

## Whole System workshop – summary of discussions

From: Jo Gaches / Zak Rich

Date: 18/09/2018

Location: Glasgow

Time: 09:00 – 13:00

### 1. Present

- 1.1. We had approximately 35 stakeholders from network companies and academia at the workshop. Organisations in attendance were:

|                              |                            |
|------------------------------|----------------------------|
| National Grid                | SP Energy Networks         |
| Scottish and Southern Energy | Cadent                     |
| Northern Gas Networks        | Wales & West Utilities     |
| Scottish Gas Networks        | Western Power Distribution |
| UK Power Networks            | Electricity North West     |
| Northern Power Grid          | Imperial College           |
| Strathclyde University       | ENA                        |

### 2. Overview of the day

- 2.1. The sessions were structured around three critical questions:

- What are the price control barriers to greater whole system outcomes?
- What are the potential enablers for greater whole system outcomes which are best placed in, or can only be addressed through, the price control?
- How is the range of potential network activities and investments affected by taking different definitions of ‘whole system’?

3. Ofgem took the following key notes away from the day. On **barriers**, the four areas for further investigation were:

- **Financial incentive** issues associated with cross-network payments
- A lack of **flexibility** in the price control to respond to whole system related needs and changes
- **Coordination** challenges
- **Anticipatory** investment and balance of risk

4. On potential **enablers**, it was noted that the overarching objective of simplifying the price control implies that new whole system mechanisms should only be introduced into the RIIO framework where the price control is the best or only avenue to deliver the desired outcome. Further, in the interest of simplification, and given the complex nature of whole system work, the introduction of new whole system mechanisms would require well-justified policy proposals. Representatives on the day were unable to provide such proposals, but endeavoured to respond back to Ofgem with more developed views on how whole system mechanisms might be delivered through the price control. The four areas identified for further investigation were:

- **Innovation** - *needing to take a broader approach, incorporating system change and risk*
- **Incentives** - *better calibrated between parties, and between activities*
- *Mandated and incentivised **coordination** in planning*
- *Whole System focused **uncertainty mechanisms***

5. On **defining 'whole system'**, the group discussed taking a narrow view of whole systems (gas and electricity, distribution and transmission) for any 'core' incentives or obligations under the price control, but having some consideration for a wider scope if broader ambitions were to be encouraged. The group also discussed potential design principles integrating whole system outcomes into the price control.

#### 6. Ongoing discussions

6.1. We will use the discussions and feedback from the session, as well as our ongoing engagement, to inform our policy development. If you have any questions or further feedback, please contact [Joanna.Gaches@ofgem.gov.uk](mailto:Joanna.Gaches@ofgem.gov.uk).