

Minutes of a Meeting of the Gas and Electricity Markets Authority

From: Stella Denny
Secretary to the Authority

Date: 31 July 2019

Time: 9am

Location: Durham

Welcome

1. The Authority was welcomed to the meeting venue by Chris Johns, Finance Director for Northumbrian Water (NWL), and received a short presentation, part of which highlighted the cross utility work, including the energy sector, which is being undertaken by NWL.

Apologies for absence

2. Mary Starks.

Introductory remarks by the Chairman

3. The Chairman welcomed all members and attendees to the meeting and noted there were no conflicts of interest to be reported.
4. The Chairman reflected on the very positive experience of the Board's stakeholder visits.
5. The Chairman commended to the Authority, the Revised Code of Conduct for Board Member of Public Bodies, reiterating the importance of the new provisions in the guidance.
6. The Chairman reminded colleagues that the meeting is Keith Lough's last. Keith has served on the Board for seven years, during which time he has also been the Chair of the Audit and Risk Assurance (ARAC). On behalf of the Office and Authority, the Chair offered thanks and gratitude for all the work and commitment Keith has given to the organisation.
7. Keith has offered his assistance for the review of E-Serve Governance, and will also meet with the new ARAC Chair to provide a handover. John Crackett will take over as Interim Chair of ARAC in the meantime.
8. The Chairman provided the Authority with an update on the recruitment process for the new Chief Executive and also for new non-executive Directors.
9. The Authority was reminded that the Strategic Narrative was published on 11 July 2019.
10. The Chairman thanked colleagues for their support towards the Bow Billions Project, noting that teams across Ofgem have raised £3k during a five week period.

11. The Chairman advised the Board of the For Information' papers submitted for the Authority's attention.

Minutes of the Authority meetings held on 26 June 2019

12. The minutes of the meeting held on 26 June 2019 were agreed.

Matters Arising

13. The Chairman informed the Board that the Strategy and Resources Task Force had met on 29 July 2019. The Task Force had considered a variety of matters, including strategic finance, Spending Review 2019 and progress towards becoming an adaptive organisation.

Report by the Chief Executive Officer

14. The Chief Executive Officer (CEO) updated the Authority on recent internal and external engagements, including meetings with ministers and the Committee on Climate Change.

15. The CEO noted that Rt Hon Andrea Leadsom MP has been appointed Secretary of State for Business, Energy and Industrial Strategy.

16. The Authority received an update on other topics, including:

- The Public Accounts Committee's report on Consumer Protection
- The energy price cap
- Nuclear RAB
- The Nemo Link
- The Northern Ireland Renewable Heat Incentive Scheme Inquiry; and
- Ofgem's administration of environmental and social programmes

Report by the Chief Operating Officer

17. The Chief Operating Officer (COO) introduced an extended COO report session, incorporating consideration of strategic risk, external landscape factors and organisational health.

18. The Authority carried out a strategic risk exercise to identify strategic and operational risks facing the organisation. Following the exercise, the Authority recognised that the nature of the risk landscape had changed, and agreed to a further risk session to be held in December 2019.

19. The remainder of the session considered a wide range of organisational issues, including performance against the Forward Work Programme, workforce challenges and the status of internal management reporting systems and processes. The Board considered organisational progress to be satisfactory but requested a further review of organisational health in the December session.

Joint Ofgem/BEIS Framework Document

20. The Authority considered a paper setting out the framework for the relationship and working arrangements between Ofgem and BEIS.

21. The Board discussed the document, and subject to changes, the content was agreed. General Counsel will arrange for amendments to be made, ahead of the final sign off.

CMA Proposals re: Appeal Functions

22. The Authority considered a paper setting out proposals made by the CMA to change the standard of review (including Judicial Review compared to merits appeal and reference) and venue (the Administration Court, the CMA and the CAT).

23. The Authority discussed the proposals, and agreed the preferred approach.

Hinkley Seabank Competition Model

24. The Authority discussed a paper relating to the application of the newly developed Competition Proxy Model (CPM) to electricity transmission projects during RIIO-T1.

25. The Authority considered the analysis presented and following further discussion agreed an approach. The final decision was delegated to Jonathan Brearley – Executive Director Systems and Networks.

ESO Incentives

26. The Authority considered a paper which set out how the ESO has performed during the period 2018-19. The paper included a recommendation for the level of financial incentive payment or penalty that the ESO should earn for the period concerned.

27. The Authority discussed the document and agreed with the recommendation and further agreed the delegation of future decisions, albeit the Board should be advised of any decisions made.

28. The Authority noted that during the autumn, the matter will return to the Board to discuss the future of system operation.

Targeted Charging Review

29. The Authority considered a paper setting out the recommendations for the removal of the remaining 'non-locational' embedded benefits and the timing of residual charges reforms.

30. When providing guidance, the Authority considered the impacts to vulnerable consumers and the effects of the proposals on renewable generation.

31. The Authority requested that further scenarios be developed for consideration via written procedure over the summer. The Board confirmed the delegation of the final decision to

Jonathan Brearley – Executive Director Systems and Networks, in consultation with the Chairman and CEO.

Information paper – Cap and floor regime and update on new interconnectors

32. The Authority noted the paper.

Information paper – Orkney electricity transmission project

33. The Authority noted the paper

Information paper – Update on NEMO link post construction review (PCR) decision

34. The Authority noted the paper.

Information paper - Hinkley Seabank cost allowances

35. The Authority noted the paper

Information paper – Cap and floor regime variations to enable project financing solutions

36. The Authority noted the paper

Information paper – Customer Service Dashboard

37. The Authority noted the paper

Information paper – Price Cap Monitoring Dashboard

38. The Authority noted the paper

Date of next meeting

39 The next meeting of the Authority would be on Wednesday 25 September 2019 in London.

Those present

Martin Cave
Dermot Nolan
Paul Grout
Sarah Cox
Jonathan Brearley
Christine Farnish
Keith Lough
Ann Robinson
Lynne Embleton
John Crackett

Those attending

Euan McVicar

Joe Perkins (via telephone)

Others present

James Luger (Head of Governance and Secretariat)
Stella Denny (Secretary to the Authority)
James Kilmartin (Principal Private Secretary)
Felicity Beverley (Senior Manager - Communications)

For specific agenda items

<i>Name</i>	<i>Subject</i>	<i>Paragraphs</i>
Declan Tomany	CMA Proposals	
David Ashbourne	CMA Proposals	
Jessica Friend	CMA Proposals	
Cathryn Scott	Hinkley Seabank Competition Model	
David Ashbourne	Hinkley Seabank Competition Model	
Grendon Thompson	ESO Incentives	
Eleanor Warburton	ESO Incentives	
Maryam Khan	ESO Incentives	
Sukhinder Lalli	Targeted Charging Review	
Andrew Burgess	Targeted Charging Review	
Andrew Self	Targeted Charging Review	