

MINUTES OF THE EXTENDING COMPETITION IN TRANSMISSION INDUSTRY GROUP

STEERING GROUP

OFGEM, LONDON

Wednesday 27<sup>th</sup> July 2016

**Present**

**Chair**

Ofgem

James Norman (JN)

**Members**

Energy Networks Association

Mark Askew (MA)

National Grid (System Operator)

Ben Graff (BG)

National Grid (Transmission Owner)

Lloyd Griffiths (LG)

Scottish Power Transmission Limited

Stephanie Rogan (SR)

Scottish Hydro Electric Transmission plc

Malcolm Burns (MB)

Transmission Investment

Chris Veal (CV)

Diamond Transmission Corporation

Gary Thornton (GT) (telephone)

Scottish Government

Heather Stewart (HS) (telephone)

RES

Simon Deacon (SD)

Balfour Beatty

Katya Romashkan (KR) (telephone)

Department for Business, Energy and Industrial Strategy

Will Lockhart (WL)

**Also in Attendance**

Ofgem

Joseph Baddeley (JB)

Ofgem

David Henderson (DH)

Ofgem

Gordon Hutcheson (GH)

Energy Networks Association

Elizabeth Lunn (EL)

National Grid (System Operator)

Joanna Carter (JC)

Department for Business, Energy and Industrial Strategy

Giles Halford (GHa)

**Apologies/Did Not Attend**

RenewableUK

Eamonn Bell (EB)

## **1. Introductions and actions from last meeting**

- 1.1 The Chair opened the meeting and welcomed those attending the steering group for the first time.
- 1.2 The minutes of the previous meeting of 20 June 2016 were agreed with no comments.
- 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 In relation to one action, DH presented information on Strategic Wider Works (SWW) projects. The information was based on a project list on Ofgem's website, and also contained links to transmission owner (TO) websites and references to SWW projects in the Network Options Assessment (NOA). MB suggested that the list could be reviewed roughly every quarter by the Steering Group. On the question of how much to focus the timing for development of the regime on RIIO-T1 SWW projects, JN said that while Ofgem is still considering possible RIIO-T1 SWW projects for tendering, such as North West Coast Connections (NWCC), it would still be progressing the associated policy work needed to tender these.

## **2. Ofgem update**

- 2.1 JN reported that the Ofgem consultation on criteria, pre-tender and conflict mitigation arrangements had closed and non-confidential responses would shortly be placed on Ofgem's website. Ofgem will circulate a link to the responses - **Action 1**. Ofgem plans to publish a decision document later this year on these topics.
- 2.2 DH presented Ofgem's timeline of work. He noted that plans remained largely unchanged for RIIO-T1 and T2 policy development. Under T1 policy development, Ofgem is moving towards implementation of the arrangements for criteria, pre-tender and conflict mitigation measures, including through licence changes. In the area of late CATO build model and market offering, Ofgem will consult this summer then develop policies further later in the year. On projects, Ofgem is considering the suitability of the NWCC project, and will consult late this year. Ofgem will mark the NWCC consultation (and timeline for any other projects to be considered for tendering) on the timeline in its next revision – **Action 2**.
- 2.3 GH gave an overview of Ofgem's upcoming consultation on the late CATO build tender model and market offering. Among the areas the consultation will cover are Ofgem's evaluation of bids, the incentives and obligations on a CATO, revenue arrangements and risk allocation. JN commented that the working groups had provided helpful input and Ofgem welcomes further views during the consultation period, including via subsequent working groups.

## **3. Department for Business, Energy and Industrial Strategy (BEIS) update**

- 3.1 WL provided an update from BEIS. He covered the creation of BEIS and the appointment of a new Secretary of State and ministerial team. He reported that Government had now responded to the Energy and Climate Change Committee's pre-legislative scrutiny report. There was no change to Government priorities on energy, so legislation to support onshore competition would still be likely, though timing could not be confirmed. He welcomed ongoing engagement with members.

#### 4 Report of late CATO tender specification working group

4.1 MA presented the report from this working group.

4.2 The following points on the report were discussed by the group:

Part of the report	Comments from the steering group
The extent of the works required	<ul style="list-style-type: none"><li>• The working group discussion was more around generic routes, rather than specifically 'route corridors' as referred to in the report</li></ul>
Design	<ul style="list-style-type: none"><li>• Suggestion that Ofgem seeks engineering advice was useful</li><li>• On the point in the report that detailed design elements are required to obtain consents – the steering group thought the working group discussion went slightly further to suggest that the minimum design works required should be aligned with what is required for consents.</li></ul>
Handover of preliminary works	<ul style="list-style-type: none"><li>• The need for a clear handover, at agreed points, was acknowledged as important, particularly for the consenting process.</li></ul>
TNEI report feedback	<ul style="list-style-type: none"><li>• Welcomed suggestion of a future working group on standards.</li></ul>

4.3 The steering group were in agreement that the points made were relevant and were happy that the report be published on the Ofgem website, subject to minor corrections raised in the above comments, which the ENA will action – **Action 3**.

4.4 MA noted that the group had looked at tender specification generically, rather than on specific projects. Ofgem will consider whether a working group looking at project specific issues would be useful in future – **Action 4**.

4.5 On a point of governance, JN expressed his preference for reports from workshops to be a record of what was said and debated across the group, rather than adding in views from individual working group members after the workshop. Steering group members agreed with this approach.

#### 5 Future working groups

5.1 DH presented the updated plan for working groups in 2016. He reported that invites had gone out for the tender model (23 Aug) and market offering / risk allocation (6 Sep) workshops. These would cover the areas of Ofgem's upcoming consultation.

5.2 JB outlined that the RIIO-T1 licence changes working group would meet over three sessions – the first covering structure, as well as a first draft of updates to NOA conditions, the second covering drafting for pre-tender activities and mitigating conflicts of interest, and the third session would look at a second draft of all sections. In response to a question from SR, JB said that the licence changes would be focused on what is needed for T1, though some conditions around the NOA and project identification would naturally extend to projects that come forward in T2.

5.3 DH noted that the working group on industry codes was now scheduled for October. Ofgem hoped that gathering input through the consultation would provide a good basis that the group could work from. WL and JN noted that the draft legislation includes a power for Ofgem to amend industry

codes to introduce competition. MB suggested the chairs or other representatives from the code panels be invited along to the scoping workshop. Ofgem agreed to do this – **Action 5**.

5.4 Ben Graff was approved as the chair of the working group on the early CATO build model. Meetings for this group had now been arranged, starting in October.

## **6 AOB and next meeting**

6.1 The group agreed to cancel the meeting scheduled for 19 September and meet again on 24 October. An October meeting is well timed to receive reports on the working groups taking place in August and September.

6.2 MB informed the group that as of October, the SHE Transmission member would change to Leticia Pelizan.