

**MINUTES OF THE  
ELECTRICITY NETWORKS STRATEGY GROUP (ENSG)**

**OFGEM, 9 MILLBANK, LONDON**

**2PM MONDAY 30<sup>th</sup> JUNE 2014**

**Present:**

**Co-Chairs (Rotating)**

DECC  
Ofgem

Sandy Sheard  
Kersti Berge (Chair)

**Members**

National Grid  
National Grid  
Scottish Hydro Electric Transmission plc  
Scottish Hydro Electric Transmission plc  
Scottish Power Transmission Limited  
UK Power Networks  
Transmission Investment LLP  
EDF  
Renewable Energy Systems  
Renewable-UK  
Northern Power Grid  
Scottish Renewables

Mike Calviou  
Andrew Hiorns  
Dave Gardner  
Andy Huthwaite  
Cathie Hill  
Barry Hatton  
Chris Veal  
Mark Cox  
Joe Duddy (for Patrick Smart)  
Zoltan Zavody  
Mark Drye  
Michael Rieley

**Also in Attendance**

Ofgem  
Ofgem  
Ofgem  
DECC  
DECC

Martin Crouch  
Geoff Randall  
Adam Lacey  
Rob Kinnaird  
Paul Hawker

**Apologies**

Vattenfall  
Welsh Government  
The Crown Estate  
Energy Networks Association  
Scottish Government  
Centrica

Robert Hensgens  
Ron Loveland  
Chuan Zhang  
Paul Fidler (for David Smith)  
Dermot Rhatigan  
Helen Stack (for Philip Davies)

## **1. Welcome and Introduction including minutes and actions from last meeting**

1.1 The Chair welcomed the participants to the meeting. The meeting notes from the last ENSG were confirmed. It was agreed to discuss Action 4 *DECC and Ofgem to consider whether there was a way to provide scrutiny of Transmission Owner (TO) activities without impinging on ENSG's consideration of strategic issues* and Action 12 *a TO information note on supply chain management and potential issues* in the relevant agenda items.

## **2. Work programme**

2.1 To plan and prioritise ENSG's work the group discussed the work programme and forward agendas based on a paper circulated by the ENSG Secretariat ahead of the meeting. The ENSG Secretariat would maintain the document and circulate updates ahead of future meetings.

### Discussion

2.2 Overall, the group agreed that document had listed the right issues but should be checked against the ENSG Terms of Reference for consistency. It was agreed that the document should also refer to Electricity Market Reform given its potential impact on networks. There was also agreement that there should be a discussion on the outcome of the Scottish Independence Referendum at the next meeting.

**Action 1: The Secretariat to ensure the detailed work streams are consistent with the ENSG TOR.**

**Action 2: EMR to be added to Future Energy Scenarios references on the document.**

**Action 3: Scottish Referendum to be added to September ENSG agenda.**

## **3. RUK update on the end to end process and agreement of next steps**

3.1 The chair thanked the ENSG members who took part in the sub group meeting on 9 June. RUK then identified the key issues potentially holding up timely grid investments. This was based on a paper circulated ahead of the meeting.

### Discussion

3.2 The group discussed some of the main issues which included, understanding the roles and responsibilities of the different organisations (TOs, Ofgem, DECC, and Devolved Administrations), whether Needs Cases were sufficiently transparent, the detailed assumptions that lie beneath Needs Cases (e.g. cost of constraints, use of scenarios), how the timings and levels of securities can be important, and whether/how wider benefits should be incorporated.

**Action 4: the ENSG Secretariat to lead on considering how best to run an SWW session. The session would include issues such as, how needs cases are assessed and the use of scenarios.**

**Action 5: DECC to update the ENSG on the status of its Strategy and Policy Statement consultation – a potential addition to September agenda depending on timings, along with roles and responsibilities.**

**Action 6: On Grid Queue management, ENSG recognised that there is a process underway led by NG and would monitor developments.**

**Action 7: ENSG Secretariat to look at format of TO Updates and suggest changes to improve its readability and value to developers and other stakeholders. This would include being clearer on changes since the previous update eg delivery dates changing and drivers for changes. ENSG Secretariat to road test changes with developers (and TOs). Any developers interested in helping, should inform the Secretariat.**

**Action 8: SSE had developed some thoughts on “island connection enablers,” which it undertook to share.**

#### **4. TO updates**

4.1 SHE Transmission reported that all projects are progressing well. SHE Transmission was working with the System Operator to manage the outages associated with the Beaulieu Mossford project. SHE Transmission had undertaken further work on its proposed Caithness Moray reinforcement to address the challenges raised at the consultation. On the Scottish islands, SHE Transmission had attended the delivery forum the previous week co-chaired by UK and Scottish governments. There was still significant uncertainty around generation, EMR and transmission network charges. The delivery forum had agreed the need for a Delivery Action Plan which would list enablers that need to be “crossed off” before SHE Transmission could submit a robust Needs Case. SHE Transmission had, separately, consulted on Orkney and found the marine generation profile moving outwards. Additionally, while the generation connected and seeking connection currently was more than existing network capacity it was not of sufficient size or certainty to justify a transmission link to the mainland.

4.2 SPT said that Beaulieu Denny was currently on its critical path, with works having progressed well and outages managed effectively. In addition, SPT was working closely with the SO on the East Coast reinforcement. On the South West of Scotland reinforcement, work was on track with no issues to date.

4.3 Referencing Western HVDC, NG stated that the manufacturers were planning additional tests on the cable sections before installing. Dependent upon the

outcome of these additional tests there may be risk of minor delay. However, the project was currently on track. A number of NG projects would be reviewed as part of the Electricity Ten Year Statement and Future Energy Scenarios updates. NG felt the Hinkley Seabank reinforcement would go back from 2019 to 2021. Also, some reinforcement might be needed on the B7 boundary (across northern England), due to new generation and offshore projects. In Wales, NG needed to plan and decide when was the best time to invest the £1bn needed for a North Wales reinforcement, to ensure that it is in the interests of consumers.

## **5. National Grid update on the System Operability Framework, FES and ETYS**

5.1 There had been significant stakeholder engagement on the FES. NG would be publishing its 2014 FES in July which would also mark the beginning of the consultation process for the 2015 FES. Stakeholders had told NG that two scenarios were not enough. There were, therefore, now four scenarios; ranging from affordability to sustainability. The two central scenarios (Gone Green and Slow Progression) were similar to the 2013 FES.

5.2 On the ETYS, NG was looking at network capability requirements and how these have changed. NG was considering the optimal way to manage risk and was examining the different scenarios and assessing the challenges NG would face and how to meet them. Following its consultation which closed in May NG was working with the TOs to discern future network requirements and would publish the 2014 ETYS in November.

5.3 In a presentation on the SOF, NG described some of the challenges it was facing. This included: falling reactive demand and system inertia, issues associated with wind and solar power, understanding the impacts of interconnector flows, as well as offshore wind and nuclear generation connections drifting back. Finally, NG mentioned that embedded generation offered both challenges and opportunities. It was working closely with DNOs on how best to manage these.

### Discussion

5.4 In the group discussion a question was raised on generation changes and whether “re-benchmarking” of needs cases should be undertaken. The TOs and Ofgem felt that, as a range of generation scenarios and sensitivities were considered when developing and assessing needs cases, this was not necessary. NG encouraged ENSG members to input to the SOF consultation and it was noted there would be an ENSG Sub Group on 31 July to cover this.

## **6. Interconnection (presentations from NG, Transmission Investment (TI) LLP and Ofgem)**

6.1 NG took the group through the ENTSO-e Ten Year Network Development Plan (TYNDP). The TYNDP is published every 2 years and ENTSO-e is currently consulting on the 2014 edition due in December. The TYNDP took a snapshot of 2030 based on four visions (scenarios). It contains limited sensitivity analysis and focused on cross border pan-European benefits rather than breaking them down to country level. It assumed that all identified interconnector projects would be delivered by 2030 but would not give a view on when individual projects would complete nor the benefits they might bring.

6.2 TI gave a presentation on interconnection from a developer's perspective. It described the potential benefits of interconnection, i.e. lower cost of energy to consumers, an increase in the security of supply and an increase in access to renewables and highlighted the benefits of being an independent developer in GB (as opposed to other EU states). These included: no legal monopoly for developing interconnectors, having a process for getting a grid connection in GB and having a collaborative process. However, interconnector projects required a regulatory regime providing a degree of revenue certainty if they were to be delivered and benefits realised. In the short term TI felt a regulated cap and floor regime was the right approach. However in the longer term, the market risk element in cap and floor would mean less interconnection would be delivered than would have been the case with a fixed rate of return.

6.3 Ofgem provided a brief summary of the cap and floor regime and next steps. It was noted that whereas SWW projects involve bilateral discussions with TOs, IC projects also need involvement/agreement from the other NRAs.

### Discussion

6.4 In the group discussion, the relationship between FES and the ENTSO-e visions was raised. NG responded that the TYNDP, unlike FES and ETYS, represented a "snapshot" of 2030, but that its scenarios were aligned with NG's. NG was asked if wider benefits had been considered in the TYNDP. NG replied that wider benefits had been considered, but not monetised. The large number of interconnector submissions to be assessed by Ofgem in the autumn was highlighted. Ofgem said that it would undertake assessment and modelling work to look at the costs and benefits and some sensitivity analysis to decide which projects should receive funding. It would also engage with the relevant bodies and wider stakeholders as appropriate.

**Action 9: ENSG members should contact Matt Grant at Ofgem should they have comments or questions about the interconnector regime.**

## **7. AOB and next meeting**

7.1 The Chair asked the group for a suitable date for the next meeting. The 22 and 29 September were suggested. The group then briefly discussed the paper

completed by the TOs on how they work together on planning consents. RES thanked the TOs for undertaking this work at its request.

7.2 SHE Transmission provided an update on its supply chain management work. It was agreed that the TOs should draft a paper setting out the supply chain challenges, how these challenges were managed, and whether any problems were expected to persist. DECC added that it may be helpful to have a discussion about skills (e.g. access to engineers). SHE Transmission agreed to lead on this work for TOs and that it would be useful to cover skills, adding that many companies were considering skills constraints.

7.3 Sandy Sheard announced that she would be leaving DECC and may not still be in post for the next ENSG. In case this was her last ENSG, she wanted to thank the group for their input and wished the ENSG the greatest success in the future.

**Action 10: Next meeting to be 22nd or 29th September. The Secretariat will ask ENSG members which date they would prefer.**

**Action 11: SHE Transmission to lead on a paper covering supply chain and skills issues. The paper to be discussed initially at the ENSG in September (time permitting - if not then December) which would decide whether this area should be explored further.**