Minutes

RIIO-ED2 Safety, Resilience, and Reliability Working Group (SRRWG) – 9th January 2020

From: Ofgem	Date: 9th January	Location: 1.11 10 South Colonnade
People invited: Relevant stakeholders	Time: 10am to 3pm	

1. Present

1.1. Matthew Jones (MJ), Catherine Dow (CD) – SPEN

1.2. Caroline Farquhar (CF) – Citizens Advice

1.3. Andrzej Michalowski (AM) – WPD

1.4. David Darley (DD), Jonathan Booth (JB) – ENWL

1.5. Greg Farrell (GF), David Wilkins (DW) – NPG

1.6. Landel Johnston (LJ), John Campbell (JC) – SSEN

1.7. Steve Barrett (SB) – Energy & Utility Skills

1.8. Chris Watts (CW) – S&C Electric Company

1.9. Paul Measday (PM), Bill D'Albertanson (BDA) – UKPN

1.10.   Chenghong Gu (CG) – University of Bath

1.11.   Mark Hogan (MH), Thomas Roberts (TR), Nayar Hussain (NH), Jack Ambler (JA) – Ofgem

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2. Actions review

2.1. Ofgem ran through the actions from the previous (related) meetings and reminded all participants that the only way these groups will work is if all parties (including Ofgem) complete the actions that they agree to.

2.2. Ofgem noted that they have started work on an organogram of the working groups, but need to establish what would be useful to share.

3. Terms of reference and priorities

3.1. The terms of reference will need to be updated to reflect Load being a subject covered under this working group. Further comments/thoughts from all parties were welcomed, given that only two or three had completed the previous action of providing comments to Ofgem.

Action: Ofgem to circulate an updated version of the terms of reference to the Group.

3.2. The priorities list (that had been shared previously) was discussed, again noting that only three parties had completed the action to provide comments on this list. It was agreed that some DNOs would work together to get options/initial thoughts in a place that could be shared at the next QoS meeting (on 18th February). Thoughts were also welcomed on topics to prioritise within the area of Resilience.

3.3. It was noted that Guaranteed Standards would be discussed at one of the the further ED1 QoS meetings and, depending on the follow up work from that, it may be raised at the next SRRWG (QoS) meeting.

Action: WPD, ENWL and UKPN agreed to take the lead on Exceptional Events.

3.4. On Short Interruptions, CW noted that it would be good to understand how long it would take to get better measurements in place (i.e. in time for RIIO-ED2, or ED3?). CF highlighted that it could be an area that stakeholders are interested in, which could suggest this becomes a higher priority.

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Action: Ofgem will share their view of priorities and where/when we want to cover these items, with the caveat that this is relying (in part) on other parties giving their views on the priority areas.

3.4.1. BDA noted that if customer desires are driving a focus on short interruptions, then it is important to establish whether it is the interruption itself that needs addressing, or whether it is the length of the interruption. CW agreed to share some of the work that has been done in this area. CW noted that more recent Willingness to Pay (WTP) studies in the UK have not covered short interruptions.

Action: SPEN and UKPN, with input from S&C, will take this work forward and bring something to the 18th February meeting.

3.5. It was agreed that clock stopping was not a priority at this stage, due to the recent changes in reporting.

3.6. For Worst Served Customers, it was agreed that the current mechanism is not fit for purpose. CF noted that it only focuses on higher voltage at present, so one option could be to consider those affected by lower voltage interruptions. It was also noted that including a WSC mechanism within the wider IIS may hide the performance of those that are suffering.

3.6.1. AM set out that the intention was for the WSC mechanism to focus on the ends of networks, and a lack of visibility of the LV networks meant the focus was on HV and above. One option could be to remove the requirement for a minimum of three interruptions per year, though the main hindrance of the mechanism is the funding arrangments.

3.6.2. It was agreed that the mechanism itself needs to be simpler, especially given that it can be difficult for customers to stay under the definition of a WSC. The discussion could be split into two parts: one around how WSCs are defined and measured, and one around the framework for improving service to those customers.

3.6.3. There was a question about whether the data exists on how many customers might be affected by the levels of service that would be considered under the mechanism. It is easier to establish this at HV and above; DSO and smart

metering may start to reveal some information about LV, but not at the level that is needed.

3.6.4. The WSC debate will have overlaps with the discussion around Guaranteed Standards.

Action: NPG and SSEN will start the thinking on WSC.

3.7. In terms of Guaranteed Standards, it was highlighted that there will need to be consideration of the time and effort to update the Statutory Instrument for RIIO-ED2. In acknowledging that the ongoing ED1 work in this space is looking at reporting consistency, there is also the question of whether there is any appetite to change the GS.

3.7.1. One of the main areas that has generated debate in the past has been on making all payments automatic (currently, only two are not automatic). One future area for consideration will be the way in which payment levels are uplifted, and whether the payment amounts will need to be revisited entirely if VoLL changes (though we will need to be aware of the total network charge each customer pays as a comparator).

3.8. It was agreed that VoLL (Value of Lost Load) feeds into a lot of other areas of the price control, and at the bare minimum it needs to be refreshed to reflect the modern day. Any review of VoLL needs to happen early so that the impact on other areas can be understood (i.e. CBAs, NARM).

3.8.1. The Cost Assessment Working Group will pick up the discussion around VoLL in its first meeting, after which this group can revisit the subject.

3.8.2. It may be the case that a more disaggregated VoLL could/should be used in CBAs to help determine investment decisions, with a single value (per licence area) used in the IIS. Any change to VoLL will need to consider what weight that places on the IIS and the cap/collar arrangements.

3.9. The group reinforced the point that there needs to be clarity around the funding arrangements (i.e. are QoS improvements funded through the IIS or through base revenues), and clear messaging on this for ED2.

3.10.   Other metrics, such as an Electric Vehicle Minutes Lost (EVml), were discussed in the context of whether there is a need for other metrics to capture the impact of reliability on 'non-traditional' supplies. This would be similarly true for distributed generators, as well as the impact of multiple interruptions or multiple momentaries. CF mentioned the Association for Distributed Energy (ADE) would be interested in any discussions on a distributed generation metric.

4. Target Setting methodology

4.1. AM took the group through the slides that showed how the IIS targets were set for RIIO-ED1. It was noted that the models themselves were shared as part of the slow track final proposals.

4.2. During the presentation, it was raised that the CAWG will need to note that where a company deploys large volumes of mobile generation (to mitigate their interruptions performance, particularly on planned interruptions), that company will receive lower targets but appear more expensive in the benchmarking process.

4.3. The HV disaggregation creates 22 bands to compare performance across the different licensees. It might be worth reviewing these 22 bands to see if there are any that have very low volumes (of circuits) – if so, it could be worth seeing whether the boundaries from the HV disagg model need to be redrawn.

4.4. There may also be opportunities to develop an industry benchmark for CIs at LV (currently only done at HV). Similarly, it could be the case that expecting companies to continue to improve performance (either on the CI or CML aspect) where they are at or close to the frontier may be driving behavior that is not reflecting what customers want to pay for.

4.5. The group looked at an excel file containing IIS targets using the ED1 methodology for a theoretical price control starting in 2021 i.e. using company data up to 2018/19. There was concern that if targets were too tight for ED2, this would change the risk profile of the business and could lead to DNOs not attempting to meet them.