

RIIO-ED2 Safety, Resilience and Reliability Working Group (SRRWG) – 30th September 2020

From: Ofgem

Date: 30th September
2020

Location: Remote

People invited: Relevant
stakeholders

Time: 11am to 12pm

1. Present

1.1. Ofgem

1.2. Electricity North West (ENWL)

1.3. Northern Powergrid (NPG)

1.4. Western Power Distribution (WPD)

1.5. UK Power Networks (UKPN)

1.6. Scottish Power Energy Networks (SPEN)

1.7. Scottish and Southern Electricity Networks (SSEN)

1.8. S&C Electric Company (S&C)

1.9. Energy and Utility Skills (E&U Skills)

2. Introductions, Pathway to ED2, and agendas

2.1. Ofgem provided an update on the timeline for the remainder of the RIIO-ED2 programme, and noted that while there are only two SRRWG meetings left in the diary, further meetings may be arranged if there is a need for them.

3. Guaranteed Standards

3.1. Ofgem outlined the proposed approach to Guaranteed Standards, based on the contents of the Sector Specific Methodology Consultation (SSMC).

4. Worst Served Customers

4.1. Ofgem gave an overview of the proposed approach to Worst Served Customers (WSC). The key takeaway from the SSMC is that there is a need for a mechanism, but the format of that mechanism still needs to be agreed. The RIIO-ED1 approach, based on the volume of schemes implemented, has not quite worked.

4.2. At a previous SRRWG meeting, a question was raised about whether the WSC mechanism could be expanded to cover short interruptions. Ofgem noted that this could be a step too far in the first instance, but that if there was strong evidence for this then a case could be made.

4.3. ENWL noted that the RIIO-ED1 arrangements do not even cover interruptions on the LV network and, therefore, doesn't include the full scope of the existing Interruptions Incentive Scheme (IIS) arrangements. As a result, ENWL are thinking about how the ED2 mechanism could cover the elements that really constitute poorest performance. There may be options to consider before bringing short interruptions into the mechanism.

4.3.1. S&C questioned whether the mechanism should be distinguishing between short interruptions and those lasting longer than three minutes, or whether a measure of the total number of interruptions could be considered. Ofgem noted that this is a possibility, but as with the discussions around an incentive for short interruptions, the real issue relating to short interruptions is the quality and the consistency of data. Improving the data side of things is probably a more crucial first step all around.

4.4. In relation to alternative options, ENWL questioned if the approach taken by SSEN in RIIO-ED1 (sometimes referred to as 'North of Scotland Resilience') could be considered more broadly as a model for a future mechanism.

Action: Ofgem to find material relating to how North of Scotland Resilience was developed and assessed.

- 4.5. UKPN noted their support for refining the current mechanism to achieve a better arrangement for all. WPD also support this approach, highlighting that the reporting requirements are onerous in terms of tracking customer experiences. The current tables have information around customers numbers that WPD believe could be used to form the basis of an ex ante allowance.
- 4.6. SPEN also agreed with refining the mechanism, noting that it is the rigidity of the rules that are likely to be the biggest barrier to DNOs having higher take up of the mechanism. Finding a way of making the mechanism less rigid could help contribute to a greater use of it.
- 4.7. ENWL outlined that the funding arrangements are one of the fundamental challenges with the mechanism. The original mechanism was created in a regulatory world where Price Control Deliverables (PCDs) didn't exist and, therefore, this mechanism is already starting with a greater level of complexity than others. However, in a RIIO-ED2 world where PCDs form a part of the price control, there is the opportunity to turn the mechanism around and make it more proactive.
- 4.7.1. One simple change would be to provide ex ante funding, since the world of PCDs means there will still need to be success criteria that can be applied to see whether the allowances provided should be retained (either in full or in part). This would give greater certainty of up-front funding and reduces the risk on DNOs. It would still require performance improvements and relevant thresholds to be established, but it could allow greater expansion to cover those customers that are very close to meeting the existing definitions.
- 4.8. UKPN supported ENWL's proposing, noting that there is a need to consider the original purpose of the mechanism, which was to pick up those customers that fall outside of the 'normal' investment programmes. The WSC mechanism is there to counterbalance the IIS, which means there is an important link between the investments driven by the IIS and those customers that would benefit from a WSC mechanism.
- 4.8.1. This means that any changes to the IIS incentive rates will impact the investment decisions DNOs make, which in turn affect the customers/performance levels that will determine customers' experiences. Reducing the IIS incentive rate could have the effect of lower volumes of customers benefiting from IIS-driven investments.

5. Telecoms resilience

- 5.1. Ofgem outlined the proposals relating to telecoms resilience, and noted that in other SRRWG discussions there had been the suggestion that a reopener might be needed for telecoms resilience, given the current uncertainty.
- 5.2. UKPN supported the proposed approach, and added that there are some concerns around the shutdown of the Public Switched Telephone Network (PSTN) that while this might not impact the DNOs directly, there is a potential impact on customers' ability to contact DNOs in certain ways. This is something DNOs and Ofgem need to be aware of in developing the arrangements.

6. Cyber resilience

- 6.1. Ofgem outlined the proposals for cyber resilience, noting that these are broadly mirroring the approach taken in the transmission and gas distribution sectors.
- 6.2. UKPN highlighted that they consider the IT and OT plans could be consolidated into a single plan to avoid duplication of effort. SPEN noted that they had considered this, but believe the benefit of two separate plans outweighs the benefit of a single plan. SPEN also noted that finding specialists in cyber resilience OT is proving difficult, so the costs are, at this stage, likely to be both high and uncertain and they are therefore not certain about the 'use-it-or-lose-it' approach to allowances.