

Agenda

RIIO-ED2 Safety, Resilience and Reliability Working Group (SRRWG) – 11th June 2020

From: Ofgem

Date: 11th June

Location: Teleconference

People invited: Relevant
stakeholders

Time: 1pm to 3pm

1. Attendees

- 1.1. Ofgem
- 1.2. UK Power Networks (UKPN)
- 1.3. Western Power Distribution (WPD)
- 1.4. Northern Powergrid (NPG)
- 1.5. Scottish Power Energy Networks (SPEN)
- 1.6. Electricity North West (ENWL)
- 1.7. Scottish and Southern Energy Networks (SSEN)

2. Review of safety, resilience, and reliability working group discussions/position

- 2.1. Ofgem presented slides reviewing working group discussion and proposals for the Common Network Asset Indices Methodology (CNAIM) and the Network Asset Risk Metric (NARM) in RIIO-ED2.
- 2.2. Ofgem highlighted the ambition for RIIO-ED2 was to set to better outputs that reflect the long term benefit of the work DNOs are funded to deliver, and to improve coverage and alignment across the sector. Ofgem outlined the priority areas for which to focus the development of NARMs for RIIO-ED2:
 - Adoption of whole life risk;
 - Commonality of reporting;
 - Production of guidance document;
 - Revision of the CNAIM methodology; and

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- Expansion of the CNAIM methodology.

2.3. WPD commented on how the NARMs mechanism should be explained to stakeholders given that it is considered as a Price Control Deliverable (PCD) and an Output Delivery Incentive (ODI) hybrid mechanism. Ofgem highlighted some delivery scenarios and stakeholders discussed the view that licensees should be exposed to over-delivery under the Totex Incentive Mechanism (TIM). WPD suggested that some clarification was required on what was considered 'cost neutral'.

2.4. Ofgem noted that the proposal relating to the whole life risk reporting would continue be developed until Draft and Final Determinations (DD and FD). Ofgem acknowledged the benefit of making decisions in this space as early on in the process as possible, noted that it will take the lessons learnt from other sectors and highlighted the ambition for the Sector Specific Methodology Decision (SSMD). Various DNOs stressed the importance that this process is carried out correctly, in order to avoid reworking after Business Plan submission.

2.5. Ofgem discussed the proposals around the enhanced guidance document, and its role in improving consistency of reported asset data and ensuring better alignment across the sector. WPD commented on the formalisation of the guidance document in RIIO-ED1 and the governance piece required from Ofgem.

Action: Ofgem to review governance issue around instruction for licensees to develop guidance document for CNAIM

2.6. Ofgem stated that the ambition for NARMs in ED2, is to increase the coverage of the Network Asset Secondary Deliverables (NASDs) in ED1, and where appropriate link expenditure to outputs. ENWL also noted the ambition is to better communicate the framework price control to other stakeholders.

3. ENA presentation on development of ED2 templates and interaction with BPDs

3.1. The ENA presented slides on the development of RIIO-ED2 templates. The ENA noted that the key principle is to build on the existing ED1 framework and learnings from DPCR-5. The ENA commented that the key purpose for CNAIM was to be able to quantify the level of risk and probability of failure. The ENA noted that for RIIO-ED2, the CNAIM/NARMs reporting can be expanded and simplified into two reporting worksheets:

- Network Assets Workbook (NAW); and

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- Secondary Deliverables Reporting Pack (SDRP).

3.2. The ENA presented the two workbooks and firstly highlighted the NAW combines the NAW and Monetised Risk workbooks and delivers additional granularity of movements (e.g. as asset category level and split by asset replacement removals/additions). Secondly, the SDRP delivers all of the information requirements for ED2 and a new simplified workbook structure.

Action: Ofgem to review reporting packs presented by ENA and provide comment and feedback, where necessary

4. Discussion item: Interaction with EJPs

- 4.1. Ofgem and DNOs discussed the Engineering Justification Papers (EJPs) and the interaction with other working groups. SSE and UKPN commented that input into the EJPs and the data requirements for the EJPs, could undermine the NARMs process and creates a potential risk of significant duplication of reporting.
- 4.2. WPD questioned what the purpose was of the documentation and how these papers would contribute to the Price Control process. UKPN stressed that the number of EJPs could significantly increase and that there should be balance between what is required for assessment purposes, and the resource and administrative burden placed on licensees and Ofgem in writing and reviewing the papers.

5. Actions, Next Steps, AOB

- 5.1. Ofgem noted that another meeting will be scheduled in July and that the purpose of this session would be to clarify any material outlined in the Draft Determination for the other three sectors.