

## Electricity Transmission Policy Working Group 3

From: Ofgem

Date: 28-09-2018

Time: 10:00-16:00

Location:  
Conference Room 1.11  
1<sup>st</sup> Floor,  
10 South Colonnade  
Canary Wharf, London

This document sets out the high level minutes and actions from the Electricity Transmission Policy Working Group 3. The aim of the document is to focus on capturing the main issues and themes raised in discussion.

All minutes and notes were recorded in conjunction with the Terms of Reference for the workshops and were recorded under Chatham House rules, whereby comments are non-attributable. For reference to the presentation material, please refer to the accompanying working group slides.

### 1. Welcome and introduction – 10:00-10:15

[No minutes were taken for this section].

### 2. Whole System Working Group Update – 10:15-11:30

#### National Grid Presentation

- 2.1. NGET gave a presentation on its reflections on the whole systems workshop that took place in Glasgow on 18 September 2018. NGET presented its thoughts on how the RIIO framework may need to change to better unlock customer benefits. NGET also presented a framework which demonstrated various interfaces between Transmission Owners (TO), System Operator (SO), Distribution Network Operator (DNO), customer, flexibility, transport, gas, and heat.
- 2.2. TO/DNO Interface: Discussion was held around how cost savings are shared between different parties. It was discussed that there are different interactions between different price controls and practicalities in terms of implementation which need to be captured. There was questioning around the SO role and potential duplication.
- 2.3. TO/Customer Interface: Discussion was held around whether consumers should be paying for customer solutions (eg harmonics).
- 2.4. TO/Flexibility Interface: It was discussed why TOs aren't in a position to procure market solution, the role of the NOA process, and potential barriers such as risk and licence conditions. Whilst TOs have an obligation to make economic and efficient decisions, views from some stakeholders suggested that the most economic and efficient solutions may not be implemented without additional incentives in place. These stakeholders argued that

this is partly because such approaches create additional risk not captured in the price control settlement.

- 2.5. The group also discussed whether the framework should differentiate between flexibility that is directly/not directly within TO control.
- 2.6. The second aspect of NGET's presentation discussed a proposal for an incentive around SO/ TO interactions. It focused on constraint costs and unlocking value for customers, e.g. by incentivizing a more efficient, whole-system approach to outage planning. NGET recognised that forecasting constraint costs can be difficult and that baselines and achievements need to be measured. NGET explained that following the legal separation of the SO and the TO, incentives and objectives would no longer be aligned. Some members of the group pointed out that these are issues which the Scottish TOs are already grappling with. NGET took an action to further develop their proposal.

### Outcomes from the Whole Systems WG and what this means for ET2 (Zak Rich, Senior Manager, Cross Sector )

- 2.7 Zak Rich, Senior Manager in the cross-sector team gave a round up of the whole systems workshop which took place on 18 September, 2018.
- 2.8 The whole systems workshop sought to explore three main questions: what is preventing whole systems benefits from being captured?; what are the enablers, best placed in the price control which would lead to more whole system benefits?; and how would different definitions change the desired behavior and enablers?.
- 2.9 A number of stakeholders gave worked examples of issues that could be managed at both ED and ET levels and considerations to be taken into account in determining the better approach. For example, this included: who should bear the costs (e.g. price control vs. customers, transmission vs. distribution). Other issues raised included interactions with individual incentive schemes, e.g. the IIS, whether costs are passed through/ shared with consumers through the price control
- 2.10 There was also a brief discussion around the SO/TO incentive scheme.
- 2.11 One stakeholder drew parallels with the water sector, where administrative barriers were effectively dismantled, financial incentives were ultimately required to drive behaviours.

### **Outputs and Incentive Framework 11:30-12:15**

- 2.12 Using examples from RII01, Ofgem gave concrete examples of what is to be understood under each "type" of output, specifically, licence conditions, price control deliverables, and output delivery incentives. This was an action that came out of WG2.
- 2.13 Stakeholders asked for clarification on performance penalties and late delivery accountability. Stakeholders noted the risk of an approach that is too binary, with late delivery automatically resulting in enforcement/ penalties. Ofgem noted the need to

ensure late delivery resulting from poor performance is captured, with up-front clarity around how various circumstances will be dealt with.

### **3 Update from Cost Assessment team – 13:00-13:45**

- 3.7 Paul O'Donovan, Head of RIIO ET Cost Analysis gave an overview and update on the work of the Cost Assessment Working Group. He explained that the main focus of the cost assessment WG is develop requirements for good quality business plans.
- 3.8 Discussion in the Cost Assessment WG so far has been around what's worked well in RIIO1 in terms of reporting (e.g. high level discussion of principles). The next WGs will narrow in on more detail, for example: data; specifics around generation/connection costs; templates for data submissions; consistency with annual reporting template, etc.
- 3.9 Stakeholders asked for clarification on how Cost and Policy WGs will link up. Ofgem clarified that teams work closely together, as policy changes and developments will impact business plans.
- 3.10 NGET suggested linking up WGs with what User Groups are doing and for Ofgem to make a summary of what's been discussed to date available to stakeholders.
- 3.11 Stakeholders asked about guidance on reporting templates. Ofgem stated that an initial high-level guidance will be published soon. Guidance will be revised periodically in the future.
- 3.12 It was suggested that Cost and Policy WGs provide periodic updates in both WGs.

### **4 Safety and Network Access Policy (NAP) 13:45-14:15**

#### Introduction by Ofgem (Dale Winch, Manager)

- 4.7 Dale Winch, manager on the ET policy team gave a brief introduction of Safety and NAP.

#### Scottish Power NAP Presentation

- 4.8 Scottish Power gave a presentation on what the NAP is designed to do, and what it's not designed to do. Stakeholders noted that that the output is about availability in terms of network availability to the SO, rather than access to the network for stakeholders.
- 4.9 There was discussion around how NAP had delivered improved collaboration between the TOs and SO on outage planning for the benefit of consumers. It was also noted that the NAP brought about a significant amount of change through the use of a Licence Condition rather than a financial incentive. It was noted that there was some difficulty in measuring and quantifying success and the impact of this in driving collaboration. However it was suggested that this could provide a potential model for other areas, such as whole systems and provide a useful means of testing out projects/ ideas.
- 4.10 For RIIO2, the group discussed what improvements could be made, for example by introducing quantitative measures to capture change and success in this area. Other

suggestions for improvement include quantitative measures and KPIs operating across the price control period.

## Scottish Power Safety Presentation

- 4.11 Stakeholders discussed whether there is room for more reputational work to be done around safety, and whether there was an appetite from stakeholders.
- 4.12 Stakeholders also discussed the extent to which an additional reputational incentive or reporting mechanism could work (such as that in RIIO-ED1). This however would also need to be stakeholder driven.

## **5 Visual Amenity 14:15- 14:45**

- 5.7 One stakeholder did not agree with the suggestion that the scope of the visual amenity scheme for mitigating the impacts of existing infrastructure is extended to include non-designated areas. In their view there was a sufficient pipeline of candidate projects in national parks and the other designated areas that could be delivered over RIIO2. Another stakeholder noted that the pipeline for mitigation projects in the Scottish designated areas was smaller. One stakeholder noted that there is no opportunity left for undergrounding in their designated areas. This raised a question of geographical equity if all the projects funded by GB consumers are in England and Wales in RIIO2.
- 5.8 It was noted that the objective of the scheme is to maximize visual amenity benefits for GB consumers. It is likely that mitigation projects in nationally designated landscapes are generally going to deliver higher benefits than mitigation projects in non-designated areas. It was suggested that the methodology should consult on whether or not companies and stakeholders can make the case for a specific mitigation project not covered by the designation landscapes of the scheme if it was considered to offer high value benefits.
- 5.9 On the discussion about the future operation of the existing infrastructure mitigation scheme, some stakeholders thought that a major benefit of the current process ensured there was a thorough review on the justification and efficient costs of proposed mitigation projects. There was a concern that a move to an assessment of these schemes at the time of the price control business plan submission might reduce the level of scrutiny on the mitigation projects. It was suggested that there could be a hybrid approach where simpler, lower cost projects could be submitted as part of the business plan for baseline funding. And higher cost more uncertain projects are subject to a within period determination. However, it was noted that there was an expectation that companies would make clear in their business plan the level of ambition in

delivering mitigation projects over the course of RII02, so that this could be seen in context of the other areas of network expenditure.

- 5.10 There was agreement in the room that visual amenity was a subjective topic and that for surveys (ie willingness to pay), care must be taken into asking the right, unbiased questions to audience groups with varying levels of understanding.

## **6 Close and AOB – 13:00**

- 6.7 Next Steps – Ofgem to review actions from working group and provide an update at the next working group in October. Areas for discussion and agenda will be finalised and distributed prior to this meeting.

## 7 Date of next meeting

7.7 11 October 2018 in Glasgow

## 8 Appendix 1 – Summary of Actions

<b>Action</b>	<b>Allocated to</b>	<b>Due date</b>
Ofgem to follow up with NGET to clarify scenarios where TOs find difficult in playing a role in flexibility	Ofgem	WG5
Ofgem to follow up with SHE-T on responsibilities that are within/outside TO role in terms of flexibility.	Ofgem	WG5
All TOs to provide examples to Ofgem of DNO/TO barriers to coordination and cooperation on network issues. SHE-T will also provide example of Islands solution and disaggregate flexibility interface.	TOs	WG5
SPT to speak to the NAP group and provide the group documents and provide examples of where the NAP has driven success.	SPT	WG5
Ofgem to input into TO's joint research initiative on WTP project scope.	Ofgem	WG5

## 9 Appendix 2 – Attendee List

<b>Guest Name</b>	<b>Organisation</b>
Ivo Spreeuwenburg	National Grid
Jonathan Ashley	National Grid
Alan Kelly	SP Transmission
Shirley Robertson	SHE Transmission
Fraser Nicolson	SHE Transmission
Gregory Edwards	Centrica
Yonna Vitanova	Renewable UK
Jamie Stewart	Citizens Advice Scotland
Ruth Bradshaw	Campaign for National Parks
Tom Watson	Energy Networks Association
Anna Kulhavy	Ofgem

# Minutes



Making a positive difference  
for energy consumers

James Tyrrell	Ofgem
Eilidh Alexander	Ofgem
Keren Maschler	Ofgem
Cissie Liu	Ofgem
Dale Winch	Ofgem
Clothilde Cantegreil	Ofgem