

RIIO-ED2 Safety, Resilience and Reliability Working Group (SRRWG) – 10th September 2020

From: Ofgem	Date: 10 th September Time: 10am to 1pm	Location: Teleconference
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Present

Ofgem
 UK Power Networks (UKPN)
 Western Power Distribution (WPD)
 Northern Powergrid (NPG)
 Scottish Power Energy Networks (SPEN)
 Electricity North West (ENWL)
 Scottish and Southern Energy Networks (SSEN)
 Centrica

1. SSMC clarifications and options discussion

- 1.1. Ofgem provided an overview of the NARM framework for RIIO-ED2 as set out in the Sector Specific Methodology Consultation (SSMC).
- 1.2. On the commonality of reporting, Ofgem noted the ambition to review the role of the Information Gathering Plans (IGPs) prior to the Sector Specific Methodology Decision (SSMD). ENWL commented that for RIIO-ED2, there was clarity required around what the IGP was trying to achieve, and what regulation was required around it.
- 1.3. On the production of guidance document for RIIO-ED2, Ofgem noted the position as set out in the SSMC, and subject to consultation responses, the Good Practice Guide should be developed to support the purpose and content of CNAIM v2.0 and that there is no intention at present to use this document for audit purposes in RIIO-ED1. A number of stakeholders commented that this was a positive clarification and that it will allow focus on development of the Good Practice Guide to support CNAIM v2.0.

- 1.4. On the revision of the methodology a number of stakeholders commented that it was important to understand how we were going to fix the targets for NARM for ED2 given the uncertainty around the closing position for RIIO-ED1, and the reference costs. A number of stakeholders commented the view that changes to reference costs shouldn't require further consultation on the CNAIM.
- 1.5. A number of stakeholders provided feedback on the RIIO-ED1 rebasing of targets, noting that there were two options, at one extreme setting targets based on final submission, and at another extreme, rebase targets once the final ED1 position was known. One of the DNOs added that with the move to a 5 year price control the appetite for rebasing was diminished.

2. Incentives associated with NARM for ED2

- 2.1. Ofgem provided an overview of incentive properties of the RIIO-ED1 approach for NASDs including the reporting requirements, the assessment process, and the potential reward and penalty mechanisms for under- or over-delivery scenarios. SSEN commented that there was no mention of a deadband in the SSMC document and questioned whether this was something Ofgem were considering for RIIO-ED2 highlighting the advantages in terms of resource in applying some materiality threshold to under- and/or over-delivery. Ofgem agreed and commented that the rationale for including a deadband was as relevant in RIIO-ED2 as it was in RIIO-ED1.
- 2.2. Ofgem highlighted the proposed incentives for NARM from the other three sectors Draft Determinations. ENWL commented that the funding adjustment and penalty mechanism proposed for the other three sectors was far too complex, and that we need to go back to the principles and ask how this best applies to ED.
- 2.3. Ofgem noted that the position, as set out in the SSMC, for RIIO-ED2 was based on RIIO-ED1, while highlighting that there was no reward proposed for RIIO-ED2. Ofgem added that while there will be lessons to be learned from the other three sectors approach, and that there is alignment with some of the principles, the focus is on getting a package that works best for the ED sector.

3. ENA update on CNAIM v2.0

- 3.1. ENA provided an update on CNAIM v2.0 following the publication of their consultation, including the summary of changes, the consultation questions, how to respond to the consultation, and the timeline.
- 3.2. ENA noted that CNAIM v2.0 Draft approval must be provided by end of Q4 2020, and that this approval could be given through Ofgem's SSMD due for publication around the middle of December.

4. Interaction with BPDts

- 4.1. WPD presented on the RIIO-ED2 Business Plan Data Templates (BPDts) and the interaction with NARM. WPD outlined that the current BPDts need additional changes to fulfill the requirements for RIIO-ED2. ENWL stated the importance of the bridge between the BPDt and the related (NARM) tables that outline asset risk positions.
- 4.2. ENWL mentioned that initial discussions should occur in both the NEDWG and the SRRWG. WPD also noted that clarification was required in the respective sections in the BPDt guidance. WPD proposed a solution in reporting NARM related refurbishment and questioned if all DNOs include the same asset categories within their NARM deliverable whether there was an requirement to split out refurbishment of non-NARMs asset types into two categories.
- 4.3. **Action: WPD to progress the development of the BPDts and interaction with NARM ahead of the next SRRWG - NARM.**

5. Forward work planning

- 5.1. Ofgem presented a list of the key output / issue areas that required further development and/or working group level discussion. ENWL commented on the list noting that in terms of priority they could be divided into those areas relating to a specific Ofgem policy decision, and those areas where there was likely to be a practical impact in terms of the development of the BPDts or the business plan submission.

5.2. Action: Stakeholders to comment on the list of key output / issue areas, specifically on items that should be included on the list and their priority.

5.3. SSEN noted that ENA NEDWG would be the best forum for further discussion on the Engineering Guidance document and the revision of the methodology CNAIM v2.0, with any specific issues could fed into the SRRWG.

5.4. Action: ENWL to review the role of IGPs in RIIO-ED1, and consider the role of IGPs in RIIO-ED2.

6. Actions, Next Steps, AOB

6.1. The next SRRWG – NARM will be on the 14th October.

6.2. Ofgem will share minutes and action from this meeting.