

## Minutes

<b>Meeting name</b>	Forward Looking Charges Task Force – Meeting 3
<b>Time</b>	10.15 – 16.00
<b>Date of meeting</b>	25 January 2018
<b>Location</b>	ENA Offices, Horseferry Road, London

## Attendees

Name	Initials	Organisation
Jon Parker	(JP)	Chair-Ofgem
Stephen Perry	(SP)	Ofgem
Dominic Green	(DG)	Ofgem
Sarrah Marvi	(SM)	Ofgem
Olivia Powis	(OP)	Ofgem
Andy Pace	(AP)	Citizens Advice
Jeremy Nicholson	(JN)	Energy Intensive Users Group
Mary Gillie	(MG)	Energy Local
Tim Collins	(TC)	Centrica
Daniel Hickman	(DH)	Npower (supplier)
Caroline Bragg	(CB)	Association for Decentralised Energy
John Tindal	(JT)	SSE plc
Tom Steward	(TS)	Good Energy
Michael Harding	(MH)	BUUK (IDNO)
Chris Barker	(CB)	Electricity North West Limited
Rob Marshall	(RM)	National Grid
Andrew Enzor	(AE)	Northern Powergrid
Nigel Bessant	(NB)	Scottish and Southern Electricity Networks
Chris Ong	(CO)	UK Power Networks
Tom Edwards	(TE)	Cornwall Insight
Laurence Barrett (by phone)	(LB)	E.ON
Nick Sillito	(NS)	Flexible Generation Group
Nicola Percival	(NP)	Innogy Renewables UK Ltd
Vlad Parail (Part)	(VP)	Baringa
Duncan Sinclair (Part)	(DS)	Baringa
John Spurgeon	(JS)	ENA Task Force Secretariat
<b>Apologies</b>		
Louise Schmitz		National Grid
Jonathan Graham		Association for Decentralised Energy
Joe Dunn		Scottish Power Energy Management

## 1 Welcome and introductions

1.1 JP welcomed the Forward Looking Charges Task Force members to the meeting and provided a brief update and reminder to the group of the task force objectives and associated timelines for the delivery of outputs. In this respect he particularly emphasised the need for all members to contribute to the work programme with outputs produced outside of meeting enabling the group to focus on setting tasks and reviewing outputs. JP informed the group that Ofgem would provide support throughout the process and ensure clear direction for the work of the group. JP provided a summary overview of the discussions and outcomes of the Access Task Force Working Group meeting held on 24 January (see published minutes for details).

## 2 Baringa presentation – assessment of materiality

2.1 DS and VP from Baringa presented slides on the analytical framework and evidence base they are developing to assess the materiality of current inefficiencies and assess options for reform. They outlined their scope of engagement, approach and proposed timelines. NS spoke through the issues with the current arrangement derived from Ofgem’s working paper including capacity allocation and locational signals. VP identified several sources that would be the basis of their materiality assessment to quantify current and future impacts. Sources include Ofgem working papers on unlocking capacity and future energy strategy, ENA WS1 & WS4 Open Networks Material, as well as additional sources from the DNOs and Imperial College. VP asked TF Members to review the issues list, provide any additional evidence sources that they consider could be useful and models for consideration in Phase 2. VP asked the group for comments on these areas by Monday 29<sup>th</sup> January, which will be discussed at the next meeting.

### **Actions agreed under this item:**

**FTF15 Baringa to update the list and description of ‘issues’ based on the feedback received at the TF meeting.**

**FTF16 All - In relation to Baringa’s work on the materiality of issues, by 29 January all TF Members to: (i) Review the issues list for completeness and clarity (ii) Identify any additional evidence sources that Baringa should be considering (iii) Identify any models or analytical approaches that Baringa should consider for phase 2.**

### 3 Update – What should a forward-looking charge recover?

3.1 As follow up to the session on the question of what a forward looking charge should recover at the previous task force meeting NB, LB & NS presented a number of slides. A simple network model was presented to stimulate discussions on the question of the appropriate allocation of network costs to the different users of a network, including as the network develops and users change over subsequent.

3.2 The TF discussed several questions such as what would be being signalled in a charge and what sorts of network user behaviours drive particular types of costs.

#### **Actions agreed under this item:**

**FTF08 Cost Analysis: Compare different categories of tariff treatments under EDCM & CDCM. To also consider transmission.**

**FTF09 User segmentations: share ‘New Thames Vision Project’ segmentation analysis/results of customers that leave the project.**

**FTF10 Further develop the granularity of the distribution of costs by location. To include the cost basis for locational signals; levelised costs of future reinforcement or expansion and how these might change as more generation comes on to the network.**

### 4 ENA presentation – Delivering the TF milestones

4.1 JS talked through the CFF Task Forces Level 1 plan, detailing future meeting dates and key milestones on the project timeline. He covered ways of working and delivering outputs, and explained the stages leading up to the review and sign off of the Task Forces required outputs. He also asked the group how, in addition to the existing approach, they would like ENA, as the TF Secretariat, to keep them up to date with project developments.

#### **Action agreed under this item:**

**FTF17 ENA to circulate draft structure of the Access and Forward Looking Charges options report and confirm who is leading on each section of the draft report.**

**FTF18 ENA to consider how they can structure the weekly ENA meetings to allow parties to attend specific agenda items, rather than the whole meeting.**

## 5 Structure of charges – options for change

5.1 The group looked at the different charging tariff ‘building blocks’ that could potentially be used in combination to create forward looking charge tariffs. It also considered questions around locational time of use signals and the allocation of costs in terms of which types of costs should be recovered through which particular elements of the charge.

5.2 The group also considered how charges might apply across different types of user i.e. user segmentation, and timing and commitment aspects, for example whether forward looking charges are set ex-ante or ex-post and the depth of connection charges and user payment options.

5.3 The group then held a breakout session to consider the question of whether there were any further building blocks and/or tariff options that had not been identified and to consider these against a number of relevant assessment criteria.

## 6 Locational and temporal signals – options for change

6.1 The group discussed locational and temporal signals and options for change. The various aspects of locational characteristics were highlighted including topography of where the network is provided and user density and mix, asset components with locational elements and the extent to which changes on one part of the network affects other parts of the network.

6.2 A number of ‘desirable features’ of locational forward looking charges were suggested, for example, any charge should ‘provide a price signal to incentivise economically efficient use of network capacity, and ‘reflect the costs of ensuring adequate network capacity is developed to meet future user requirements’. A number of options using the different building blocks for this type of approach were set out.

6.3 The question of specific tariffs for local energy schemes (LES) were discussed and how tariffs might be designed that recognise the benefits of LES.

6.4 The group then held a breakout session to consider the question of whether there were any further options that had not been identified and to consider these against a number of relevant assessment criteria.

### **Action agreed under this item:**

**FTF11 Further develop tariff options for Local Energy Schemes (LES).**

**FTF22 Energy Local volunteered to re-run their previous survey with local energy representatives once the options had been refined.**

## 7 Whole system charges – options for change

7.1 A number of slides were presented that described the current structure of charging methodologies across the different voltage boundaries and between Scotland and England & Wales. The slides outlined potential options for change that, for example, could include bring greater alignment between approaches across transmission and distribution (e.g. connection boundaries).

7.2 The impacts of the current tariff arrangements on different users was highlighted, including the user types connected at distribution level that pay transmission charges. A number of options for change were set out including tariffs for users that export while their GSP exports and a single charge to replace all existing charges.

7.3 The group then held a breakout session to consider the question of whether there were any further options that had not been identified and to consider these against a number of relevant assessment criteria.

### Action agreed under this item:

**FTF21 Provide information on the actual costs of exporting GSPs.**

## 8 Any Other Business

8.1 The next meeting of the task force was notified.

Time / Date	Location
10.00 – 16.00 Tuesday 20 February 2018	ETC Venues Pimlico - 1 Drummond Gate, Pimlico, London SW1V 2QQ

**Forward Looking Charges Task Force - Actions from meeting held on 25 January 2018**

Action	Option Area/Topic	Lead
FTF08 [FTF04 extension]	<b>Cost Analysis: Compare different categories of tariff treatments under EDCM &amp; CDCM. To also consider transmission.</b>	<b>AE/NB/RM</b>
FTF09 [FTF05 extension]	<b>User segmentations: share 'New Thames Vision Project' segmentation analysis/results of customers that leave the project.</b>	<b>NB</b>
FTF10 [FTF06 extension]	<b>Further develop the granularity of the distribution of costs by location. To include the cost basis for locational signals; levelised costs of future reinforcement or expansion and how these might change as more generation comes on to the network.</b>	<b>DNOs/MG/ NP/RM/JA/ JT</b>
FTF11	<b>Local Energy Schemes (slide 44) – Further develop options for Local Energy Schemes (LES)</b>	<b>CB</b>
FTF12	<b>(slide 49) Further develop options for change.</b>	<b>CB</b>
FTF13	<b>Further develop whole systems costs paper.</b>	<b>CB</b>
FTF15	<b>Baringa to update the list and description of issues based on the feedback received at the TF meeting.</b>	<b>Nick Screen, Duncan Sinclair</b>
FTF16	<b>In relation to Baringa's work on the materiality of issues, by 29 January all TF Members to:</b> a. Review the issues list for completeness and clarity b. Identify any additional evidence sources that Baringa should be considering c. Identify any models or analytical approaches that Baringa should consider for phase 2.	<b>All</b>
FTF17	<b>ENA to circulate draft structure of the Access and Forward Looking Charges options report and confirm who is leading on each section of the draft report.</b>	<b>JS</b>
FTF18	<b>ENA to consider how they can structure the weekly ENA meetings to allow parties to attend specific agenda items, rather than the whole meeting.</b>	<b>JS</b>
FTF19	<b>Ofgem to contact some TF Members about them providing support to Ofgem's Access workshops in London and Glasgow.</b>	<b>SP</b>
FTF20	<b>Ofgem to contact some TF Members to start identifying the links between different options for reform. TF Members to present initial</b>	<b>SP</b>

	<b>thoughts on links between different options at the next joint TF.</b>	
<b>FTF21</b>	<b>Provide information on the actual costs of exporting GSPs.</b>	<b>RM</b>
<b>FTF22</b>	<b>Energy Local volunteered to re-run their previous survey with local energy representatives once the options had been refined.</b>	<b>MG</b>