

Internal Only

MINUTES OF THE EXTENDING COMPETITION IN TRANSMISSION INDUSTRY GROUP

STEERING GROUP

OFGEM, LONDON

Monday 24th October 2016

Present

Chair

Ofgem

Joseph Baddeley (JB)

Members

Energy Networks Association

Mark Askew (MA)

Energy Networks Association

Ardy Elansey (AE)

National Grid (System Operator)

Ben Graff (BG)

National Grid (System Operator)

Joanna Carter (JC)

Scottish Power Transmission Limited

Alan Kelly (AK)

Scottish Hydro Electric Transmission plc

Leticia Pelizan (LP)

Transmission Investment

Chris Veal (CV)

Diamond Transmission Corporation

Gary Thornton (GT)

Scottish Government

Heather Stewart (HS) (telephone)

Also in Attendance

Ofgem

James Norman (JN)

Ofgem

Andrew Ryan (AR)

Ofgem

Saad Mustafa (SM)

Ofgem

Matthew Ball (MB) (for item 4 only)

Apologies/Did Not Attend

Renewable UK

Eamonn Bell (EB)

RES Ltd

Simon Deacon (SD)

National Grid (Transmission Owner)

Lloyd Griffiths (LG)

Balfour Beatty

John S Sinclair (JS)

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1. Introductions and actions from last meeting

- 1.1 The Chair opened the meeting and welcomed those attending.
- 1.2 The minutes of the previous meeting of 27 July 2016 were agreed with no comments. Ofgem will upload the minutes to the website. **Action 1**
- 1.3 The actions from the previous meeting were reviewed. These have been completed or will be covered in the course of the meeting.
- 1.4 On Action 4, a member queried whether Ofgem would undertake a project specific tender specification report using the NWCC project as a case study example. JN replied that the December 2016 analysis of that project would be done both as a strategic wider works project and a potential project that might be competed onshore. Further, any such report would not be a decision to tender, as that would be done separately. Ofgem agreed to consider this request and revert to the group in the New Year. **Action 2**
- 1.5 The Chair read out the written update provided by BEIS. A member asked when Ofgem would need legislation by to be able to run a competitive tender. JB replied that the earliest Ofgem currently expects to run a tender is early/mid 2018. JN commented that legislation is one part of developing a regime to compete projects onshore.
- 1.6 A member asked whether Ofgem would launch a further consultation before making a decision on whether to tender the NWCC project. The chair noted that Ofgem would take into consideration the merits of launching a further consultation or publishing a decision document closer to the time.

2. Ofgem update

- 2.1 On project timelines, JN noted that the delay in legislation meant that it could no longer be achieved by the date Ofgem and BEIS originally envisioned. Further clarity would be required from BEIS, and Ofgem will then consider how this would map to project timelines. Ofgem undertook to update the timeline for the next meeting. **Action 3**
- 2.2 A member asked whether Ofgem would consider adding the Hinkley Point C project to the timeline. Ofgem replied that it would take that decision after the needs case is submitted and assessed internally.
- 2.3 The Chair provided an update on key upcoming Ofgem consultations related to the project. It was highlighted that a decision document would be published on criteria, pre-tender arrangement and conflict mitigation arrangements this month. Further, an informal consultation on implementation of TO and SO licences would be published on in November as well.
- 2.4 A member queried whether Ofgem could provide an update to members on ongoing work to consider further separation of the System Operator. SM replied that work is ongoing with BEIS, and Ofgem hopes to publish on the subject soon.

3. Working group reports

- 3.1 MA gave a readout of the main conclusions by the working group on late CATO build tender specification.
- 3.2 MA highlighted that certain working group members felt that any decision to tender would lead to delays to construction. JN pointed out that a) as the current Strategic Wider Works process includes an Ofgem gateway to assess consumer benefit; and b) since projects often have fallow periods where you could fit in competition stage gates, in principle projects should not be delayed due to competition.
- 3.3 Some working group members considered there to be limited scope for innovation under the late model.
- 3.4 It was further highlighted that members expressed an interest in variant bids, but realised that this would probably result in additional costs to parties.
- 3.5 JN thanked the ENA for its role in facilitating the working groups and for producing a clearly written report.
- 3.6 MA then gave an overview of the main conclusions reached by the working group on market offering and risk allocation.
- 3.7 Working group members had queried whether CATOs (competitively appointed transmission owners) would need to have a NAP (network access policy) and would such a document need to be streamlined across the TOs and the CATOs.
- 3.8 AK highlighted that the NAP is not particularly onerous and provides a good framework for TOs to communicate with the SO on distinct issues.
- 3.9 JN welcomed views from the SO on this. JC said she would provide initial SO views soon. **Action 4.**
- 3.10 MA stated that some working group members were concerned that consumers would have to pay twice for the asset at the end of the 25 year regulatory revenue period. JN pointed out that the asset would have a £0 regulatory value at the end of the revenue period, and therefore consumers would not have to pay twice for the asset.
- 3.11 MA stated that working group members felt greater detail was needed on risk allocation. In particular members felt it was important to highlight and determine the risk interface for preliminary works between TOs, CATOs and consumers. JN commented that this is an ongoing area of work for Ofgem and it would publish further detail in this area next year.

4. Future working groups

- 4.1 SM provided members with an update on timings related to the working group's agenda. The industry codes meeting moved from October to November, and the TO licence changes working group had also moved to November.
- 4.2 SM updated members that Ofgem is currently drawing up the working group's forward work plan and invited members to suggest areas they would like the group to focus on in the New Year. **Action 5.**
- 4.3 A member queried whether Ofgem will publish a document on how the tender process will be run. JN commented that Ofgem may publish a dummy Invitation to Tender (ITT) document next year to give potential bidders an indication of the evaluation criteria Ofgem is considering.

Ofgem may present a skeleton of such a document at a future meeting once the regime is more developed.

- 4.4 A member queried how Ofgem will take a decision on whether to tender using the early or late model. JN noted that all projects in RIIO-T1 will be tendered using the late model. Ofgem would comment further on model options next year once its considered the outputs of the early CATO build working group.
- 4.5 MB updated members that the forthcoming working group meeting will scope what codes need to change and the way in which the work should be taken forward. Given the technical nature of the meeting, it was suggested that code panel members be invited and that the work ties into the separate SO/TO separation workstream. **Action 6.**
- 4.6 MB noted that future working groups on codes will work on the specifics of code changes and how to interface with code panels going forward.

5. AOB and next meeting

- 5.1 SM highlighted that the next meeting is tentatively scheduled for 28 November, but would welcome views from members before confirming the date.
- 5.2 Various members opined that it would be better to set the meeting on the day of a working group meeting so that members could travel to London for more than one meeting.
- 5.3 SM to send round an invite for the next meeting once it was confirmed. **Action 7.**