

Ofgem Access and Forward Looking Charges Significant Code Review

Minutes

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

Attendees

Name	Initials	Organisation
Jon Parker	(JP)	Ofgem
Stephen Perry	(SP)	Ofgem
Amy Freund	(AF)	Ofgem
Patrick Cassels	(PC)	Ofgem
Scott Sandles	(SS)	Chair - Ofgem
Bethany Hanna	(BH)	Ofgem
Anna Jefferies	(AJ)	Ofgem
Sylvia Orlando ☎(Part)	(SO)	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
Claire Campbell	(CC)	SPEN
Andrew Urquhart	(AU)	SSEN (TO)
Mike Harding	(MH)	BUUK
Nigel Turvey	(NT)	WP
Angelo Fitzhenry	(AFi)	Electralink
James Kerr (Part)	(JK)	Citizens Advice
Katie Stanyard	(KS)	ENA Secretariat

1 Welcome and agenda

1.1 SS welcomed the Delivery Group members to the meeting, introduced new attendees and provided a brief overview of the agenda and the objectives for the meeting.

2 Actions from last meeting

2.1 The two open actions (DG06 and DG14) were discussed, both of which relate to live trials that could generate learning for the SCR. JP confirmed he had engaged with two network companies planning live trials but that any further information would be welcomed. SS confirmed the trials could be undertaken by any relevant parties, not just TOs or DNOs. He also asked the group to inform Ofgem of any previous trials that collected data or reached conclusions that could inform the access work. NB mentioned that Ofgem should look at the data collected under the SAVE project.

2.2 JD confirmed she had completed her input to action DG10. There was a discussion as to whether this action could be completed before the first set of SCR reports are finalised. Ofgem requested that the code administrators undertake an initial pass now, based on current findings and then review again once the reports are complete. SS confirmed the action is asking for an assessment of potential legislation/code changes.

Actions agreed under this item:

DG21: All code administrators to carry out an initial assessment of the draft SCR reports and consider if current findings potentially require legislation/code changes.

DG22: ENA to reach out to Elexon to request it also carries out the assessment under DG21.

3 Project progress overview

3.1 JP gave a high-level overview of the current work being undertaken in the three SCR sub-groups (Network Cost Drivers; Access Rights and Locational Charging) as well as the Ofgem-led Charge Design workstream. He explained that Ofgem intend to have a planning workshop during April for the academic work. NB asked how Ofgem were going to assess the outputs from the academics and whether Ofgem had a framework against which the assessment could take place. PC explained the meeting this month would be context setting, giving the academics the broad conceptual questions that need answering and seek their initial view. TM mentioned it would be sensible to consider applying desirability features for forward-looking charge signals to help identify the types of issues that need addressing and modelling. SP asked the members to let Ofgem know if they have academics they already engage with.

3.2 SP talked through the proposed timeline for finalising the current set of reports and asked for feedback. He explained that the Challenge Group members had requested visibility of the detail in the reports. NB questioned whether Access Report 1 needed to go to the Challenge Group as it is just setting the context, not reaching any conclusions. Ofgem confirmed that they would provide the Challenge Group with an overview of the scope of the reports. The group agreed that the timeline was risky, especially in the lead up to the next Delivery Group. It was agreed that Ofgem would assess possibility of rescheduling the next Delivery Group to a later date¹. It was raised that in order to make rapid progress the degree of interactions between the sub-groups had been less than ideal. It was suggested that Ofgem also highlight to the Challenge Group that work on interdependencies will take

¹ Since the meeting the Delivery Group meeting has been rescheduled to 10th May 2019.

place in the next phase. JP agreed that this can also be part of the context setting when the reports are shared with the Challenge Group.

3.3 SS confirmed that the Charge Design note would now be signed off within Ofgem having been to both the Challenge and Delivery Groups for review. SS confirmed that whilst the report is a final draft, Ofgem would accept any further comments sent within the next week.

3.4 SS gave an overview of the next stage of work for each of the current sub-groups, starting with Charge Design. He explained the next stage for Charge Design will entail a feasibility assessment survey. SS confirmed that a similar exercise will be undertaken with the suppliers. It was raised that Ofgem should also look at Half-Hourly Settlement RFI responses as they cover a similar topic and provide some information on how suppliers may respond to network charges. It was suggested that the supplier engagement should provide an understanding of how strong the forward-looking charge signal needs to be for suppliers to respond, and how they will respond, perhaps testing hypothetical signals. Ofgem confirmed they would be holding 1-2-1 interviews with suppliers that would cover this. It was also suggested this could also fit in the scope of the small user workstream; also that there is an implicit assumption that forward-looking charges will help suppliers to charge more accurately but this may not prove true, so should be tested academically or by trial. JP responded that the SCR Impact Assessment will assess behavioural impacts. SS informed the Delivery Group that there may be a second set of reports for the Cost Driver sub-group and the Locational Charging sub-group.

3.5 SP confirmed that the additional workstreams on Distribution Connection and Small Users will not be initiated in April as planned. He set out the expected scope for these two workstreams. There was a group discussion about the scope for the Distribution Connection workstream, with many members proposing that the first step should be to identify the features of the current arrangements that are creating issues. It was proposed that options for change could include small incremental changes to specifically address these issues. It was also suggested that the scope should look at whether different arrangements should apply to different users. The recently published Guidance Note on user commitment at transmission would provide useful input. In terms of timings, Ofgem asked the Delivery Group to consider if they would rather these sub-groups start earlier at lower intensity or later but full time. JP informed the group that they will be confirm the timings of this, and any future work for current sub-groups in due course. It was flagged that networks resource planning is proving very difficult in the absence of a clear plan.

Actions agreed under this item

DG23: Ofgem and ENA to reschedule the next Delivery Group meeting to later date in May.

DG24: Any final comments on the Charge Design note to be sent to Ofgem within the next week (by 11th April).

4 Cost Drivers report

4.1 BH explained that the Cost Drivers sub-group had shared the draft report and were seeking feedback on the content and aspects to revisit or expand on, noting that the future technologies chapter is a known area to focus on. CO also mentioned that where some sections were blank, it indicated where the group were struggling to locate information for either transmission or distribution. He asked that the Delivery Group share any relevant information for these sections.

4.2 **Cost Categories:** BH summarised the key feedback from the Challenge Group, including the point that the report was assessing actual costs, but should be seeking to identify what costs and

drivers would be in the future, and asked the Delivery Group for alternative methods. It was suggested the group look at load related capex, as this could be substantially different in the future, specifically costs of asset replacement particularly if they are avoidable in the short term. Also the focus could be narrowed to look at cost drivers required to help develop the forward-looking cost signal e.g. build models to identify costs relating to take up of Electric Vehicles.

4.3 Energy Consumption: MH contested a section of the report that states 'no direct link between network costs and number of customers', stating that there are pass-through costs based on customer numbers and call centres and customer operations were scaled based on customer numbers. He questioned if these costs would be recovered as part of residual charge of forward-looking. AE suggested the group break down the Closely Associated Indirects cost category to understand constituent cost drivers.

4.4 Peak Costs: BH asked the group if any obvious drivers of peak costs were missing from the report. It was noted that the report looks at peak in terms of seasonality but does not touch on time of day, so this would be useful to consider. Also changes in diversity could be a useful cost driver to consider.

4.5 JP noted that the User Segmentation section is a little light in detail. He reiterated some of the feedback from the Challenge Group regarding the categories set out in the user segmentation section and said the way they are laid out suggests they are all a basis for charge variance (e.g. Tree Cutting). He indicated he had expected that each of the potential categories would be assessed in more detail regarding whether they were plausible options. SS closed the agenda item by asking the group to send any further written feedback on the report by Tuesday 9th April.

Actions agreed under this item:

DG25: All SCR sub-groups to read the report and inform the Cost Driver sub-group specifically areas that are missing, that are required as inputs to the other reports.

DG26: Delivery Group to send any feedback on the draft Cost Drivers report to Beth Hanna by 9th April.

5 Citizens Advice Update

5.1 JK presented on the modelling approach, data sets, and emerging findings of the Citizens Advice 'Essential Capacity research', noting the title had changed from 'Core Capacity'. He explained the data sets that had been used for the modelling, including the SAVE project data from SSEN, CLNR project data from NPg and the Elexon profile data. A member of the group asked if they could also use anonymised smart meter data from SMETS1 meters. JK explained this would be a useful data source but would not be possible in current timeframes, they would consider it for the follow up activity. SS asked about the classifications used in the research, specifically what the definition of small business/commercial property is. JK explained they are classified based on type of business that is connected to the network, number of employees, whether it is public or private sector and that the classifications were provided in the CLNR data. JK confirmed he would update the slides to include the small business information.

5.2 The group discussed the definition of 'essential use' and the need to keep an open mind as this may change over time e.g. Electric Vehicles may become 'essential use' as they come the prevalent form of transport. NB also raised that the definition of essential use may be different in rural and urban

areas. A suggestion was also made that Citizens Advice could assess what is essential at peak time and how much capacity this uses.

Actions agreed under this item:

DG27: Citizens Advice to update the slide deck to include:

- **information on Small Businesses**
- **clarification if default timings on heat pumps is based on an industry standard or brand specific**
- **information on the types of tariff customers had who were involved in the EV charge patterns assessment**

DG28: Delivery Group members and Ofgem to consider what else Citizens Advice could investigate before the small user workstream is initiated.

6 Locational granularity

6.1 PC explained this report is draft and will be finalised once the Cost Drivers report is complete. He explained the report outlines high level design options for locational granularity, initial feasibility and cost reflectivity of these options as well as some of the issues identified.

6.2 PC explained that the focus of the Challenge Group feedback was on the rationale for discounting the option to increase locational granularity to an individual connection level. It was questioned whether the amount of time and effort required to produce the additional information on the long list of options was sensible and that a better approach would be to start using the guiding principles to rule out unfeasible options (instead of building on detail). On the same topic RW asked if there were simpler ways to address the questions set out in the report to get to the cost/benefit analysis of options quicker. He suggested the chosen option didn't have to be a huge step change in locational charging, instead it needed to set out a framework from which locational granularity could improve. PC and AF explained that the report narrative needed to clearly evidence and articulate the decision to not increase granularity lower than primary substation.

7 Access

7.1 AF explained the status and purpose of Reports 1 and 2, specifically that Report 1 looks at planning and design standards and Report 2 identifies options to support access arrangements. It was suggested the report needs to include a section on how financially firm options will be developed (ie links to the planning standards). RW gave positive feedback on the way the report had set out the options explicitly for users. PC raised the feedback from the Challenge Group that standardisation needs to be thought of with network user in mind.

8 Industry-led Network Access allocation update (non SCR)

8.1 PM gave an overview of the four products within the current scope of the non-SCR Industry-led Access work and then a more detailed introduction to Product 4, 'Active Network Management Charging'. He explained that this product will ultimately turn into a DCUSA modification. A member of the group asked whether there would also be a modification on use of system charging, but AE and PM confirmed this work does not have a consequential impact on use of system charging. RW raised that Product 4 should check for any consequential impact on the way costs are recovered for system users as a result of ANM changes.

9 Summary, AOB and close

9.1 Ofgem raised the delay to the next Delivery Group as an AOB item. It was agreed that the plan would be changed to allow a full offline review by both the Challenge Group and Delivery Group, and time for the sub-groups to respond to feedback, before sending to the Delivery Group for sign-off.

9.2 Ofgem confirmed they will provide feedback on the changes in timeframe and on any new subgroups before Delivery Group meetings, to help member organisations plan and identify and issues for tabling in the meeting.

9.3 TM raised an AOB regarding tertiary winding connections. SS requested that TM send a note to Ofgem explaining the issue.

Actions agreed under this item:

DG29: Ofgem to update the timeline for completion of current reports and circulate to all sub-groups and Delivery Group.

DG30: TM to send Ofgem a note on tertiary winding connection issue raised.

Next Delivery Group meeting:

Time / Date	Location
10.00 – 16.00 Friday 10 May 2019	ENA Offices, 4 More London Riverside SE1 2AU

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

Delivery Group Actions

Actions agreed in this meeting:

Meeting held on 06 March 2019			
Action	Description	Lead	Status
DG21	All code administrators to carry out an initial assessment of the draft SCR reports and consider if current findings potentially require legislation/code changes	Code Admin	Open
DG22	ENA to reach out to Elexon to request it also carries out the assessment under DG21	Ofgem	Open
DG23	Ofgem and ENA to reschedule the next Delivery Group meeting to later date in May	ENA	Closed
DG24	Any final comments on the Charge Design note to be sent to Ofgem within the next week (by 11 th April)	All	Closed
DG25	All SCR sub-groups to read the report and inform the Cost Driver sub-group specifically areas that are missing, that are required as inputs to the other reports	Sub-groups	Open
DG26	Delivery Group to send any feedback on the draft Cost Drivers report to Beth Hannah by 9 th April	All	Closed
DG27	Citizens Advice to update the slide deck to include: <ul style="list-style-type: none"> • information on Small Businesses • clarification if default timings on heat pumps is based on an industry standard or brand specific • information on the types of tariff customers had who were involved in the EV charge patterns assessment 	James Kerr	Closed
DG28	Delivery Group members and Ofgem to consider what else Citizens Advice could investigate before the small user workstream is initiated	All	Open
DG29	Ofgem to update the timeline for completion of current reports and circulate to all sub-groups and Delivery Group	Ofgem	Closed
DG30	TM to send Ofgem a note on tertiary winding connection issue raised	Tony McEntee	Closed