

ENSG meeting: 4 April 2013, Ofgem

Members in attendance

Ian Marlee (co-chair)	Ofgem
Sandy Sheard (co-chair)	DECC
Mike McElhinney	Scottish Government
Ron Loveland	Welsh Government
Mike Calviou	National Grid (NGET)
Colin Taylor	Scottish Power (SPTL)
David Gardner	SHE Transmission
Chris Veal	Transmission Investment LLP
Barry Hatton	UKPN
Paul Mott	EDF Energy
Zoltan Zavody	RenewableUK
Joe Duddy	RES
Chuan Zhang	The Crown Estate

Also in attendance

Geoff Randall	Ofgem
Jon Parker (second half of meeting)	Ofgem
Adam Lacey	Ofgem
Simon Cran-McGreehin	Ofgem
Tom Luff	DECC
Paul Hawker	DECC
John Costyn (first half of meeting)	DECC
Andy Hiorns	NGET
Mike Barlow	SHE Transmission
Jenny Hogan (by phone, first half of meeting)	Scottish Renewables

1. Welcome and introductions

1.1. Ian Marlee (Ofgem) opened the meeting and welcomed attendees, including Jenny Hogan who had joined by telephone.

2. Minutes of previous meeting

2.1. The minutes of the previous ENSG meeting (5 October 2012), and the Extraordinary ENSG meeting (31 January 2013), were approved. Ian Marlee noted that all actions had either been completed already, or were on course to be completed through items at this meeting or the next meeting (18 July 2013). He pointed out a table at the end of the agenda that listed items that had been proposed for future meetings.

3. Projects updates

SHE Transmission's review of its Strategic Wider Works (SWW) programme

3.1. David Gardner and Mike Barlow (both SHE Transmission) presented slides about SHE Transmission's review of its Strategic Wider Works (SWW) programme. They gave an overview of the proposals for these transmission projects, focussing on the proposed island links. They outlined recent changes to generation in Northern Scotland, and also the

changes to NGET's scenarios of future generation. They listed the areas of collaboration with various parties regarding the transmission projects. They discussed challenges facing the networks in Northern Scotland, including damage caused by recent winter weather.

3.2. They were asked what needed to be done to justify the Western Isles needs case, compared to previous needs cases that have been rejected/withdrawn, and why user commitment did not suffice. SHE Transmission and NGET replied that it was not about just user commitment, but also about affordability.

3.3. A question was asked on how quickly the needs case could be turned around by Ofgem once it was submitted by SHE Transmission. Ofgem said it would do this as quickly as it could, but that the project was large and Ofgem would need to consult on the needs case. Ofgem referred to the RIIO-T1 Final Proposals that said Ofgem would need about three months for the assessment and two months for consultation.

3.4. A question was asked about when onshore transmission projects would be open to competition. Ofgem explained that this depended on the outcome of the Integrated Transmission Planning and Regulation (ITPR) consultation; the consultation was due to be published this summer.

3.5. RenewableUK said its members would value information about the assessment process, so that they could help to overcome bottlenecks, uncertainties, etc. SHE Transmission said that the process was set out by Ofgem: once developers judged their projects were viable and had provided sufficient user commitment, a transmission owner (TO) would submit a needs case to Ofgem; if the TO was unable to hold suppliers (e.g. cable providers) to timescales, then the TO would work with developers to find a way through. Ofgem said that the published details about Ofgem's SWW assessment process and timings would be circulated to members.

- Action 1: Ofgem to circulate published details about its assessment process and timings. RenewableUK to inform Ofgem subsequently if it needed more information than this.

3.6. The Crown Estate said that it had identified 19 transmission reinforcement projects that had been postponed due to changes in SHE Transmission's SWW programme. It said that at least 11 of them were now scheduled to come on line in 2018, but asked if that would be practically deliverable in terms of network outages, workforce availability, etc. SHE Transmission said that this was a good challenge, but that it did not want to respond in detail now and needed to do more work to get the full answer, e.g. talking to the System Operator (SO) and TOs. NGET agreed that outages would be a challenge, and that parties would need to consider the details. Ofgem said that it would require SHE Transmission to show that the projects were achievable, and that network development and regulatory systems were meant to be flexible, to deal with uncertainties.

- Action 2: SHE Transmission to demonstrate that the new dates of its projects are achievable, by detailing actions/arrangements in place to enable the project delivery.

3.7. SHE Transmission said that the area that most concerned it was the HVDC supply chain. It was agreed that SHE Transmission would come back to the ENSG on this when providing further updates.

- Action 3: SHE Transmission to provide information on HVDC supply chain issues when presenting further updates.

Scottish Islands Renewables Project

3.8. John Costyn (DECC) provided an update on the Scottish Islands Renewables Project. He said that it was reaching the end of evidence gathering stage. He added that

consultants had provided their draft report, and that the steering group was giving feedback on that report. He said that the process for producing the report had been well-received by stakeholders (e.g. consultants had met with developers on all of the islands in question). The steering group would consider the report over the next two months and reach a view; DECC officials staff would do the same, to give advice to ministers.

3.9. The Scottish Government noted that it was a joint project between the UK Government and the Scottish Government. It said that it saw this report as phase one of the process, and put on record the support provided by NGET, SHE Transmission and Ofgem. It noted that the project had received lots of attention from developers and the press, and said that it was a long-running issue with challenging timescales.

3.10. A question was asked about when the draft report would be made available. DECC said that the draft report would not be shared, but that the final report would be published once the steering group and Government had reviewed it. The Scottish Government said that it was a publically-funded project and so it was right that the (final) report should be published. It said that the challenge was around specific issues (e.g. the timing of the needs case process for the Western Isles link), and so there was pressure to deliver the report within commercially-important timescales.

3.11. A point was raised about cross-linkages to Project TransmiT. The Scottish Government said that Project TransmiT was separate, but parallel. It said that the Islands' Project needed to be aware that TransmiT would produce outcomes soon, and that NGET and Ofgem involvement was important in the Islands' Project.

3.12. It was noted that SHE Transmission had said that it needed to let the contract for the Western Isles Link by July 2013 in order to hit the planned delivery date. Ofgem referred to SHE Transmission's recent letter in response to a letter from Ofgem. SHE Transmission said that it could postpone contract award by a couple of extra weeks, but that any more would mean that the project would be delayed by one year.

Wider network impacts of SHE Transmission's review

3.13. Andy Hiorns (NGET) presented slides about the wider network impacts of SHE Transmission's review of its SWW programme. He said that SHE Transmission's announcement of delays to its SWW projects had resulted in some developers delaying their proposed connection dates; i.e. it had reduced the contracted background for the coming years. However, he said new generation plants were being deployed more slowly across GB, not just in SHE Transmission's area. He explained that NGET had conducted a cost-benefit analysis (CBA) on two scenarios for the three year period 2015/16 to 2017/18. Both scenarios used the revised (delayed) dates for SHE Transmission's SWW projects. One scenario used the contracted background in Scotland from before the delays were announced: this scenario resulted in constraints costs increasing by £831M to £1080M (c.400% increase). The second scenario used the lower contracted background in Scotland from after the delays were announced: constraints costs would be lower than the estimates made before the announcement, and much lower than the £1bn figure from the first scenario.

3.14. NGET said that 21 generators were affected. SHE Transmission said that only two affected onshore projects had planning consent, and that both of them were affected by Mossford projects and would get transmission access soon.

3.15. NGET presented an update on the "Transmission Entry Capacity (TEC) amnesty". Generators had returned 175MW of access rights in SHE Transmission's area that would be reallocated (through CAP150 process) once revised TEC agreements had been signed.

3.16. NGET noted that steps were being taken to make the Joint Planning Committee more formal (e.g. regular meetings, keeping records of working relationships, etc.).

3.17. NGET discussed active network management, which had been suggested by SHE Transmission and was being worked on by the TOs together. The aim was to develop a control system to control generation in real time, to get more use out of the network.

Wider impacts of SHE Transmission's review

3.18. Zoltan Zavody (RenewableUK) provided an overview of a joint project of The Crown Estate, RenewableUK and Scottish Renewables to assess the wider impacts of SHE Transmission's review. He said there was a need to know how the project developers felt, and so had asked Senergy (consultants) to talk to those developers and other renewable energy developers in Northern Scotland. They hoped to get honest, nuanced views about the projects, and also to know about the wider impacts on the renewables industry. He said that it was not a technical project; rather, it was about project and regulatory issues. He said that it seemed that more developers thought that they were affected than SHE Transmission had suggested at the ENSG meeting, and he wanted to talk to SHE Transmission and NGET about it further. He said that billions of pounds of projects are involved, and that he wanted to understand how the renewables industry could help to reduce uncertainty across the grid development process. The Crown Estate and Scottish Renewables supported his comments.

Discussion about presentations by NGET and RenewableUK

3.19. Ofgem commented on the presentations by NGET and RenewableUK. It said that the TOs had to meet stakeholders' needs in a timely manner: i.e. the TOs had to avoid building expensive assets too early, but that they also had to consider developers' ongoing concerns, including their perceptions about the delays and impacts. Ofgem noted that the most immediate ongoing concerns were about the Mossford project, which seemed to be progressing. SHE Transmission said that it would provide an update on that project in July.

3.20. A question was asked about the types of generators that had given up TEC in the amnesty. NGET said that it was a mixture, but mainly gas-fired generation. It was noted that the amnesty had been welcomed by RenewableUK members, and that some of them had used it.

3.21. Ofgem said that, at the July ENSG meeting, the TOs would present on their joint working, and RenewableUK/The Crown Estate/Scottish Renewables on their project.

- Action 4: RenewableUK/The Crown Estate/Scottish Renewables to present at the July ENSG meeting the outcome of their project looking at the wider impacts of SHE Transmission's review.
- Action 5: TOs to present at the July ENSG meeting about their joint working.

TO quarterly updates

3.22. Ian Marlee referred to the March 2013 TO Major Projects Status Update. He asked attendees to highlight any key points.

3.23. A concern was raised that proposed Irish wind farms that could connect to the network in Wales were not currently included in the TO update table. It was noted that the current list was based largely upon the 2009 report to the ENSG (the "2020 Vision"). There was discussion about whether the proposed links to Irish wind farms would be included within a TO's regulatory asset value (RAV) and/or be commercial projects. It was agreed that the ENSG should consider criteria for deciding whether to add a project to the list. NGET also offered to update ENSG on Irish wind proposals.

- Action 6: Ofgem and DECC to consider, with the TOs, criteria for adding projects to the update table.

3.24. A question was asked on whether ENSG work should include the caveat that it is predicated on Scotland remaining within the UK. The Scottish Government said that it would continue to publish documents about issues relating to independence, including how a Scottish regulator could work with the UK regulator. It was agreed that the ENSG Terms of Reference (ToR) did not need to reflect the possibility of Scottish independence; to do so would also require the setting out of other wider uncertainties which would make the document unwieldy.

Update on options for the proposed Eastern HVDC Link

3.25. Ofgem asked that this update be postponed until the July ENSG meeting.

- Action 7: TOs to present at the July ENSG meeting on options for the proposed Eastern HVDC link.

4. Updates from other groups

Smart Grids Forum (SGF)

4.1. Tom Luff (DECC) provided an update on the SGF. He summarised the background and history of the group, and noted three pieces of work that had been undertaken recently. Firstly, the SGF had updated scenarios for the roll-out of low-carbon technology out to 2030, to help inform the Distribution Network Operators' (DNOs') RIIO-ED1 price control business plans. Secondly, the SGF had compared the costs of smart solutions and conventional solutions for network issues. Thirdly, the SGF had considered commercial and regulatory barriers to smart solutions. The SGF would update the route map, which was originally produced by the ENSG several years ago, to consider what work the SGF should do in future. DECC outlined work on barriers to consumer engagement and on technical issues, and noted that the work on technical issues could be used to address some gaps that could be found by the ENSG gap analysis project.

4.2. It was agreed that the terms of reference for the work on the route map should be circulated.

- Action 8: DECC to provide a copy of the terms of reference to the ENSG for the work on the SGF's route map when the SGF has agreed them.

Offshore Co-ordination and Integrated Transmission Planning and Regulation (ITPR)

4.3. Jon Parker (Ofgem) provided an update on Offshore Co-ordination and the ITPR. He said that an Offshore Co-ordination consultation closed in March 2013; responses were on the Ofgem website, and Ofgem planned to publish a further document in May or June 2013.

4.4. He said that an ITPR open letter consultation closed earlier this year, generating lots of useful feedback. Ofgem was doing high-level options analysis, and a consultation was planned for May this year.

4.5. A question was asked about the timescales for decisions on the ITPR. Ofgem said that it would depend upon which options were ultimately proposed. It noted that some options would need legislative changes, so would take more time, and that Ofgem was working with DECC to consider these. Ofgem noted that any such decisions would just be Ofgem's view on what might be appropriate, and that it would be for Government to decide whether to make legislative changes.

4.6. Integrated projects were discussed, in particular how a developer could decide whether to build a larger link with extra capacity, as opposed to building multiple smaller links as and when capacity was needed. NGET noted that lots of smaller links (instead of

one bigger one) would be more difficult for managing the network, and more expensive for providing the same capacity. Ofgem said that it would not be right for consumers to hold the risk for a link that would only definitely benefit one generator. It explained what the Offshore Co-ordination project had done, and noted that ITPR was looking at issues that would take more time to resolve.

European Network Codes

4.7. Andy Hiorns presented an update about the European Network Codes. He said that nine codes were due to be completed by 2014. He outlined the process and offered to provide a fuller discussion at the July ENSG meeting, including a clarification of what is meant by the "Grand Design", i.e. whether it was one overarching paper or one paper for each code. He outlined the status of each code project, and the broad list of stakeholders, including GB involvement from NGET, DECC, Ofgem, etc.

- Action 9: NGET to provide a fuller update on European Network Codes at the July ENSG meeting, including clarification of what is meant by the "Grand Design".

4.8. A question was asked about what would happen if a European code differed from a GB code. NGET explained that some were EU-wide codes, and some were regional codes, and that this would determine whether a European code would have to replace a GB code.

4.9. It was suggested that European codes would have different (greater) legal force than the GB codes. DECC agreed to look into that point.

- Action 10: DECC, for the July ENSG meeting, to look into whether European codes would have different (greater) legal force than the GB codes.

4.10. NGET said that the European Commission was very keen to get the new codes in place as soon as possible, and that some codes for gas were ready. It said that there was an implementation challenge, including the need to agree some parameters at national/regional levels. It noted the need to keep stakeholders involved, and also the need to move as quickly as possible in order to avoid GB being fined for non/late compliance.

4.11. The compatibility of European codes with Electricity Market Reform was raised. NGET said that this was not yet apparent. DECC noted that it was already aware of this issue.

4.12. The process for implementing European Codes was summarised as: NGET would raise modification proposals to implement European codes, and other parties could raise rival modification proposals. DECC confirmed that this would be the process, unless something extra is needed, e.g. from DECC or Ofgem.

4.13. DECC asked ENSG members to send to the ENSG secretariat details of any specific codes they were interested in for discussion at the July 2013 ENSG meeting.

- Action 11: ENSG members to send ideas to the ENSG secretariat for which codes to discuss at the July 2013 ENSG meeting.

5. Update on Cross Networks Project

5.1. Andy Hiorns (NGET) presented an update on the Cross Networks Project, noting that it was a 'work in progress', and the aim was to submit a full report for the July ENSG meeting. He explained that each network (e.g. distribution, onshore transmission, offshore transmission, etc.) had its own processes for reaching decisions about that network, and that the aim of the project was to determine whether there were gaps in the interactions between networks. He said that this project was relevant because of changes to the

networks. He outlined the project's scope and the process used by the Working Group, explaining that it had focussed on interactions between networks in three main areas: Network Planning and Design; System Operability; and Technology Issues. He said that 15 interactions had been identified, and that some of these appeared to have gaps. He presented a draft of some of the conclusions about gaps, including examples of ratings of impact and timing. He outlined the next steps for the period up to the next ENSG meeting.

5.2. The issue of dynamic line rating (DLR) was raised, referring to a Belgian study that had suggested this could provide up to 100% extra capacity. It was suggested that while DLR was used on all major circuits in England and Wales, in Scotland it had only been used once, in a test. It was further noted that use of DLR could avoid having to incur the costs of constraining off wind generation. NGET said that it was working with SPTL and SHE Transmission on this issue, but cautioned that dynamic line ratings could reduce some ratings, depending on routes, conditions, etc. It agreed to provide further information on this.

- Action 12: National Grid to provide further details on DLR in particular the appropriateness/benefits of DLR and its work with the Scottish TOs in this area.

5.3. A concern was raised about the identified interactions between DNOs and Offshore Transmission Owners (OFTOs). A question was asked about whether any OFTOs were connected to DNOs' networks, and also if it was an operational issue only. NGET confirmed that some Round Two wind farms were connected to DNOs, and that it was not just an operational issue.

5.4. Ofgem noted that some of the issues in the draft report were core SO business, e.g. work regarding generation that was connected to a distribution network (distributed generation), and that National Grid Gas (NGG) had been looking at the interactions between gas and electricity networks. It said that the issue of distributed generation had been around for several years, and that it could not therefore be called an immediate and high-priority issue. NGET said that there was a mixture of ongoing issues that hadn't been given enough emphasis thus far, and new issues. NGET said that more work was needed, noting that no parties knew about all of the generation that was connected to DNOs' networks. It referred to a Grid Code change to get that information from the DNOs for the SO. Ofgem asked whether any DNOs were on the Working Group, and whether they would sign up to the draft conclusions. DECC confirmed that Scottish Power Energy Networks (SPEN), Electricity North West, UK Power Networks and Northern Power Grid (NPG) were on the Working Group, and had contributed to discussions. However, the draft conclusions had not yet been agreed.

5.5. Ofgem asked how the Working Group was going to deal with overlaps. NGET said that the Working Group had proposed to ask the groups whose work overlaps to consider how to address them.

5.6. DECC noted that the example conclusions said that most issues were high priority and urgent, and asked how these would be prioritised. NGET said that these would be refined further by the Working Group.

5.7. DECC said that the Working Group should aim to circulate the report to the ENSG in May for comments, so that the final report could be agreed in advance of the July meeting. DECC asked whether there been enough representation on the Working Group. NGET said that there had been sufficient representation at the Working Group meetings, but not much response to subsequent e-mail requests for comments.

- Action 13: Working Group to provide the redrafted report to the ENSG for comments, and provide the final report for the July ENSG meeting.
- Action 14: NGET to ask for more support for the Working Group if it was needed.

6. ENSG Terms of reference

6.1. Paul Hawker (DECC) explained that, when the new ENSG work programme had been agreed at the October 2012 meeting, DECC and Ofgem were charged with checking whether the ENSG's ToR were still fit for purpose. DECC said that it and Ofgem felt that no changes were needed at present. It was suggested that a housekeeping change would be helpful, namely to remove the names of individuals and leave just the names of organisations on the ENSG. This would mean that the ToR remained up to date even when individual members of the ENSG changed.

- Action 15: DECC and Ofgem to update the membership list to include just the names of organisations.

7. AOB

7.1. There were no other items of business.

8. Date of next meeting

8.1. The next meeting would be held on Thursday 18 July 2013 at 1pm, at Ofgem's offices at 9 Millbank, London.

9. Actions from this meeting

Action 1: Circulate published details about Ofgem's assessment process and timings.

Action 2: SHE Transmission to demonstrate that the new dates of its projects are achievable, by detailing actions/arrangements in place to enable the project delivery.

Action 3: SHE Transmission to provide information on HVDC supply chain issues when presenting further updates.

Action 4: RenewableUK/The Crown Estate/Scottish Renewables to present at the July ENSG meeting on their project looking at the wider impacts of SHE Transmission's review.

Action 5: TOs to present at the July ENSG meeting on their joint working.

Action 6: Ofgem, DECC and others to discuss what to do about these for the updates.

Action 7: TOs to present at the July ENSG meeting on options for the Eastern HVDC link.

Action 8: DECC to provide a copy of the terms of reference for the work on the SGF's route map.

Action 9: NGET to provide a fuller update on European Network Codes at the July ENSG meeting, including clarification of what is meant by the "Grand Design".

Action 10: DECC to look into for the July ENSG meeting whether European codes would have different (greater) legal force than the GB codes.

Action 11: National Grid to provide further details on DLR in particular the appropriateness/benefits of DLR and its work with the Scottish TOs in this area.

Action 12: ENSG members to send ideas to the ENSG secretariat for which codes to discuss at July 2013 ENSG meeting.

Action 13: Working Group to provide the redrafted report to the ENSG for comments, and provide the final report for the July ENSG meeting.

Action 14: NGET to ask for more support for the Working Group if it is needed.

Action 15: DECC and Ofgem to update the membership list in the ToR to include just the names of organisations.