

Ofgem Access and Forward Looking Charges Significant Code Review



Minutes

Meeting name	Challenge Group
Time	10.00 – 16.00
Date of meeting	26th February 2019
Location	ENA Offices, 4 More London Riverside SE1 2AU

Attendees

Name	Organisation
Andrew Burgess	Ofgem
Andrew Conway	Ofgem
Andy Hadland	Arenko
Andy Heald	Energise Barnsley
Andy Manning	Centrica
Andy Scott	Swanbarton
Bill Reed	RWE
Chloe Dyson-Bird	Ameresco
Caroline Bragg	The ADE
Charles Wood	Energy UK
Chris Wickins	Welsh Power
Daniel Hickman	NPower
David Bird	Octopus Investments
Eddie Proffitt	MEUC
Elizabeth Allkins	Ovo Energy
Graham Oakes	Graham Oakes Ltd
James Kerr	Citizens Advice
John Tindal	SSE
Jon Ferris	Electron
Jon Parker	Ofgem
Joseph Dunn	Scottish Power
Joseph Underwood	Energy UK
Josh Haskett	Ofgem
Laurence Barrett	E.ON
Mark Tarry	AMP PLC

Martin Baker	Amber Infrastructure
Mary Gillie	Energy Local
Nicholas Sillito	Peak Gen
Nicola Percival	Innogy
Patrick Cassels	Ofgem
Paul Mott	EDF Energy
Peter Dennis	Ecotricity
Madeleine Greenhalgh	Regen
Richard Partridge-Hicks	Eel Power
Robert Longden	Cornwall Energy
Sarah Hitchcox	ANESCO
Scott Sandles	Ofgem
Simon Lord	Engie
Stephen Perry	Ofgem
Thomas Cahill	Veolia
Tom Steward	Good Energy
Yonna Vitanova	Renewable UK

1 Welcome and apologies

1.1 Ofgem welcomed the group and provided an outline of the agenda.

2 Network Access and Forward-Looking Charges: Overview

2.1 The aim of this session was to ensure a shared understanding of Ofgem's objectives and current thinking on the high-level approach to the Significant Code Review. Ofgem outlined the case for change and the two key drivers for the project - increasing constraints caused by both generation and demand at distribution level, yet also increasing opportunity to mitigate these through flexibility; and substantially different approaches across transmission/distribution and generation/demand boundaries means increasing risk of distorting investment and operational decisions.

2.2 Ofgem also outlined what access arrangements and forward-looking charges are. Ofgem outlined the roles of the Delivery Group and Challenge Group, the scope of the SCR, expected timescales, and the guiding principles which will be used for assessing options. Ofgem welcomed input and questions from the Challenge Group in a range of areas, including:

- How the Access project links with the other Ofgem projects (e.g. the Targeted Charging Review)
- How the project would link with Government energy policy (for example, decarbonisation objectives)
- What groups may be missing from the Challenge Group
- How to include national and international expertise (e.g. academics)
- What sort of modelling will be undertaken to support the options assessment
- Whether 'fairness' would be a core assessment criteria
- Whether the assessment would be undertaken with guiding principles, or desired future outcomes (e.g. network users to behave in particular ways).

3 How will the Challenge Group work?

3.1 Ofgem presented the Terms of Reference and breakout groups discussed ways of ensuring the Group works effectively (e.g. provision of pre-materials, structure of sessions). There was a more detailed discussion around the focus of meetings in relation to the timeline and plan of work. The Challenge Group put forward a range of helpful suggestions to aid the effective running of the Group in future. This included: a central location for sharing files for comment, and short summary documents for 'up-skilling' members of the Challenge Group. Ofgem recorded these suggestions and will work to improve future Challenge Group meetings.

4 Updates and discussion on current working groups

4.1 In this session, Ofgem provided updates from across the current workstreams and were specifically interested in whether the Challenge Group thought any options were missing. Ofgem told the group that later Challenge Group meetings will focus on the assessment of options.

4.2 **Cost drivers:** Ofgem gave an update on the progress of the cost driver sub-group, and interaction with the wider programme. Concluded with the question: are we missing any topics about network cost drivers which should be considered within the advice being prepared by the Delivery Group?

4.3 **Access choices:** Ofgem gave an update on the progress of the network access sub-group, including definitions of 'access'. The presentation highlighted that the current priorities include firmness of access rights, time-profiled access rights and shared access. Outputs for this workstream will cover current arrangements for designing the system and managing constraints, access choice design and cross-cutting issues for new access choices. Ofgem sought input from the group on whether there were further options on firmness that should be considered, if there was a preference for more standardised or more bespoke access choices, and how these might vary for different users. The key themes to emerge from the challenge group discussion included:

- Feedback on customer preference of different access options – notably the Challenge Group were supportive of better defining non-firm access rights, time-profiled access rights (including alternative types), and shared access rights (although questions were raised about how it work in practice).
- The group identified pros and cons of both overrun charges and physical limits. Some supported allowing users to choose which they preferred.
- The group was keen to ensure that alternative access choices do not restrict the ability to operate in the market (e.g. balancing services).

4.4 **Charge design:** Ofgem provided an update on progress to date on basic options for DUoS and TNUoS demand, including in relation to volumetric time of use, agreed capacity, maximum demand, critical peak pricing and peak rebates, and presented possible options for DUoS generation.

Groups discussed whether all basic options for demand have been identified; whether there are specific variants that should be added; whether all of the basic options for generation have been identified; and which may have the least potential as a reform option. The feedback from the Challenge Group included:

- The need to consider how the charge design interacts with the implemented solution from the Targeted Charging Review (TCR)
- The need to consider how the planning standards influence the charge design
- The need for a clear link between access and charging arrangements

- The need to consider that charge design will send investment and operation signals, and these signals will be weak for investment decisions if charges are volatile
- For generation charging, the need to consider how behind-the-meter (BTM) technologies will be affected
- For generation charging, to be aware of the load factor option developed in Project TransmiT.

4.5 **Locational charging and cost models:** Ofgem provided a run-through of the two different principal charging methods with DUoS. Issues for consideration included: greater locational granularity, changes to generation-dominated areas and unpredictability of charges and inconsistencies in current approaches, as well as spare capacity is available. Discussion was had around the questions that will guide the forthcoming work with academics, and the options that are emerging, grouped into power-flow based and asset model based groups. Groups discussed missing questions and any initial comments.

5 Network Company Access Allocation update

5.1 PM gave an update on the industry-led Access Project, providing an overview of how the project will fit into other ongoing work, its scope, objectives, timings and outputs. The paper outlining recommendations is to be published in October 2019, which will feed into elements of Open Networks WS1A (Flexibility Services).

6 Summary and close

6.1 Ofgem summarised briefly and thanked the group for attending.

Next Challenge Group meeting:

Time / Date	Location
10.00 – 16.00 Tuesday 2 April 2019	ENA Offices, 4 More London Riverside SE1 2AU