

RIIO-ED2 Overarching Working Group – Meeting 3

From: Ofgem RIIO-ED2 team

Date: 19 March 2020

Time: 10:00-16:00

Location: teleconference

1. Present

James Veaney , Christoph Gräfe, Tom Wood (part pm only) – Ofgem
Caroline Ainslie, Dave Fort – SPEN
Paul Auckland – ENWL
Paul Branston - WPD
George Day – Energy Systems Catapult
Beverley Grubb, Peter Williams – SSE
Judith Ward – Sustainability First
Matt Cullen – EON
Maxine Frerk – SGN CEG / GridEdge
Patrick Erwin, Keith Noble-Nesbitt, Jim Cardwell – Northern Powergrid
Simon Gill – Scottish Government
Alastair Wilcox – Citizens Advice Scotland
Ian Pashley – NG ESO
Daniel Barrett – GLA
James Dickson – Transmission Investment
Gregory Edwards – Centrica
Catalina Roza – Zenobe
David Healey – Keele University
Paul Jarman – University of Manchester
James Kerr – Citizens Advice
Ron Loveland – Welsh Government
Ross Thompson – UKPN

1. Minutes of previous meeting

1.1. The group approved the minutes of the second OAWG meeting.

2. Scenarios for RIIO-ED2

2.1. UKPN presented to the group on some of the key questions surrounding planning scenarios in RIIO-ED2.

2.2. Ofgem commented that the DNO-led group looking at scenarios would need to consider:

- how to move towards making suggestions of what solutions there are to the trade-off between national benchmarking and local/regional requests for specific development paths on decarbonisation and
- where a plan is prepared using input from local stakeholders, what are the indicators that may indicate whether a robust methodology where stakeholder ambitions are robustly assessed has been used.

3. Devolved priorities and RIIO-ED2

3.1. The Scottish Government presented to the group on issues concerning how we best reflect devolved priorities in the price control.

3.2. Ofgem asked:

- what actions can be developed for Ofgem/DNOs/stakeholder to ensure credibility of proposals that are being put forward with regards to how these actually meet the ambitions.
- Whether these elements be applied in relation to other regions?

4. Handling low carbon uncertainty in RIIO-ED2

4.1. Northern Powergrid presented to the group on a potential volume driver mechanism for dealing with uncertainty surrounding the uptake of low carbon technologies in RIIO-ED2.

4.2. Ofgem asked how would the proposal facilitate strategic investment to avoid unnecessary delays to new connections required by LCTs and whether enhanced or new incentives would be required on the connections process to supplement this volume driver, and if so, what might these consist of.

5. Proposal for regulatory treatment of Load Related Expenditure in RIIO-ED2

- 5.1. ENWL presented to the group (on behalf of SSE, SP, WPD and UKPN) on a potential capacity mechanism for dealing with uncertainty surrounding the uptake of low carbon technologies in RIIO-ED2.
- 5.2. Ofgem asked how this proposal would ensure that the capacity created is used efficiently and facilitates the uptake of LCTs and whether enhanced or new incentives around connections, or an asset utilisation incentive, would additionally be required (and if so, what might these consist of?)

6. Approach to managing net-zero in RIIO-ED2

- 6.1. Ofgem presented to the group on potential approaches to managing uncertainty related to decarbonisation in RIIO-ED2 and a proposed framework within which options could be assessed.
- 6.2. Ofgem agreed to collate a list of additional information required for each of the proposals covered and an assessment grid of each of the options and stakeholders will be asked to complete this ahead of the April session. Ofgem will review existing assessment criteria (for the different approaches) and consider whether these should be supplemented with additional criteria.

7. DSO functions

- 7.1. The ENA provided the group with an update on the work of the DNO-led group focusing on DSO. The DSO group will consider further which of the areas most likely to have a cost impact will require additional funding and, where this is the case, what associated outputs might be required to assess whether these allowances were being used effectively.

8. Data

- 8.1. The ENA provided the group with an update on the work of the DNO-led group focusing on data in RIIO-ED2. Ofgem said that it would be helpful if the data group considered whether the approach to data in RIIO-ED2 would necessitate additional expenditure and, if so, whether this should be accompanied by licence requirements or new outputs and incentives.

9. Subgroup - Achieving Net Zero including Strategic Investment

- 9.1. ENWL provide an update to the group on the work of the DNO-led group focusing on Achieving Net Zero including Strategic Investment.
- 9.2. Ofgem suggested that the group may need to distinguish between strategic investment that may be driven by totex/output incentives, and that for which there may be little incentive under the current arrangements.
- 9.3. Ofgem suggested that the group may need distinguish between strategic investment that may lead to capacity being utilised in ED2, from investment that 'future proofs' the network for a potential capacity required in future price control periods? How might this affect the tools used and CBA?
- 9.4. Ofgem suggested that the group may need develop outputs for models and parameters for use in CBA.

10. AOB

- 10.1. Members of the group requested sight of topic for discussion at future meetings, to help the DNO-led groups work towards outcomes at right priority and timescales.
- 10.2. Members of the group requested a discussion around business plan guidance and business plan assessment. Ofgem confirmed that this would be covered at a future session.

- 10.3. Members of the group requested further clarity around the level of detail at which proposals will be laid out by Ofgem in the sector methodology consultation. Ofgem asked that the group take an action to identify which of the additional information relating to the options for addressing LCT uncertainty (see para 6.2) needed to be known by the time of the RIIO-ED2 sector methodology consultation (and why) and which were more detailed points that could be worked up later.