

Ofgem Access and Forward Looking Charges Significant Code Review



Minutes

Meeting name	Delivery Group – Meeting 2
Time	10.00 – 16.00
Date of meeting	13 th February 2019
Location	ENA Offices, 4 More London Riverside SE1 2AU

Attendees

Name	Initials	Organisation
Jon Parker	(JP)	Chair-Ofgem
Stephen Perry	(SP)	Ofgem
Amy Freund	(AF)	Ofgem
Patrick Cassels	(PC)	Ofgem
Scott Sandles	(SS)	Ofgem
Silvia Orlando	(SO)	Ofgem
Rebecca Cailes	(RC)	GTC (representing the CNA)
Jennifer Doherty	(JD)	ESO
Richard Woodward	(RW)	NGET
Paul McGimpsey	(PM)	SPEN
Nigel Bessant	(NB)	SSEN (DNO)
Andrew Urquhart 📞	(AU)	SSEN (TO)
Nigel Turvey	(NT)	WPD
Chris Ong	(CO)	UKPN
Simon Brooke	(SB)	ENWL
Andrew Enzor	(AE)	NPG
Ross Thompson	(RT)	UKPN
Claire Campbell	(CC)	SPEN
Rob Marshall	(RM)	ESO (CUSC)
Angelo Fitzhenry	(AF)	ElectraLink (DCUSA)
John Spurgeon	(JS)	ENA Secretariat
Farina Farrier	(FF)	ENA Secretariat

1 Welcome and introductions

1.1 JP welcomed the Delivery Group members to the meeting and provided a brief overview of the agenda and the objectives for the meeting.

2 Actions update from first Delivery Group meeting

2.1 JS reviewed the actions from meeting one of the Delivery Group held on 21 January. Actions were discussed and updates reflected in the actions annex to these minutes. FF talked through the project plan for the three sub-working groups taking forward work on network costs drivers, access arrangements and locational distribution charging. JP thanks FF for the update and asked that the plan be updated to provide more detail on the plans for network cost drivers and access sub-groups until end March.

Action agreed under this item:

Action DG10 ENA to update sub-group delivery plans.

3 Project management update and risk workshop

3.1 JP set out the aims for this agenda covering three areas; planning and sequencing of sub-group work already underway, the introduction of work on charging design; and update on the request for information on network costs and planning processes, including how the information will be utilised in the work of the Delivery Group; a session on risk in the context of the group's work.

3.2 JP briefly covered the three sub-working groups that had been established. He stated that the work is progressing, and that a detailed update from each group will be covered under agenda item 4.

3.3 **Upcoming work:** SS described the new Charging Design work to be launched in February. He currently envisages it will broadly consist of two workstreams, one focused on TNUoS charges and the other covering DUoS and any other remaining areas. SS explained that the approach reflects the fact that charging arrangements for transmission connection generation are not within scope, but potential options around extending them down to distribution levels and harmonisation of arrangements are within scope.

3.4 SS made clear that in terms of chargedesign, the option of applying different approaches hasn't been ruled out, so a first step in this work will be to start with the options listing and then progress. SS recognised that this is a significant piece of work and there is a need to manage expert resource and a 'lite-touch' approach will be adopted, therefore a sub-group will not be set up. Next steps will be the production of an 'Options paper' which Ofgem will seek feedback on from the Challenge Group on 26 February. Stage 2 will consider feasibility of options, for example, technical, billing system, data requirements and how substantive changes need to be to require new charging designs. This will require network input and Ofgem plan to issue an informal information/data survey to networks for completion by end March. The outcomes from the first two stages will lead to (Stage 3) workshop stage that will consider the options and other inputs/outputs including survey results. Ofgem will then seek further review and feedback from the Delivery and Challenge Groups.

3.5 **Request for Information:** JP thanked network members for their responses to the RFI, which Ofgem were currently analysing and working to better understand how the information will be utilised in the SCR work programme. He confirmed that the one likely use of the information will be used to feed into the assumptions that will be used in Impact Assessments and that, as part of the process of refining information, the networks may be asked to undertake some further quality assurance of the information.

JP asked whether the network companies would be prepared to share their individual RFI returns with each other.

3.6 **Risk Session:** SP led this session and asked the group to identify potential risk and impacts in the context of the group's scope of work. The group undertook a process of risk identification, categorisation, prioritisation and allocation. The outputs from the session would be used to create a risk register.

Actions agreed under this item:

DG11 Network companies to review their RFI submissions and content to share with other network companies. ENA to collate and respond to Ofgem with any concerns by 15 February.

DG12 Ofgem to capture risks and produce a risk register. A session on risks mitigation to be scheduled for next delivery group meeting.

4 Updates from working groups

4.1 JP introduction this item for individual sub-group progress updates.

4.2 **Network cost drivers:** SS kicked-off the progress update on this work. The group had considered two broad categories, peak driven network costs & seasonal costs and a number of factors including number of consumers (and fixed rates) and impact of EVs. The group had made good progress and had a number of meetings scheduled over the coming weeks and expect to have a first draft report during week commencing 19 February. This will allow the work to feed into the locational charging workstream which has slightly later timeframes. Effective co-ordination and the importance of ensuring coherence across workstreams was discussed by the group.

4.3 CO provided further detail of the work and noted that its scope of work is considerable. So far, the different cost categories have been reviewed for materiality and whether they are attributable to particular groups of users. It was noted that there are two DNOs not on the group, which is a risk. On the question of materiality, these may differ between DNOs & TOs and need to be identified. There are a number of areas of work. For example, peak driven costs and user segments and the next stage is to allocate these various aspects to one/two people who will lead on each.

4.4 The group discussed the work. A question was raised as to the extent that where a cost is clearly attributable to a particular user group were there forward looking costs that the user could take action to avoid. Also, a question was asked about whether the work was looking at whether 132kV transmission network cost drivers in Scotland are more aligned to the cost drivers on 132kV distribution networks in England and Wales or the cost drivers on 275kV transmission networks in England and Wales. It was confirmed that the specification for the work includes consideration of upstream and downstream costs so this will be taken into account.

4.5 **Locational Granularity:** PC provided the progress update on this work. The report structure was being populated with draft content and the sub-group are clear about what needs to be produced. He flagged the dependencies with the network cost driver work and that a summary of the current charging arrangements and its genesis will form part of the report. A draft assessment methodology has been produced to assess the feasibility of options. Common definitions and terminology will follow those produced and adopted by the ENA Open network project. The long list of options will be presented to the Challenge Group. PC then described in more detail the options identified. He flagged that models needed to assess very granular level options may not be available. The aim is to have all options described in sufficient detail and reduced to a shortlist by end February. The feasibility

assessment will be followed by an assessment of cost reflectivity. PC also noted that Ofgem planned to set up an academic workshop on key charging concepts that will feed into the development of options and their assessment.

4.6 **Value of Access Rights:** PM provided an overview and update on this work. He talked through each of the three areas of work, (i) Current arrangements to design the system and manage constraints, (ii) Access choice design and (iii) Improving cross-system access and assessing degree of choice/standardisation and the key question that were under consideration for each. He noted that a separate report will be produced for each area.

4.7 NB provide further detail on the group's position with the work. SS suggested that area (i) access paper will be a useful input to the cost drivers work. SB provided an update on the access choices work which the group discussed, noting some concerns around use of the term 'firm'. The group discussed whether an alternative definition or explanation for "firmness" might improve understanding.

4.8 RW suggested that the market arrangements around the different access options need to be considered, for example, what are the penalties for exceeding access and associated commercial conditions. NB suggested it might be worth considering how the customer wants to use their access (eg to provide services), rather than what assets are being provided.

5 Discussion – first Challenge Group meeting

5.1 SP provide an update on the Challenge Group and the group were invited to discuss and provide views on arrangements for the forthcoming meeting on 26 February. The discussion covered the agenda, production of pre-meeting materials and running of the meeting.

6 Network Company Access Allocation update

6.1 PM provided an update on the Non-SCR Industry-led work on access allocation. He talked through the four products that had been developed.

- *Product 1 Non-firm generation trading of curtailment obligations* will identify and assess options for the trading of curtailment obligations by non-firm generation with other relevant parties (including demand and/or generation);
- *Product 2 The exchange of access rights* product will provide recommendations as to how the principles developed under Product 1 can be applied to firm connections;
- *Product 3 Queue Management* takes forward the work done under the Open Networks Project in 2018. This product will outline longer term improvements to the connection queue through the development of a consistent queue management policy across electricity network; and
- *Product 4 Active Network Management charging between users* will develop a consistent approach across all DNOs for charging associated with Active Network Management (ANM) schemes.

6.2 PMc confirmed that the networks would be seeking to undertake trials but won't allow this to delay the work. PMc confirmed that the working group will 'war game' over the summer to test options and approaches.

7 Update from Citizens Advice on consultancy work

7.1 JK talked through the research that Citizens Advice (CA) are undertaking on the question of 'core capacity'. He described the drivers for looking at this question, the research that is being undertaken and the expected areas of results. He also set out how CA expects the research can be utilized, including as a foundational piece for the Small User element of the Access and FLC SCR. He said that CA were approximately half way through the research.

7.2 The group asked a number of questions around definition of a 'core' level and the practicalities around monitoring and implementation. Discussion points included whether defining 'core capacity' could be unfairly advantageous for some groups of users, whether a volumetric rather than capacity basis would have merit, given diversity, and how any change would take account of consumers without smart meters. JK asked the group to consider areas that might need to be researched and useful data that is available. CA can then build into its forward work plan from April onwards and ahead of the Small User workgroup commencing.

DG13 DG sub-groups were asked to consider:

- (i) **What inputs CA might provide that would be useful to their work, and**
- (ii) **What further topics/research/data might be useful for CA to obtain (kick-off) ahead of the start of Small User workgroup**

8 Summary, AOB and close

9.1 JP highlighted to the group current Ofgem call for evidence on consumer impacts, which considers Settlement reform options. The call will run until end March and is expected to produce evidence that can inform the assessment of options for small users. He encouraged network members to flag information that would be useful/relevant.

9.2 JP invited the group's feedback on the opening weeks of the SCR. He stressed that future visibility on the work plan is key and asked that feedback and suggestions be sent to the ENA Secretariat. He thanked the group for their input and closed the meeting.

Next Delivery Group meeting:

Time / Date	Location
10.00 – 16.00 Wednesday 6 March 2019	ENA Offices, 4 More London Riverside SE1 2AU

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Delivery Group Actions

Meeting held on 13 February 2019			
Action	Description	Lead	Status
DG10	ENA to update sub-group delivery plans.	ENA	
DG11	Network companies to review their RFI submissions and if content to share with others companies. . ENA to collate and respond to Ofgem with any concerns by 15 February.	Networks	
DG12	Ofgem to capture risks and produce a risk register. A session on risks mitigation to be scheduled for next delivery group meeting.	ENA / Ofgem	
DG13	DG sub-groups were asked to consider: <ul style="list-style-type: none"> i. What inputs CA might provide that would be useful to their work, and ii. What further topics/research/data might be useful for CA to obtain (kick-off) ahead of the start of Small User workgroup 	Networks	

Meeting held on 21 January 2019			
Action	Description	Lead	Status
DG01	Map the 'code objectives' in the CUSC and DCUSA against the three SCR Guiding Principles.	Networks	Closed
DG02	Overview slides to be refined with updated plans and presented to first Challenge Group meeting. They will be published at that point.	Ofgem	Closed
DG03	Group to review Terms of Reference (ahead of first Challenge Group meeting) to ensure clear differentiation between the roles of the Delivery Group and the Challenge Group.	All	Closed
DG04	Group to suggest academics with suitable capability to support work under the Locational DUoS workstream.	Networks	Open
DG05	Include risk session future DG meeting agenda.	Secretariat	Closed
DG06	Group members to identify relevant previous or live trials underway and outputs that could be available to inform the Small User workstream, particularly user behaviours/analysis.	Networks	Open

DG07	Working Groups to be establish and take three priority products forward with first meetings scheduled during w/c 28 January.	Secretariat	Closed
DG08	Code Administrators to consider need for legislation / code changes for all scope areas.	ESO & ElectraLink	Ongoing
DG09	ESO to circulate webinars used for Charging Futures Task Forces.	ESO	Closed