

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

Scottish Hydro Electric Transmission, Glasgow

1300 Thursday 16th July 2015

Present:

Co-Chairs (Rotating)

Ofgem
DECC

Kersti Berge (Chair)
David Capper

Members

National Grid
National Grid
National Grid
Scottish Hydro Electric Transmission plc
Scottish Hydro Electric Transmission plc
Scottish Hydro Electric Transmission plc
Scottish & Southern Energy Power
Distribution
Scottish Power Transmission Limited
SP Energy Networks
Scottish Government
EDF
Scottish Renewables
Renewable Energy Systems
Energy Networks Association
Welsh Government
Renewable UK

Richard Smith
Julian Leslie
Lloyd Griffiths
Dave Gardner
Andy Huthwaite
Jen Carter
Kenny Stott

Cathie Hill
Jim McOmish
Dermot Rhatigan
David Cameron
Jenny Hogan
Patrick Smart
Jamie McWilliam
Ron Loveland
Nik Perepelov

Dialling in

RWE
National Grid
UK Power Networks

Fruzsina Kemenes
Nigel Fox
Dave Openshaw

Also in Attendance

Ofgem
Ofgem
DECC

Saad Mustafa
Pete Wightman
Paul Hawker

Apologies

UK Power Networks
Scottish Renewables
The Crown Estate
Northern Power Grid
Transmission Investment LLP
Centrica
Scottish Government

Barry Hatton
Michael Rieley
Richard Clay
Mark Drye
Chris Veal
Fiona Navesey
Chris Stark

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

1.1 The Chair welcomed participants to the meeting and thanked Scottish Hydro Electric Transmission (SHE Transmission) for hosting the meeting.

1.2 The meeting notes from the 8 December ENSG meeting had been agreed, circulated and published on the ENSG webpages. It was agreed that the actions from the December meeting had been completed. However, one member had a query on how Ofgem has progressed *Action 3 Renewable-UK to coordinate input from ENSG members and draft a two-page document setting out and prioritising the issues that the revised SWW guidance should aim to address*. The Chair noted and thanked Renewable UK for its submission. The Chair highlighted that the document will help inform Ofgem's update of the SWW guidance document. It was suggested that Ofgem could provide an update on how this develops at the next meeting.

Action1: Ofgem to inform members on SWW guidance document update at the next ENSG meeting.

2. Future Energy Scenarios

2.1 National Grid presented the 2015 Future Energy Scenarios (FES) that was published on 15 July 2015. The FES presents four scenarios for the energy landscape over the next 20-35 years. The scenarios reflected different levels of economic prosperity and green ambition. For electricity the main themes were:

- Great Britain remains a net importer of electricity in three out of the four scenarios, and in the fourth scenario is an importer for most of the period.
- increasing system operability challenges due to the closure of conventional power plants, energy efficiency such as LED lighting, new HVDC links, and significantly increased distributed and micro generation.

Discussion

2.2 One member queried whether separate regulation of transmission and distribution was effective in meeting the challenges to the network. In response, the Chair noted the need for efficient interaction between the transmission and distribution network operators. There was now better communication between transmission and distribution companies, with further scope for improvement. This will continue to be a focus for Ofgem and the industry more broadly. National Grid also highlighted that the System Operability Framework (SOF) to be published in November will look at the interactions between the transmission and distribution systems.

2.3 In response to a question on whether National Grid planned to conduct a regional analysis of the electricity network and the issues that are likely to arise, the National Grid representative indicated that the Electricity Ten Year Statement (ETYS) and/or the Network Options Assessment (NOA) may contain region specific analysis, for example Scotland.

2.4 To a question of what the major changes were to this year's FES, the National Grid representative highlighted 1) recognition that solar power will grow; 2) greater focus on system operability; 3) better data and modelling; 4) better appreciation of impact of heat 5) more significant interconnector flow.

3. Integrated Transmission Planning and Regulation (ITPR) Final Conclusions and Onshore Competition

3.1 Ofgem presented on the ITPR Final Conclusions that were published on 17 March 2015 and on the latest developments regarding onshore competition. The presentation covered the structure of onshore competition work including the pre-tender process, the commercial & regulatory construct, and the institutional arrangements and legislative underpinning of the work. The current view on the criteria for onshore transmission competitive tendering was also presented.

Discussion

3.2 To a question of whether incumbent Transmission Owners (TOs) can compete for competitively tendered projects, the Ofgem representative laid out that the regulator would welcome as wide a pool of participants as possible, but that some stakeholders had raised concerns about potential conflicts. The representative highlighted that Ofgem was currently analysing solutions for incumbents to compete.

3.3 To a question of whether introducing onshore competition could lead to delays, the Ofgem representative reiterated that where significant development work had already been done on a project, they would look at the potential timing effects of tendering before taking a decision to tender. Ofgem also intended to design a tender process where timing risk is managed.

3.5 The Ofgem representative indicated that the regulator will make every effort to ensure that the various documents related to onshore competition are as accessible as possible.

3.6 There was a request, in the light of the Competition and Markets Authority's findings on locational losses, that transmission charging be discussed at a future ENSG meeting. While noting this was a broad topic, the Chair indicated that this (or a subset of it) may be covered at a future ENSG meeting if a suitably well-defined agenda item could be identified.

Action 2: Ofgem and other ENSG members to consider whether transmission charging should form part of the agenda for the next meeting and, if so, what area(s) it should cover.

4. DECC update on new Ministerial views and next steps

4.1 The DECC co-chair provided an update on the priorities and views of new DECC Ministers. The following areas relevant to electricity networks were highlighted:

- the use of competition to deliver cost efficiencies and innovation;
- understanding the role of the System Operator and the operability challenges facing the network;
- network constraint issues had been noted, and there was appetite to see how these might best be addressed.
- the potential for smart systems and further interconnection to create greater flexibility and reduce the cost to consumers of an increasingly decarbonised energy system; and
- the pace of electric vehicle take-up would have implications for the networks.

4.2 To a question on Ministers focusing on Security of Supply rather than decarbonisation, the DECC co-chair highlighted that Ministers view all aspects of the energy trilemma as important.

5. Transmission Owner updates

5.1 The three TOs provided a quick update on the progress of their major projects. There were no major divergences from the project update provided to members and published on the ENSG website. Members were asked to contact TOs directly for any clarification or comment.

6. Embedded Generation and Congested Grids

6.1 The National Grid representative presented on the impact of the high volume of embedded generation connecting to the electricity network. The presentation highlighted that it has two major impacts on the GB network: 1) system operability in terms of thermal and dynamic voltage stability and difficulty in managing transmission outages in high-wind conditions; 2) in the need to constrain transmission connected generation to allow embedded generation. National Grid highlighted that actions were already being taken from a policy, commercial and technical standpoint.

Discussion

6.2 Various DNO members indicated that embedded generation is becoming an issue in their respective regions. DNOs are currently introducing technical and commercial solutions that help address the issue, but these are unlikely to be sufficient.

6.3 National Grid indicated that the level of solar that has connected in the last five years is well beyond industry expectation, which has brought challenges to the transmission as well as distribution networks.

6.4 National Grid has suggested that the next iteration of the System Operability Framework (SOF) would include an analysis of how embedded generation is impacting on the electricity network from an operability point of view. It would also look at scenarios that extended beyond those in the 2015 FES.

6.5 On the issue of whether storage solutions could be introduced to deal with the issue of excess generation, Ofgem highlighted that it is currently analysing whether there are any regulatory barriers to storage being introduced.

6.6 To a question of whether and how other countries have dealt with this issue, National Grid indicated that colleagues in the USA are dealing with similar issues. National Grid has been liaising with colleagues in the USA to see if there are any lessons that can be learnt.

6.7 National Grid highlighted that various organisations have started to talk about this issue. For instance, the Energy Networks Association has 2 streams looking at this piece of work. National Grid had encouraged other organisations and stakeholders to help it take the lead in addressing this issue.

Action 3: National Grid to update members on the issue of embedded generation at the next meeting.

6. AOB and next meeting

6.1 The Chair suggested the end of November or early December as the date for the next meeting. This was to coincide with the publication of the Electricity Ten Year Statement (ETYS) and the System Operability Framework (SOF).

Action 4: Next Meeting to be either in late November or early December 2015. ENSG members to inform the Secretariat of any dates that were not suitable. The Secretariat to circulate a date for the next meeting.

Action 5: ENSG Members to provide suggestions for the next ENSG meeting agenda.