcoming consultation; he noted the working group input has been useful.
- 3.2.5 AK asked if the report should also clarify "What is not a CATO?" GH stated that it should highlight the different sorts of transmission owner activities across the network and identify which roles are appropriate for CATOs. MA suggested a better title for the report would be "CATO activities and responsibilities". He will update the title.
- 3.2.6 BG noted that the group should badge the report as working group views only and not company views. MA to add this qualification.
- 3.2.7 The Chair noted the intention to publish the working group report and suggested that to aid stakeholder engagement with the reports an acronym glossary would be helpful. MA to update the report to reflect comments, including this glossary, and finalise for publication. **Action 2**

### 3.3 Availability incentive

- 3.3.1 CV noted on the point about whole system vs individual circuits, that there will be an interaction between the incentives and the technical specification of the tender (ie does the technical spec. require a single circuit vs multi-circuit approach).
- 3.3.2 GH noted the conclusion that reliability is the key behaviour to incentivise, even if the metric for doing this is based on the availability. The Chair suggested that the report be updated to clarify this point.
- 3.3.3 MB commented on part of DNV's conclusions regarding a comparison between TO NOMS reporting and a technical assessment of CATO assets at the end of the revenue term - he requested that this be marked as a comment from DNV and is not necessarily supported by the group.
- 3.3.4 MA to update the report to reflect minor amendments so that it may be published on the Ofgem website. **Action 3**
- 3.3.5 GH to check with DNV, that the slides prepared by them may be included alongside the published report (if not MA will consider how to reflect this content in the report). **Action 4**

### 3.4 Late CATO tender specification

- 3.4.1 Following the working group discussion that morning, it was agreed that MA will report on this working group at the next steering group meeting. **Action 5**

## 4. **Future working groups**

- 4.1 DH shared the plan for working groups from now until October. He noted that these split into two types of working sessions, some which will require individual workshop-type sessions and others which require a longer-term focus by the groups.
- 4.2 **Early CATO build** – There was some discussion on the relative priority of this work group, several members noted the resource demands would be significant if this work is to be undertaken during the summer in parallel with other working groups. There was agreement that the Early CATO build working group should not commence until at least October, when we will revisit the timetable.

- 4.2.1 There was agreement that the general format of the working groups seems appropriate and MA noted that the ENA would be happy to facilitate.
- 4.3 **RIIO-T1 licence changes** – DH noted this would be approximately 3-4 sessions, following the outcomes from the current Ofgem consultation (published 27 May). JB noted the working group would meet while Ofgem considers consultation responses and prepares a decision document. MB asked who the members would be. JB noted this will be a minimum of the licensees and may possibly include other interested parties from industry. BG noted that this work will likely require specialist attendees and therefore as much visibility of meeting times and agenda will be important.
- 4.6 **Late CATO build, Risk Allocation and Market Offering** – DH suggested that these workshops could be held on the same day to ease travel requirements. MA noted that these may require different attendees and other members felt that each may require a half day workshop, which would be better held on separate days.
- 4.4 **Industry Codes** - MA suggested the outputs generated from the initial workshop session to identify scope be used to report to the industry code bodies.
- 4.4.1 BG noted that internal codes team would be grateful for details of the process and mechanism for code modifications as early as possible. The Chair noted that from the Offshore experience not all modifications were required to begin the tender process, but the preference would be to implement as many as possible before then.
- 4.4.2 AK asked how many of these modifications would be required for T1 and T2 respectively; the Chair noted that the priority was to focus on changes needed for late CATO build in T1, although it was likely that this may also pick up some of the changes needed for early CATO build in T2.
- 4.5 DH to update plan to reflect amendments discussed. **Action 6**

## 5. Update on the NOA

- 5.1 JC presented slides describing the scope of the NOA and areas identified for further development in NOA 2 and NOA 3.
- 5.2 GT asked why NWCC was not featured. JC noted that delivery dates are driven by when the FES scenario expects the generation to be delivered, and this date for NWCC falls outside the NOA timeframe.
- 5.3 CV asked, with reference to the Dumfries and Galloway project, if the NOA captures all drivers (including local ones). JC clarified that NOA is a CBA of options and is looking at the bigger picture, so may not capture all local connections.
- 5.4 HS asked how the modelling of interconnectors relates to the NOA, JC stated that the Interconnector NOA has a separate methodology, which is published online and will be updated. The Chair asked about any possible offshore wider work projects that have been identified, JC noted that the methodology has been updated to include this analysis in NOA 2.
- 5.5 CV noted that there are some projects which could be competed that are not captured within the NOA report. JB highlighted the section in the May Ofgem consultation which referred particularly to generator connections and non-load/boundary reinforcement projects and noted that Ofgem are currently working to determine how best to identify these projects and make them visible.

## 6. AOB & Next meeting

- 6.1 Next meeting is set for 27 July, when the rotating new bidder attending will be RES; the Chair thanked John Laing for their participation.