

RIIO-ED2 Safety, Resilience, and Reliability Working Group (SRRWG) – 5th May 2020

From: Ofgem	Date: 5 th May 2020	
People invited: Relevant stakeholders	Time: 1pm to 2pm	Location: Microsoft Teams

1. Introductions, overview and Actions review

- 1.1. Rik Irons-McLean – Microsoft
- 1.2. Jonathan Booth, Dave Darley – ENWL
- 1.3. Caroline Farquhar – Citizens Advice (CA)
- 1.4. John Campbell, Elian Diong, Keith Forbes, Fraser Nicholson, Landel Johnston – SSE
- 1.5. Catherine Dow, Matthew Jones, David Neilson, Dewi Jones, John O’Gray – SPEN
- 1.6. Paul Measday, Bill D’Albertansen, Susannah Garwell, Ian Draper – UKPN
- 1.7. Greg Farrell – NPG
- 1.8. Andrzej Michalowski – WPD
- 1.9. Peter Couch – JRC
- 1.10. Sue Ferns – Prospect
- 1.11. Grant McEachran, Chris Watts – S&C Electric Company (S&C)
- 1.12. Gregory Edwards – Centrica
- 1.13. Myriam Neaimeh – Newcastle University
- 1.14. Mark Hogan, Thomas Roberts, Nayar Hussain, Jack Ambler - Ofgem

2. Cyber and Workforce resilience

- 2.1. ENWL noted that any decisions taken on an approach to any elements of resilience will need to be cognisant of the impact on cost assessment.
- 2.2. WPD sought to understand whether there would be alignment with the other RIIO sectors for these areas, and why electricity distribution might go over or above the measures put in place for the other sectors. SSE noted that there are a range of measures that have been suggested, and it is important that historic measures do not become the default without considering other options.
- 2.3. It was agreed that transparency and consistency of reporting is the key element of workforce resilience, since this is not something Ofgem should be setting expectations in.

3. Flooding, tree cutting, black start and CNl

- 3.1. ENWL noted that there needs to be a distinction between business as usual (BAU) activities and resilience-related activities for tree cutting. Again, this has implications for the cost assessment process in terms of which activities might be considered mandatory vs discretionary.
- 3.2. SPEN added that there are alternatives to cutting vegetation when it comes to managing the 'resilience' work associated with tree cutting.
- 3.3. WPD questioned why Ofgem are pursuing a wider resilience metric. Ofgem noted that it is about keeping options open at this stage. ENWL highlighted that there are a range of metrics that have been considered elsewhere (i.e. as part of workforce resilience), and there may be scope that could give an indication of a healthy/resilient network.
- 3.4. NPG drew out the distinction between resilience of assets and the resilience of networks. Climate change resilience is starting to enter into discussions about both types of resilience.
- 3.5. In terms of Black Start resilience, it was discussed whether DNOs should be identifying if they still have work to do to achieve the current black start resilience in ED1 and/or whether they should be complying with future Government requirements. It was

agreed that the consideration should be about complying with wider requirements, such as working with the System Operator.

3.6. ENWL noted that there are other elements of resilience that may need to be considered, and that climate change adaptation takes this in a different direction as resilience costs start to be observed in other work areas. There is also a distinction between the 'core' resilience costs and the 'incremental' resilience costs seen in other activities.

3.6.1. WPD wondered if consideration had been given to pooling a range of incremental costs that may appear elsewhere, as part of the cost assessment debate.

3.7. WPD also noted that the Network Asset Risk Metric (NARM) has not been covered here, and that it is considered as part of resilience in the other RIIO sectors. Ofgem noted that it is seen more as a tool that should be used to inform asset replacement, but is evidently a resilience-related measure.

4. Worst Served Customers

4.1. SSE and NPG presented on WSC. They noted that the current definitions are fairly prescriptive in terms of what a WSC is, and this restriction is reflected in the relatively low uptakes in expenditure in this area to date.

4.1.1. ENWL noted that it is, essentially, a voluntary mechanism.

4.2. It was noted that initial reliability results from stakeholder engagement show that people are passionate where their standards of performance are not aligned with the average, and that those levels of services are very unlikely to be captured by this mechanism.

4.3. SSE and NPG presented several options for taking this mechanism forward into RIIO-ED2, beyond leaving it unchanged.

4.3.1. Option 1 is to amend the parameters of the WSC mechanism, such as reducing the number of interruptions, amending the qualifying period, changing the performance improvements required or revising the allowances available. LV

interruptions could also be included in the incentive, since it makes no difference to the customer whether the interruption is caused by an HV or LV fault.

4.3.2. However, it was agreed that these options would not reduce the administrative complexity of the scheme, which could be one of the barriers to greater uptake.

4.3.3. Option 2 would be to provide DNOs with an ex ante allowance, similar to the approach taken for SSEH in RIIO-ED1. This would allow companies to volunteer a different £/customer and improvement values that would be committed to and used to assess whether the DNO had delivered what they proposed.

4.3.4. Option 3 would be to fold this mechanism into the Interruptions Incentive Scheme (IIS). This would involve applying a higher weighting to repeat interruptions, thus penalising the DNO further for repeat interruptions. This, however, would not reduce the administrative complexity of either mechanism and would likely be volatile.

4.4. SPEN noted that a core function of the incentive is to provide performance improvements where the CBA doesn't stack up. Option 2 seems to build on that most effectively.

4.5. CA questioned if this is covered by stakeholder engagement, whether there are views on how much customers are willing to pay for performance improvements, and whether this should be expanded to cover LV interruptions as well. S&C agreed that there is a need for something to be done in this space, and that it should be kept as simple as possible.

5. Planned interruptions

5.1. Ofgem noted that there had been some slight increases in the interest in planned interruptions, though this could be related to the impact of Covid-19. WPD outlined that they have observed less interest in this recently.

5.2. There is an overlap with the Broad Measure of Customer Satisfaction, since a DNO's strategy on planned interruptions, particularly for PSR customers, will likely be reflected in customer satisfaction scores.

5.3. For taking this forward, there are several options to consider, grouped around two elements: the weighting applied to planned interruptions and the way in which targets are set.

5.3.1. In relation to the weighting, this could be maintained, increased, decreased, or set based on customer impacts. Similarly, it could vary by DNO based on their own research.

5.3.2. In relation to target setting, the existing approach could be taken forward, or a new approach could be used. This might include fixing targets for the whole price control, establishing some form of benchmarking, or companies volunteering their own targets based on stakeholder engagement.

6. Exceptional events

6.1. DNOs questioned what Ofgem's concern around the Other Exceptional Event mechanism is, and S&C sought to understand whether the issue is with the mechanism, or is a matter of needing additional guidance for these kind of events.

7. Value of Lost Load

7.1. SSE noted that the Frazer Nash report highlighted that there is no equivalent suitable data set available for Scotland. CA questioned if there would be an impact assessment of the consideration of the different options and the impact of changing VoLL. If there is, it needs to be set out in a clear and accessible way.

7.2. WPD outlined that a disaggregated VoLL might not be workable within the context of the IIS, but could be more appropriate to other parts of the price control (such as CBAs).