

RIIO-ED2 Safety, Resilience, and Reliability Working Group (SRRWG) – 5th December 2019

From: Ofgem	Date: 5 th December	Location: 1.13 10 South Colonnade
People invited: Relevant stakeholders	Time: 10am to 4pm	

1. Present

- 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. Pathway to ED2

- 2.1. The pathway and high-level timelines for publishing key ED2 decisions were discussed. Ofgem acknowledged the amount of work that will need to be done leading up to the sector methodology. Through Working Groups (WGs), key themes/policy directions will be drawn out to put forward for consultation next year.
- 2.2. Ofgem confirmed that having DNOs that are amongst the safest and most reliable in the world is a broad aspiration.
- 2.3. Ofgem expects to keep WGs flexible and adaptable; stakeholders should consider which WG will be most appropriate and beneficial for them. Ofgem stressed the

importance of having the right mix of participants at the right time to progress work themes.

2.4. Ofgem noted that the CBA development work will have a significant impact in this work area and will ensure that any key outputs are fed in to this WG.

Action: Ofgem to produce and share an organogram of different WGs and contacts

Action: Ofgem to share ToR for all WGs

2.5. ENWL noted that some of the Regulatory Instructions and Guidance (RIGs) templates can be adapted quite easily to include company forecasts, while other templates will be more difficult. UKPN added that RIGs development needs to be considered in the context of RIIO-ED1 close out.

2.6. SPEN requested clarification on whether RIGs development should be considered within the context of ongoing monitoring within RIIO-ED1 or for the Business Plan Data Templates (BPDT) for RIIO-ED2. Ofgem confirmed that it was for both, and that RIG development should be carried out in a way that will lend itself to BPDT development and Cost Assessment.

Action: members to identify what areas of the RIGs need to be looked at for RIIO-ED2 before RIGs WG on 13th December, specifically (i) is there a change in practice that needs to be captured? (ii) Does the table facilitate ED2 forecasting? (iii) Does the table facilitate cost assessment?

2.7. WPD requested clarity around the proposed date from the Draft Business Plans (currently stated as Q2/3 2021). WPD noted that by having the submission of the Draft Business Plans at the end of July, would mean that it would be aligned with the annual regulatory submission, making it easier to have the data for 2020/21 consistent in both submissions.

Action: Ofgem to consider providing further clarity on the pathway to ED2 timelines.

Action: members to consider RIIO-ED1 experience and highlight any lessons learnt.

2.8. WPD requested clarity on the open hearings process.

Action: Ofgem to provide further information on the open hearings process to DNOs.

3. NASDs/NARMS

- 3.1. Ofgem discussed some of the proposed priority work areas for RIIO-ED1 and RIIO-ED2 and some of the key stakeholder feedback, including areas such as the commonality of assets across NASDs, extension to further assets, and non-NASDs/NARMS assets.
- 3.2. There was discussion around whether non-NASDs/NARMS assets should be lifted out of this WG and included within the Cost Assessment WG (CAWG). There was also discussion around the development of NASDs/NARMS beyond RIIO-ED2, with members requesting an obligation on them to outline plans or aspirations for RIIO-ED3.
- 3.3. There was discussion around volume variations vs. risk variations. Ofgem noted that there should be a read across, and that they need to better understand areas where say 100% of the risk target had been met, but only 25% of the volumes delivered (and vice versa). There was further discussion around cost categorisation and alignment and incentive rates.
- 3.4. There was discussion around the requirements for a Mid Period Review of NASDs/NARMS in RIIO-ED2, with a number of members arguing its value in a shorter (5-year) price control. It was suggested that the current requirements for MPR in RIIO-ED1 could be best met in RIIO-ED2 by enhanced annual reporting.
- 3.5. Several members asked for clarification on the use of Engineering Justification Papers for RIIO-ED2, and how they interact with Business Plan commentary. Ofgem noted that this topic should be picked up within the CAWG.

4. ENA Enhanced Engineering Guidance document

- 4.1. Members presented their proposals on Engineering Guidance on data input to the Common Network Asset Indices Methodology (CNAIM) for RIIO-ED1 and RIIO-ED2.
- 4.2. There was discussion around the proposals with Ofgem noting that they were happy with the outlined approach and that it was in line with what they were expecting.

Action: Members to provide Ofgem with information on their next Technical WG where the Enhanced Engineering Guidance document will be discussed, should Ofgem wish to send a representative.

5. ENA Review of CNAIM v1.1

- 5.1. Members provided an update, following a series of initial meetings of the NEDWG Technical WG, on the high level CNAIM review areas, including methodological reviews taking into account PoF and CoF issues.
- 5.2. There were also discussions around editorial changes, future alignment to RIIO-ED2 RIGs and revision of scope to include/extend current or future asset types for RIIO-ED2.
- 5.3. Ofgem noted that the companies should be working on an assumption that the same principles, as set out in SLC51, would apply for RIIO-ED2.

6. ENA Whole Life Risk

- 6.1. Members presented their proposals for consideration of the proposed methodology for reporting future (whole life) risk. There was discussion around the proposed approach, including the core assumptions that:
 - 6.1.1. all assets within a given asset category within the same Health Index band can be regarded as having the same typical value of Health Score in the current year; and,
 - 6.1.2. all assets within a given asset category with the same Current Health Score, will follow a standard deterioration curve and therefore have the same value of Health Score in each future year.
- 6.2. Ofgem while noting that the proposals appeared reasonable, challenged some of the assumptions underpinning the approach, questioning the impact that condition modifiers would have. CNAIM has factors which suggest that the future of some asset sub-sets may have materially different futures, as a result of some condition modifiers.
- 6.3. Action: Members to test out the impact of the core assumptions and challenges that Ofgem have raised and present updated results at next WG on 16th January.

- 6.4. Ofgem notes the suggestion from members that there would not be enough time to identify and test out an alternative approach at considering whole life risk, should this approach not be accepted.
- 6.5. WPD highlighted nervousness from company point of view of the effort and resource required to take their proposals forward and the risk that the final solution or approach would not be acceptable to other licensees and/or Ofgem.

Action: Ofgem to consider WPDs concern in the context of the WG Terms of Reference (ToR).

7. AOB

- 7.1. Members highlighted the value in having a look back session in February or March
- 7.2. Members suggested that for the WG on 9th January covering the QoS workstream, it would be useful if Ofgem could re-run and share the benchmarking analysis.