

Ofgem Access and Forward-looking Charges Significant Code Review

Minutes

Meeting name	Delivery Group – Meeting 8
Time	10.00 – 15:00
Date of meeting	3rd September 2019
Location	ENA Offices, 4 More London Riverside SE1 2AU

Attendees

Name	Initials	Organisation
Jon Parker	(JP)	Ofgem - Chair
Patrick Cassels	(PC)	Ofgem
Stephen Perry	(SP)	Ofgem
Bethany Hanna	(BH)	Ofgem
Silvia Orlando	(SO)	Ofgem
David Fogg ☎	(DF)	Ofgem
Dave McCrone ☎	(DM)	Ofgem
Andrew Conway ☎	(AC)	Ofgem
Rebecca Cailles	(RC)	CNA
Mike Harding	(MH)	BUUK
Jon Wisdom	(JW)	NGESO
Chris Ong	(CO)	UKPN
Ross Thompson	(RT)	UKPN
Tony McEntee	(TM)	ENWL
Claire Campbell	(CC)	SPEN
Angelo Fitzhenry	(AF)	Electralink
Nicholas Rubin	(NR)	Elexon
Lee Wells	(LW)	NPG
Nigel Bessant	(NB)	SSEN
Nigel Turvey	(NT)	WPD
Matthew Paige-Stimson	(MP-S)	National Grid
Katie Stanyard	(KS)	ENA Secretariat
Paul McGimpsey	(PM)	ENA Secretariat

1 Welcome, introductions and actions

1.1 JP gave an update on the development of the first working paper and explained that it will be published in advance of the Charging Futures Forum (CFF) on 19th September. He explained that the key change, since the draft was shared with the Deliver Group (DG) in July, was to split the paper into an executive summary and a set of discussion notes, to make it more digestible. JP added that the key focus of the CFF will be the content of the first working paper and that Ofgem will share any relevant feedback received with the DG.

1.2 JP explained that work on the second working paper has started and that this will be focused on small users, focused transmission reforms and the connection boundary. JP elaborated that the timescales for all future key milestones remain unchanged.

2 Project update and planning

2.1 The key SCR milestones were presented to the DG, showing that there is a further CFF planned for December to discuss the second working paper. JP added that the IDNO workstream has started, which aims to consider how the options under development could impact IDNOs (e.g. the risk of IDNO margins being squeezed). MH suggested that the materials from the first IDNO meeting (which focused on the existing charging arrangements) are shared with the DG.

2.2 In advance of the DG meeting, a set of draft Product Descriptions (PDs) had been shared with the DG. Ofgem asked for feedback on the PDs to be sent to ENA by 6th September. MH mentioned that the Charge Design PDs state that they will be delivered as “internal products with external input” and he asked how Ofgem intended to do this. BH confirmed, for charging design, the products will be produced by Ofgem, but that they will send additional information requests to Delivery Group members to help support the assessment.

2.3 Following this, Ofgem gave an overview of the new PDs and the group provided feedback:

- **Access Rights:** SP introduced the new PDs for the Access subgroup. TM suggested that the wording in the PD should be more specific about who will deliver each of the products.
- **Charge Design:** BH explained that this workstream includes a new product on the issue of centralised calculation and the billing of DUoS charges. TM suggested that the specific reference to ELEXON in this PD should be removed and replaced with a description of the function that they would perform, as their appointment could be via a competitive procurement. MH raised that there would also be impacts on IDNOs that would need to be considered. The group also gave feedback that there are wider licence and commercial changes that should be considered. BH acknowledged the feedback and agree to make changes to the PDs, where appropriate. BH also confirmed that she would engage further with DG members.
- **Connection Boundary:** DM explained that the PD sets out several questions that Ofgem need to answer before the shortlisting of options is presented to GEMA. DM gave an overview of the two new draft PDs, firstly on collecting evidence to make the case for change (evidence of the barriers to entry, distortions etc.), secondly on the impact of different transmission/distribution threshold in Scotland, compared to England and Wales. DM would continue to develop the PDs as necessary and welcomed any further feedback.
- **Network planning:** JP explained this product is about identifying network benefits, how it links to network planning and ensuring that there is a consistent approach to assessing network benefits and behavioural changes across the SCR.

Actions agreed under this item:

DG36: ENA to share a copy of the materials from the first IDNO meeting with the wider DG

DG37: DG members to review the draft Product Descriptions and send feedback to the ENA by Friday 6th September.

3 Connection boundary subgroup update and discussion

3.1 DM provided an overview of progress in the Connection Boundary subgroup, highlighting that the next key milestone is to share an interim deliverable with the Challenge Group (CG) in September. He then set out the key assumptions the group had made in the development of the products and asked for feedback. In response to feedback, DM agreed that the term 'extension assets' could be interpreted differently and so the group need to work to ensure this is better defined. TM asked why Ofgem wanted to review the distribution connection boundary. JP confirmed that Ofgem wanted to consider the extent that options could reduce barriers to entry and distortions between transmission and distribution.

3.2 DM provided an overview of the connection boundary (CB) options that the group had identified and asked if any were missing from the list. TM proposed an additional option of a cap on connection charges at a particular level, the reverse of the high cost cap option. JP asked if a further option could be for the connection charge to be equivalent to paying LRIC charges for the last five years. DM agreed to raise this with the subgroup. PC and MH considered that the connection boundary options needed to align with the work in the Cost Model group. PC added that the group may want to consider an option of a shallow CB for higher voltage levels, and shallowish CB for the lower voltages. JP suggested using a part of the next DG to consider the linkages between the connection boundary and cost models sub-groups.

3.3 DM explained that the group were intending to issue a survey to the CG members to further understand what the barriers to entry and or potential distortions are, and what evidence exists. A member of the group suggested that the assessment needed to cover impact of changing CB on Independent Connection Providers. MH suggested the survey should also be sent to organisations like the House Builders Federation. DM mentioned that he would welcome any feedback on the questions in the survey, which were included in the slides.

4 Access subgroup update and discussion on monitoring & enforcement note

4.1 SP kicked off this session explaining that the subgroup had drafted a note on the current monitoring and enforcement arrangements which had been shared with the DG for review and sign-off. NB asked why the note had a presumption that DNOs would not be able to use smart meter data and should perhaps explore what the possibilities would be if the DNOs did have access to smart meter data. NR suggested the note should consider what monitoring and enforcement regime should apply to unmetered sites and sites with behind the meter assets.

4.2 JP suggested that the report should expand on the proposed next steps and consider the extent to which the options may vary depending on the size of users. LW explained that he found some of the report repetitive and that it isn't clear how the excess capacity charges would work in practice. SP ran through the proposed next steps included in the report. JP noted that access right compliance for transmission-connected demand customers had not been identified as a key issue. SP asked for any wider feedback to be sent to the ENA within the week and the subgroup would then update the report.

5 Cost models subgroup update and final report

5.1 PC kicked off the session explaining that the Cost Model report shared with the DG is the penultimate version and that the final version of the report will be produced, shared with DG and then published. LW considered that the report has changed a lot since the draft working paper was shared with the DG. There was general agreement that the report should be finished by tidying up the executive summary and the next steps chapters, ensuring that the language aligns with the working paper, rather than having further subgroup discussions on it.

5.2 PC added that phase two of the subgroup work was kicking-off the next day, and gave an overview of the four key areas:

1. *Network model*: PC explained that the group would be building on the excel based model that TM has prototyped, and begin to populate with data based on LTDS, ensuring that all the DNOs can populate for each GSP group. NT asked if Ofgem required every DNO to populate the model, regardless of the costs. PC replied that the group were working on the assumption that the LTDS data is available for all DNOs and that the Ofgem believe the LV network data should be available. TM explained that the data does not have to be perfect and is a case of making assumptions to get representations that are broadly correct. NT raised a concern that whilst a quick model can be made based on assumptions, if in the future a robust version is required then the data may not be available in pure form without significant cost.
2. *Cost Model* – PC gave an overview of the scope of this work: to confirm the costs to be included in each cost model option, to understand if it gives an accurate cost signal and how volatile options are.
3. *Generation dominated areas* – PC explained that the group need to develop a set of options for generation dominated areas and that Ofgem think this should have been in the last report so this needs to be a key focus in the next stage.
4. *Locational and temporal deviation* – for this area, PC explained that the model needs to be developed to group/zone networks in different ways, so the first step is to come up with options to do this based on the data available.

5.3 LW asked how this work was going to be progressed. PC explained that Ofgem and the subgroup would produce a PD together, ensuring there is a common agreement on scope, roles and responsibilities. He also mentioned that CEPA/TNEI would be joining the next subgroup to discuss how the network modelling will align with the tariff modelling, ensuring the respective outputs and inputs are agreed. PC explained that the subgroup should exist until the end of the year and that there is a lot of work for them to do. JP reiterated that the DNOs needed to ensure they have enough resource to support this subgroup and that all network companies should be equally contributing resource. JP also reminded the group that the DNOs committed to contributing resource and that this informed Ofgem's decision on the scope of the SCR relative to what DNOs would lead themselves.

6 Discussion - approach to analysing benefits to network/system operators

6.1 In advance of the meeting, Ofgem shared a PD to determine a consistent approach to identifying network benefits. DF summarised this PD in the meeting and emphasised that the product would build on work done to date on Access options, The network benefits of ensuring a consistent approach will be applied across the SCR. This will ensure the approaches are aligned across the subgroups and avoid wasted effort. He set out a high-level diagram of how the SCR options would lead to network benefits but explained that the assessment will need to consider the behavioural changes that will occur. TM asked what data will be used to assess behavioural response. JP responded that the consultants Ofgem are contracting will provide this data, through existing trial

evidence. JP considered that for any given behavioural change there would have to be a degree of certainty to justify a change in the investment. MH also suggested the product needed to consider how behaviours will change in the future, with the take up of low carbon technologies. The group discussed who was best placed to deliver this product. TM suggested it needed a different skill set to the rest of the subgroups, i.e. network planners. DF stated he was planning to host the first workshop in October. The item finished with DF confirming he would send a draft set of questions and date of the first workshop, within the next two weeks.

7 Non-SCR Update – ENA Update

7.1 PM gave a progress update on the four products (P1-P4) under development in the Industry-led Access Group:

- PM explained that the current phase of P1 (Trading Curtailment Obligations) and P2 (Capacity Trading) is being led through the Transition and LEO innovation projects. The working group set out principles and rules for each Product which were shared with the project for review. Project LEO have done some initial testing (via internal war games) during August and the plan includes further war gaming sessions in September and October. PM explained that the industry-led group had questioned if there would be additional value in holding briefing session through CFF. PM highlighted that that there has been confusion amongst external stakeholders between the work on P2 and work within the SCR on Shared access. The Access sub-group and the Non-Access sub-group therefore have agreed to better articulate the differences and similarities between trading and sharing access.
- In regard to P1 and P2, PM explained that members of the subgroup had met with Open Networks (ON) workstream 1a which is looking widely at new products for facilitating flexibility. He outlined the agreement made for the Industry-led group to finish the report by the end of the year before handing it over to ON to implement.
- On P3 (Queue Management), PM detailed that there is a live consultation on queue management and interactivity, with a closing date of 25th September. He explained that the proposal is for these to be applied consistently across transmission and distribution. JP asked if this has been advertised widely as some stakeholders have raised they were unaware that these changes. PM responded that the product has been promoted through the ON Advisory Group and published on the website. PM took an action to check what engagement had been done on this product. SP suggested sharing the consultation documentation with the Commercial Operations Group.
- On P4, PM stated that the DCUSA change proposal was passed into DCUSA governance, he then outlined the draft timelines which show a forecast date for decision by authority in February 2020.

Actions agreed under this item:

DG38: PM to determine what promotion and engagement had been done on the Queue Management Product under development in the Open Networks programme

8 Close and AOB

8.1 JP thanked everyone for attending and closed the meeting.

Next Delivery Group meeting:

Time / Date	Location
10.00 – 16.00 Wednesday 9 th October 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 27th June 2019			
Action	Description	Lead	Status
DG36	ENA to share a copy of the materials from the first iDNO meeting with the wider DG	ENA	Open
DG37	DG members to review the draft Product Descriptions and send feedback to the ENA by Friday 6 th September	Delivery Group	Closed
DG38	PM to determine what promotion and engagement had been done on the Queue Management Product under development in the Open Networks programme and inform Ofgem	ENA	Open