

Ofgem Access and Forward Looking Charges Significant Code Review

Minutes

Meeting name	Challenge Group
Time	10.00 – 15.30
Date of meeting	2nd April 2019
Location	ENA Offices, 4 More London Riverside SE1 2AU

Attendees

Amy	Freund	AF	Ofgem
Andrew	Burgess	AB	Ofgem
Andy	Hadland	AH	Arenko
Andy	Manning	AM	Centrica
Andy	Heald	AHa	Energise Barnsley
Andy	Scott	AS	Swan Barton
Anna	Jefferies	AJ	Ofgem
Beth	Hanna	BH	Ofgem
Bill	Reed	BR	RWE
Caroline	Bragg ☎	CB	TheADE
Chloe	Dyson-Bird	CD-B	Ameresco
Daniel	Hickman	DH	NPower
David	Van Kesteren ☎ (Part)	DvK	NPG
Dave	Wilkerson	DW	Conrad Energy
David	Sykes	DS	Octo Energy
David	Bird	DB	Octopus Investments
Eddie	Proffitt	EP	MEUC
Elizabeth	Allkins	EA	Ovo Energy
Frank	Gordon	FG	REA
Graham	Oaks	GO	Graham Oakes
James	Kerr	JK	Citizens Advice
John	Parsons	JPars	Beama
John	Spurgeon	JS	ENA
John	Tindal	JT	SSEN
Jon	Parker	JP	Ofgem
Joseph	Underwood	JU	Energy UK
Joseph	Dunn	JD	Scottish Power

Katie	Stanyard	KS	ENA
Keith	Munday	KM	Bryt Energy
Laurence	Barrett	LB	EON
Mark	Tarry	MT	AMP PLC
Martin	Baker	MB	Amber Infrastructure
Mary	Gillie	MG	Energy Local
Mike	Ryan	MR	Anesco
Ozgur	Kacar	OK	RWE
Patrick	Cassels	PC	Ofgem
Paul	Mott	PM	EDF Energy
Paul	Garland	PG	Vodafone
Paul	McGimpsey 📞 (Part)	PMcG	SPEN
Peter	Dennis	PD	EcoTricity
Phil	Lawton	PL	ES Catapult
Poppy	Maltby	PM	Regen
Richard	Partridge-Hicks	RP-H	EEL Power
Robert	Longden	RL	Cornwall Energy
Scott	Sandles	SS	Ofgem
Simon	Lord	SL	Engie
Stephen	Perry	SP	Ofgem
Thomas	Cahill	TC	Veolia
Tom	Steward	TS	Good Energy
Yonna	Vitanova	YV	Renewable UK

1 Welcome and agenda

1.1 Ofgem welcomed the group and provided an outline of the agenda. AB emphasised the value of the Challenge Group feedback and input to the SCR.

2 Project overview

2.1 AB gave an overview of the programme, confirming Ofgem will publish two working papers for people to respond to, and for the wider industry and those not involved in the Challenge Group to engage with. He reminded the group that the first working paper will cover options for improving access right definition and choice; the design of charges for distribution use of system charges and transmission use of system charges for demand; and improving how locational signals are provided through distribution use of system charges.

2.2 AB gave an overview of the next steps and future Challenge Group meetings: following the Delivery Group on 4th April the reports currently under development that cover (i) Network cost drivers (ii) Access arrangements and (iii) Locational charging will be shared with the Challenge Group for offline review. These reports will outline some initial conclusions and supporting evidence - the Challenge Group role is to challenge and test the options to check if the Delivery Group's views on feasibility in particular are sufficiently ambitious.

2.3 AB explained how Ofgem are planning to engage stakeholders, including semi structured interviews with suppliers from late April. He explained that the feedback from the interviews will be presented to the Challenge Group. Following a question on how wide ranging the supplier engagement will be, AB confirmed that it should cover a representative group including small and large suppliers and those with limited offerings e.g. EV products. SS confirmed that all suppliers in the Challenge Group will be involved plus additional suppliers and that the questions will aim to

investigate what type of charging design would lead to relatively complex vs relatively simple charge design changes. DS requested that the suppliers know the specific dates as soon as possible so that they can plan resource to input. SS also confirmed that Ofgem were engaging with colleagues working on the Half-hourly Settlement (HHS) Programme to check alignment.

3 Taking on-board previous CG feedback

3.1 JP ran through the feedback from the last Challenge Group meeting and explained the changes that had been made in response. In reference to feedback on membership of the Challenge Group he suggested that small and medium size suppliers were underrepresented and asked the current members to inform him if anyone had contacts who could become members. With regards to the development of our analytical framework, JP clarified that the CG would not be involved in the procurement and shortlisting of consultants. MG reiterated that the CG feedback included a request to be involved in the definition of the planned modelling work. JP took away an action to assess if there was time for CG input into our proposed analytical framework ahead of going out to procurement

3.2 JP provided some additional clarification on how the SCR project aligns with government decarbonisation objectives. He reiterated that the SCR delivers on low carbon objectives but is technologies neutral. The CG members raised that Ofgem needed to check certain technologies weren't already being favoured before SCR work started. It was also questioned how Ofgem will ensure alignment as the SCR does not have a guiding principle relating to de-carbonisation. JP confirmed Ofgem are ensuring the SCR aligns to RII02. A member of the group questioned if Ofgem were aware of the need for strong alignment between the SCR and the changes to the Balancing and Settlement Code in the P379 modification. BH confirmed she was attending the P379 meeting on 3rd April to start to bring the two workstreams together.

3.2 JP explained that to improve the clarity of the first Guiding Principle, we are considering a change to the wording to reference 'energy system' instead of 'network capacity'.

4 Cost Drivers

4.1 BH gave an overview of the Product Description for the Cost Drivers report. She explained that each cost category had been classified into one of three groups and explained the definition of each: Primary, Secondary and Tertiary. BH then talked through the findings of the TO and DNO data. BH took an action to check why the TO data shows 0% of Non-load capex costs in the Primary classification. It was confirmed that the cost categories presented were based on the regulatory instructions and guidance (RIGs) and would be defined in the full report. The group then broke out to discuss the first survey question and responded using the online tool Mentimeter.

4.2 BH gave some examples of the different cost drivers for transmission and distribution and explained that the DNOs were undertaking an assessment of load index data at a substation level to understand when and where peak demand is and what is driving it. There was a group debate about the terminology 'peak driven costs' as 'peak' can be used to refer to peak demand but in this instance is referring to peak flow. BH confirmed the terminology will be defined in the full report.

4.2 BH explained the group has also considered alternative ways of segmenting the network companies' customer bases. The group raised that this assessment needed to be clear if the cost driver was a design choice (e.g. tree cutting costs relating to decision to keep cables above ground rather than underground) or if it is forward-looking.

4.2 The Challenge Group members raised some concerns over using historical costs to assess what future charges should be, believing that the report will be limited if it does not consider how some of these cost drivers may change or not be relevant in a future energy system.

5 Access Rights

5.1 SP gave an overview of the Access Reports, explaining that firmness of access, time-profiled and shared access had all been considered separately. He explained the progress made in the sub-group and the work that was ongoing. Following this he explained the design options of how physical firmness and financial firmness could be designed. The group then broke out to answer questions on the different design options, the value in defining access in the ways presented and barriers that would stop them from choosing these access options. The group responses were collected in Mentimeter. This process was then repeated for the shared access option and Ofgem sought views on the best way to do shared access, and barriers to prevent sharing. SP then gave an overview of design choices relating to standardised and bespoke access rights and sought views on the relative value of each option.

5.1 Lastly, SP gave an overview of work on overrun access rights and explained the group had been assessing whether access rights should be monitored or not. He explained this assessment included the extent to which users should be able to choose between physical or financial limits to access rights and the conditions under which users should be able to exceed access rights. Ofgem asked the CG if there are times or situations where the ability to exceed access rights would be preferable. The group answered, logging their answers on Mentimeter.

6 Locational charges

6.1 PC led the locational charges agenda item. He started by emphasising the assessment to date has been on the feasibility of locational granularity and the level to which granularity may be cost reflective. He confirmed that an interim report will be circulated in the next few weeks and once the Cost Driver report is finalised a more detailed assessment will take place on the locational charging to finalise the report. He then explained the process the sub-group are undertaking, starting with determining a long-list of options for locational granularity and finishing with a set of combined options and conclusions for implementation in cost models.

6.2 PC gave an overview of network topology and the proportion of DNO asset base at each level of the topography. Following this, he gave an overview of the commercial structure of network charges – explaining how the two methodologies that are applied ((Extra High Voltage Distribution Charging Methodology (EDCM) and 2) Common Distribution Charging Methodology (CDCM)) overlap creating a non-cost reflective ‘cliff edge’ in charges at the boundaries. He then outlined the options identified to overcome this issue. Regarding Option 1 (nodal pricing for all network customers) he explained the initial conclusion that pure nodal pricing to individual connection level is not feasible and is not expected to become feasible in the foreseeable future. The group challenged why this option had been discounted, requesting more evidence to explain the rationale, and whether any systems or technology currently being implemented can help the modelling required to enable this option. The group then broke out into sub-groups and discussed several questions posed by Ofgem on the draft conclusions.

7 Network Access allocation update – non SCR

7.1 PMcG gave an update on Product 3 and 4 from the non-SCR Industry-led Access work. On Product 3, Queue Management, he explained that the work was being undertaken as part of the Open Networks Programme and that the group are currently reviewing outputs of a recent consultation. The next step is to develop queue management proposals which they are seeking to consult on in June/July. This will include key principles, milestones and proposed approach to flexibility. On Product 4, Active Network Management Charging, PMcG explained the group are aiming to raise a DCUSA modification in summer 2019. Leading up to this, the work will focus on developing principles and assessing whether there can be a minimum scheme for firm and flexible connections based on customer requirements. The assessment will then look at whether this is appropriate and what changes are required to the current methodology.

7.1 PMcG explained that the group intends to undertake stakeholder engagement before raising the DCUSA modification; this could include engagement through ENA DER Connections Steering Group, Challenge Group and Charging Futures webinar sessions as the work is developed further. Further details will be provided during April.

8 AOB and close

8.1 Ofgem summarised briefly and thanked the group for attending and for their input. AB asked the group for their views on the agenda, and balance of time spent on each item. AH raised that the Challenge Group would be able to provide more valuable feedback if the reports were circulated in advance of the meetings. Ofgem confirmed the draft reports would be circulated to the group in April, before the next meeting. It was also raised that as the network companies were delivering all the SCR content there is an option to ask the Challenge Group members to produce summary papers as well.

Next Challenge Group meeting:

Time / Date	Location
10.00 – 16.00 Tuesday 14 th May 2019	ENA Offices, 4 More London Riverside SE1 2AU

**Annex 1: Ofgem Access and Forward Looking Charges Significant Code
Review
Challenge Group Actions**

Meeting held on 06 March 2019			
Action	Description	Lead	Status
CG001	Ofgem to assess if there is time for CG input into the proposed analytical framework ahead of going out to procurement	Jon Parker	Open
CG002	Ofgem to check why the TO data in the Cost Drivers report shows 0% of Non-load capex costs in the Primary classification	Beth Hanna	Open