

## Ofgem Access and Forward-looking Charges Significant Code Review

### Minutes

<b>Meeting name</b>	<b>SCR Challenge Group</b>
<b>Time</b>	<b>10.00 – 16:00</b>
<b>Date of meeting</b>	<b>20 January 2020</b>
<b>Location</b>	<b>ENA Offices, 4 More London Riverside SE1 2AU</b>

### Attendees

<u>Name</u>	<u>Initials</u>	<u>Company</u>
Jon Parker	(JP)	Ofgem - Chair
Amy Freund	(AF)	Ofgem
Andrew Malley	(AM)	Ofgem
Andrew Self	(AS)	Ofgem
Beth Hanna	(BH)	Ofgem
David McCrone ☎	(DM)	Ofgem
Harriet Harmon	(HH)	Ofgem
Lynda Carroll ☎	(LC)	Ofgem
Silvia Orlando	(SO)	Ofgem
Stephen Perry	(SP)	Ofgem
Tim Aldridge	(TA)	Ofgem
Amir Alikhanzadeh	(AA)	ES Catapult
Andrew Enzor	(AE)	Cornwall Insight
Andy Manning	(AMa)	Centrica
Andy Scott	(AS)	Swan Barton
Attila Hajos	(AH)	CEPA
Bill Reed	(BR)	RWE
Caroline Bragg	(CB)	The ADE
Chloe Dyson-Bird	(CD-B)	Ameresco
David Bird	(DB)	Octopus Investments
David Sykes	(DS)	Octopus Energy
Eddie Proffitt	(EP)	MEUC
Elizabeth Allkins	(EA)	OVO/Kalluza
Graham Oakes	(GO)	
Hywell Lloyd	(HL)	UK 100
Joseph Dunn	(JD)	Scottish Power Renewables

Joseph Underwood	(JU)	Energy UK
Mark Tarry	(MT)	AMP Plc
Matthew Cullen 📞	(MC)	EON
Nicola Percival	(NP)	Innogy
Paul Mott	(PM)	EDF Energy
Peter Dennis	(PD)	Ecotricity
Poppy Maltby	(PM)	Regen
Scarlett Di	(SD)	Eel Power
Julia Phillips	(JPh)	ENA
Paul McGimpsey	(PMcG)	ENA
Sarah Hitchcox 📞	(SH)	Anesco
Simon Lord	(SL)	Engie
Tom Steward	(TS)	Good Energy
Yonna Vitanova	(YV)	Renewable UK

## 1 Welcome and introductions

- 1.1 JP welcomed the group and introduced the objectives of the day. The purpose of the meeting was to share Ofgem’s emerging thinking on the shortlisting and packaging of options, providing the Challenge Group with opportunity to raise any concerns and/or observations, and get feedback on the plan for 2020/2021. Additionally, CEPA-TNEI presented an overview of their proposed approach to modelling they will be carrying out to support the impact assessment on the shortlisted options.
- 1.2 Ofgem received positive feedback from the Charging Futures Forum in December 2019 on their second working paper. JP explained that the next main publication will be the draft decision in late Summer 2020.

## 2 Update on Assessment/initial shortlisting sessions: Access

- 2.1 JP provided an update on the emerging thinking of the proposed shortlist of access options. The assessment of the options and their variants against the three Guiding Principles was supported by information gathered through RFIs, an ongoing academic literature review, the access subgroup, a workshop with network planners, and engagement with the CFF and Challenge Group.
- 2.2 JP presented the options which Ofgem is considering to shortlist. Ofgem’s emerging thinking is that they were considering not shortlisting financially firm access with connect and manage at distribution level, due to the lack of standards to underpin this option. Evidence suggested that there was insufficient time to implement the necessary planning and security standards.
- 2.3 Ofgem’s initial thinking is considering shortlisting time-profiled access rights as they were perceived to lead to more efficient use and development of system capacity. Evidence also suggests that local shared access has potential value, particularly to community energy type schemes. JP talked through some of the limitations of this option, specifically the definition of “local” and that shared access over wider areas of the network is likely to be more difficult to operate. Further work would be needed to consider how local a shared access area would be defined, balancing potential value benefits with the ability for DNOs to efficiently manage the access rights.

- 2.4 Ofgem are still considering whether defined access for small users should be shortlisted, and how this would work in practice.
- 2.5 BR commented that he could see a lot of value in financially firm access rights and thinks that it would be beneficial to consider this even if it takes longer to implement. JP replied that this would take longer to implement this option than the implementation timeframes for the SCR, but that Ofgem may produce a “roadmap” of future changes that could be delivered to build on the SCR outcomes. Other CG members supported this idea and said they would like to see a roadmap of future changes from Ofgem.
- 2.6 Challenge Group members had a discussion in groups around Ofgem’s initial thinking of the shortlisted access options and submitted their feedback through Mentimeter.

### 3 Update on Assessment/initial shortlisting sessions: Cost Models

- 3.1 BH presented the initial thinking around the potential shortlisted options for DUoS cost models. The Cost Model subgroup has been working with CEPA/TNEI to build and populate a representative network model which enables Ofgem to compare the value of applying the incremental model vs the allocative model. The outputs of the model will be used by CEPA/TNEI as inputs to the impact assessment modelling. BH also clarified that Ofgem’s emerging thinking is that the short run marginal cost model was not going to be proposed for shortlisting, but the incremental and long run allocative models would be.
- 3.2 BH discussed the options for extending the granularity of charges for HV/LV customers but noted that Ofgem would probably limit granularity to the primary substation or primary substation grouping level, as this information is available. Ofgem is also looking at half-hourly data to see if a dominant, consistent pattern in usage over the year can be identified on an ongoing basis.
- 3.3 DS asked if Ofgem is looking at whether areas which are demand or generation dominated show that the network isn’t being used efficiently. BH replied that this would also be a part of the roadmap mentioned previously.
- 3.4 The groups had an opportunity to discuss the initial views on the shortlisted options and submit feedback in Mentimeter.

### 4 Update on Assessment/initial shortlisting sessions: Connection Boundary

- 4.1 TA presented the connection boundary options and Ofgem’s emerging thinking on those which were considered for shortlisting. TA started by explaining the current shallow-ish connection boundary in place at distribution, and the shallow boundary at transmission. TA also noted that Ofgem has collected evidence to support shortlisting through a range of sources, including the connection boundary subgroup, charging scenarios, literature review and academic discussions, as well as other data requests. Ofgem would continue to welcome further evidence of any issues caused by the current arrangements.
- 4.2 TA presented Ofgem’s initial views on the shortlisted options. These include three possible variants of a shallower connection boundary, i.e. removing the high cost cap, amending the voltage rule, and amending or replacing the Cost Apportionment Factor (CAF).

- 4.3 BR expressed concerns that recovery of the cost of transmission reinforcement through use of system charges was not proposed to be shortlisted.
- 4.4 Although the evidence for moving to a shallow boundary was inconclusive at present, TA said that Ofgem has not ruled it out at this stage. The shallow variant to recover only extension assets through connection charges is therefore currently proposed for shortlisting. The other variants were not being shortlisted given practical concerns around the time scales needed to implement and possible unintended consequences.
- 4.5 BR asked if there is a standard approach to what is considered an extension asset. PMcG confirmed that there is a standard approach and definition in the current connection charging methodology.
- 4.6 The group broke out into discussions of Ofgem's initial views around shortlisted options and shared feedback on Mentimeter.
- 4.7 Finally, TA stated that there are cross-cutting options being considered alongside these options. These include alternative payment terms, liabilities and securities, user segmentation and the treatment of small users. On the latter, Ofgem do not propose to recommend any changes to the ruling on existing small users triggering reinforcement that was adopted for ED1.

## 5 Update on Assessment/initial shortlisting sessions: Charge Design T&D

- 5.1 After introducing the static and dynamic charge design options for distribution, HH said that these options have been assessed against the three Guiding Principles. To support the assessment, Ofgem collated information through RFIs to the DNOs, an ongoing academic literature review and a workshop with the DNOs.
- 5.2 Two static options, volumetric time of use and agreed capacity and one dynamic, critical peak pricing, are currently being brought forward for shortlisting in Ofgem's emerging thinking. Ofgem's initial view is not proposing to shortlist actual capacity because it is effectively the same as volumetric time of use.
- 5.3 HH highlighted however that with critical peak pricing there is a danger of moving the peak, not flattening the load. DS raised a point that critical peak pricing may be better considered as critical constraint pricing. He also asked why shared access is being discussed but not shared capacity.
- 5.4 The group broke out into discussions and shared feedback on Mentimeter.
- 5.5 AM presented the charge design options for transmission. The options being considered are similar to those for distribution with triad as the baseline. The options Ofgem is considering for shortlisting are capacity/volumetric time of use and agreed capacity (static) and ex-post critical peak (improved triad) (dynamic options).
- 5.6 AM noted that demand and generation are not equal and opposite due to different incentives currently. There are some open questions to explore: would our charges lead to useful signals for users? Would they reduce constraints on the network and cost reductions to networks and users? Could an improved TRIAD be an option to consider and what could it look like - or just keep the peak option? The options have been assessed against the Guiding Principles.

- 5.7 The group had discussions on Ofgem's emerging thinking on the options for shortlisting and provided feedback through Mentimeter.

## **6 Update on Assessment/initial shortlisting sessions: TNUoS Generation**

- 6.1 AM then introduced the transmission network use of system options for smaller distributed generation and confirmed that Ofgem's initial view is to propose to take all options forward for shortlisting.
- 6.2 BR asked if they are proposing any changes to existing BEGAs. AM responded that they are not proposing this, but only if there are changes to the actual BEGA process, and that they are considering BEGA like options for other users. There was opportunity for feedback to be shared on Mentimeter.
- 6.3 Finally, AM introduced about the options for the transmission network use of system options to change the distributed reference node. As there was not enough time to discuss this at this meeting, Challenge Group members were invited to express interest in a separate discussion on the reference node by email to ENA.

## **7 Update on Assessment/initial shortlisting sessions: Small Users**

- 7.1 JP provided an update on the thinking around small users. The workstream will focus on feeding in on the Principle 2 assessment and considering the potential need for adaptations or protections. All the options proposed are still being considered.
- 7.2 Ofgem expect that the small users subgroup will continue to exist as a virtual standing group that will be contacted for remote requests for comments and views to test Ofgem thinking in more depth but will no longer have recurring face to face meetings.

## **8 CEPA/TNEI Presentation on approach to impact assessment**

- 8.1 AH from CEPA introduced their initial plans for the impact assessment and the proposed high-level approach. He will be leading the impact assessment team.
- 8.2 AH explained how they planned to have be two phases to the modelling, the first one until March and the second one from March to June. Firstly, CEPA will be defining the parameters, gathering evidence, and starting to develop the models. Then there will be a discussion of the modelling approach with Ofgem in more detail including key features, key assumptions, and behavioural analysis, as well as discussions on data requirements. In May and June the results will be analysed, informing the initial conclusions. He provided a diagram of their approach in the slides.
- 8.3 AH invited Challenge Group members to get in touch with CEPA directly if they have any comments or concerns on the approach, but also to share any behavioural analysis or evidence that they believe would be helpful. The ENA will circulate contact information for CEPA with the group following the meeting.
- 8.4 A Challenge Group member asked when Ofgem will understand whether they can model based on net zero. JP responded that Ofgem expect to share their views at the next session of the Challenge Group.

## 9 Initial thinking on the packaging of options

- 9.1 AF presented Ofgem's initial thinking on the packaging of options. The key reasons to consider different packages of options are that different sub-elements need to work together coherently as a logical package and that the distributional/behavioural/system impacts analysis needs to consider the combined effects of options. In particular, Ofgem need to agree the packages of options for modelling by the end of February.
- 9.2 Ofgem assessment will require a mix of modelling the potential impacts and "off-model" quantitative and qualitative analysis.
- 9.3 Ofgem are considering different potential approaches to creating packages for modelling, based on shortlisted options and key enablers. An approach could involve mapping options to a simple matrix plus variants, alternatively identifying 'central' package(s) based around key alternative options, with most promising combination of other options and varying key aspects variants, or structuring potential scenarios around key variables, focused on higher / lower granularity, certainty or simplicity.
- 9.4 BR asked if Ofgem plan to bring some of the packages forward to the next meeting so that the Challenge Group can question their thinking. AF confirmed that they will aim to present some packages at the next session.

## 10 The plan for 2020/21

- 10.1 JP presented the plan for 2020/2021. He advised that the Challenge Group will continue to meet in the lead up to the draft SCR decision in late Summer 2020. The focus of the next Challenge Group meeting will be the CEPATNEI approach and the packages of options.
- 10.2 A Challenge Group member asked if Ofgem could provide some strawman packages of options and Challenge Group members could have a workshop to suggest some possibilities at the next meeting. Another Challenge Group member asked if meeting materials could be provided further in advance in order to have a more engaging and efficient meeting.

## 11 Non-SCR Update

- 11.1 PMcG provided an update on the Non-SCR Industry-led Working Group products. He focused on products 1 and 2 which have now been completed following engagement with stakeholders through trials, a meeting with BEIS, engagement with the Challenge Group and Charging Futures forum. The report has been signed off by Open Networks and will be published this week. Open Networks will test this thinking and potentially identify trial opportunities to validate and test these products in 2020.

## 12 Next Steps

- 12.1 JP introduced Andrew Self (AS), the new Deputy Director of Access and Charging at Ofgem. He will be attending the Challenge Group going forward and JP will continue as chair.
- 12.2 In closing, JP stated that the next meeting of the Challenge Group will be on 2nd March. He thanked all for attending and closed the meeting.