

Ofgem Access and Forward Looking Charges Significant Code Review

Minutes

Meeting name	Delivery Group – Meeting 5
Time	10.00 – 15.30
Date of meeting	10th May 2019
Location	ENA Offices, 4 More London Riverside SE1 2AU

Attendees

Name	Initials	Organisation
Jon Parker	(JP)	Ofgem - Chair
Stephen Perry	(SP)	Ofgem
Patrick Cassels	(PC)	Ofgem
Bethany Hanna (Part)	(BH)	Ofgem
Anna Jefferies	(AJ)	Ofgem
David Fogg ☎(Part)	(DF)	Ofgem
David McCrone ☎(Part)	(DM)	Ofgem
Andrew Conway	(AC)	Ofgem
Rebecca Cailles	(RC)	IDNO (CNA)
Jennifer Doherty	(JD)	ESO
Richard Woodward	(RW)	NGET
Paul McGimpsey	(PM)	SPEN
Nigel Bessant	(NB)	SSEN (DNO)
Chris Ong	(CO)	UKPN
Tony McEntee	(TM)	ENWL
Andrew Enzor	(AE)	NPG
Chris Allanson	(CA)	NPG
Claire Campbell	(CC)	SPEN
Nigel Turvey	(NT)	WPD
Angelo Fitzhenry	(AFi)	Electralink
Damian Clough	(DC)	Elexon
Katie Stanyard	(KS)	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

2.1 KS ran through the open actions and summarised the actions that had been closed since the last Delivery Group meeting. In reference to action DG21 (regarding code administrators completing an initial assessment of changes required to the code) JP suggested this action should also consider system changes. JD suggested this action should be delayed and completed following the publication of Ofgem's Working Paper in July at which point an assessment could be done against the packaged options. This was agreed by Ofgem. JD also suggested that a planning session could be held to understand how best to undertake this assessment and help plan the timing of any code changes.

3 Review and sign off initial reports

3.1 SP explained that the first set of sub-group reports had been sent to the CG and DG for review and their consolidated feedback had been reviewed by each subgroup. He explained that feedback on the two Access reports was helpful and provided useful points of clarity, but did not require any fundamental changes to the reports. The group agreed that the two Access reports were signed-off subject to the final updates being made.

3.2 BH also gave an overview of the feedback received on the Cost Drivers report. She sought clarity on comments provided by RW regarding BSUoS charges. She explained there had been a common theme in the CG feedback that the report didn't assess which cost drivers were forward-looking. She explained this would be covered in the next phase of work and sought DG approval for the report, which was agreed. PC explained the DG did not provide any substantive feedback on the Locational Granularity report which was also approved for publication.

3.3 The group discussed how to best engage with the CG in the development of the reports given the length and detail within each. RW suggested that ENA/Ofgem could define a three option review approach depending on the time and level of detail each CG member wanted to go into (i.e. if undertaking a 15 minute review and comment on the executive summary, if undertaking a 3 hour review chapter 1,2 and 4 etc). JD added that two webinars were planned on Access and Locational Charging to help make the material more accessible to wider stakeholders.

4 Forward work plan

4.1 JP provided an update on the Targeted Charging Review (TCR), and explained that implementation of TCR changes would be in 2023 to align with any SCR changes. This meant that some of the Ofgem SCR team would work on the TCR in the short-term. He explained that as a result of these changes in resourcing the second Ofgem working paper would be published later in the year, in November/December. NB asked what impact this had on the timing of GEMA decisions. JP confirmed it would change and the GEMA decision on the minded-to-position and the proceeding Consultation would be around 3 months than originally planned. JP also confirmed that the aim is now for all Access reforms to be implemented in April 2023, where it was previously planned for the transmission changes to be completed in 2022. He reiterated that this should be kept in mind for any option assessment in the subgroups, as some options presented may require significant system changes that would take longer to deliver. JP wrapped up this topic by confirming all the updates on TCR and SCR timing would be published in an Open Letter in May.

4.2 SP gave an overview of the future work plan within the Access work stream and set out which of the products would be Ofgem-led and which would be led by the Delivery Group (via the subgroups) and the scope of each. He confirmed Ofgem will undertake a piece of work to determine the links between charge design and access. SP also explained that with regards to access options, Ofgem would lead on an assessment of the legislative changes required. JD asked if this would be summarised or shared with the DG. SP said if the assessment found any obvious concerns or barriers then it would be brought to the DG for discussion. JD proposed that Ofgem share timings of this well in advance so that the networks have time to consult their legal teams in advance of the DG discussion. In reference to the 'Value to Users' product, RW suggested Ofgem consider what cost analysis the CG could undertake, to complement the networks' analysis. The group gave feedback on each product and SP requested that any additional feedback be provided on the Product Descriptions by the following week. The group then discussed how best to share the outputs of the products with the CG. NB suggested that the subgroups needed to agree a method on how the assessment of options would be undertaken to reach a conclusion. He also proposed that each subgroup should have a lead drafter rather than socialising this role within the groups.

4.3 PC gave an overview of the next steps for the Locational Charging and Cost Drivers work streams. He explained this product would be a significant piece of work and suggested it be delivered via a large subgroup team divided to work on a) conceptual principles of cost models and b) evidence and data gathering. PC explained the timeframes for delivery and that the group would likely run beyond July but needed to determine if any early conclusions could be reached in June, to feed into the Ofgem working paper. AE asked how this work aligned with the academic review that Ofgem were due to run. PC explained the academic work has been delayed but that the assessment of desirability carried out within this subgroup would later be supplemented by academic work. PC raised that the membership of this subgroup should be reviewed as the Location Charging and Cost Drivers groups would merge into one. The group discussed the appropriate skill set required to deliver the future work and agreed it should be policy experts. ENA agreed email all DG members seeking expressions of interest to join the group. TM requested that PC think about what data would be required from each DNO to support the work and to what extent this is available at sub-DNO levels.

4.4 DM gave an overview of the product description for the new Connection Boundary subgroup. He was considering the allocation of resource for delivering this product which would feed into the second Ofgem working paper later in year. He noted the product could be a significant piece of work, as would need to consider a range of aspects including user commitment options and different user types. TM pointed out that any changes could potentially have a significant impact on networks and ED-2 and should therefore be progressed as soon as practicably possible. The group acknowledged that there needed to be careful management of resource as part of ensure timely delivery of products.

4.5 TM pointed out that it would probably be relatively straightforward to model boundaries within the existing framework, but looking at everything from scratch will take a very long time. Therefore, making some fairly broad decisions early on in the process would help to focus on the analysis phases. The group discussed different aspects of the product and options for any approach to delivering the work. JP commented that there would be a boundary on the scope of the work and, for example, pointed to a list of options already available. The group noted that it needs to clear at the outset what issues it is seeking to address, for example, increasing flexibility or any potential distortions between transmission and distribution. The work would need to consider the feasibility of different approaches and their impacts.

Action agreed under this item:

DG31: ENA to email to all DG members seeking expressions of interest to join the Connection Boundary sub-group.

5 Analytical framework

5.1 DF presented Ofgem's approach, plans, responsibilities and challenges identified to modelling within the SCR. JP explained that to reach final decisions within the SCR, the impacts of different options need to be assessed, including the impact on consumers. In reference to the Representative Network Modelling, JD raised that it may be simpler for NGESO to provide data on the Transport Model, rather than using consultants.

6 Key charging model concepts

6.1 PC gave an overview of the concepts of Long Run Marginal Cost and Short Run Marginal Cost, as key concepts for the Cost Model and Forward-looking Cost Drivers work, including the benefits and drawbacks of each. The group discussed the concepts and related aspects, for example, timescales and investment decisions, costs and operational decisions taken in real time, including congestion management; how flexibility and different flexibility providers should be taken into account, and the benefits and drawbacks of different approaches.

6.2 The work would need to consider a wide range of factors including the economic efficiency of approaches, market splitting, locational pricing and whether there were examples from elsewhere. It was pointed out that there may be short run costs related to flexibility services. The group discussed what could be included in a long run based charge and the various considerations.

7 Initial discussion on links between different work areas

7.1 JP presented the slides that set out Ofgem's initial thinking on the links between the different work streams. He asked the group if there were any obvious gaps in the conclusions so far. There was broad consensus that the slides captured the key links. In relation to the links between access and charging, JD suggested the assessment should also capture potential variation in operation/operability costs for each option.

7.2 JP explained that the TCR had received challenge from industry stakeholders on the extent to which the project outcomes will support flexibility. He explained that Ofgem are committed to supporting flexibility through the SCR and RIIO2. He presented a slide that explained the key areas of the SCR that are enabling flexibility e.g. flexibility enabled through charges based on usage. He asked the subgroups to consider flexibility within assessment of options and, for options that might not provide a stronger signal, consider how flexibility procurement may deliver this. JP confirmed some of this thinking will be included in the first working paper and brought to DG for discussion. The group suggested Ofgem invite some of the Open Networks project team to DG and/or subgroup meetings.

Action agreed under this item:

DG32: Ofgem [via ENA] invite some of the Open Networks project team to DG and/or subgroup meetings.

8 Close and AOB

8.1 JP suggested the next DG meeting be cancelled due to it being only three weeks away. This was agreed. JD asked if any of the content of Ofgem's working paper would be shared at the June DG meeting. SP explained this was the intention but was dependent on how quickly the new subgroups and new products were initiated. In relation to the set of new subgroups Ofgem requested that each

DNO/TO ensure that any colleagues new to the SCR were brought up to speed before attending the first subgroup meetings.

Next Delivery Group meeting:

Time / Date	Location
10.00 – 16.00 Thursday 27 th June 2019	ENA Offices, 4 More London Riverside SE1 2AU

Annex 1: Ofgem Access and Forward Looking Charges Significant Code Review

Delivery Group Actions

Meeting held on 10 May 2019			
Action	Description	Lead	Status
DG31	ENA to email to all DG members seeking expressions of interest to join the Connection Boundary sub-group.	ENA	Open
DG32	Ofgem [via ENA] invite some of the Open Networks project team to DG and/or subgroup meetings.	Ofgem	Open