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

**BIS CONFERENCE CENTRE, 1 VICTORIA STREET, LONDON, SW1H 0ET**

**2PM THURSDAY 31 JANUARY 2013**

**Present:**

**Co-Chairs**

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| DECC | Sandy Sheard |
| Ofgem | Ian Marlee |

**Members**

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| National Grid | Mike Calviou |
| National Grid | Andy Hiorns |
| Scottish Hydro Electric Transmission plc | David Gardner |
| Scottish Hydro Electric Transmission plc | Mike Barlow |
| Scottish Power Transmission Limited | Scott Mathieson |
| Scottish Power Transmission Limited | Colin Taylor |
| UK Power Networks | Barry Hatton (by phone) |
| Transmission Investment LLP | Chris Veal |
| Renewable Energy Systems | Joe Duddy |
| Renewable-UK | Guy Nicholson |
| Renewable-UK | Zoltan Zavody |
| Scottish Renewables | Jenny Hogan (by phone) |
| The Crown Estate | Chuan Zhang |
| Scottish Government | Colin Imrie |
| Energy Networks Association | David Whensley |
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| Ofgem | Andy Burgess |
| Ofgem | Geoff Randall |
| Ofgem | Jon Parker |
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| DECC | John Fiennes |
| DECC | Tom Luff |
| DECC | Paul Hawker (by phone) |
| DECC | Fiona Navesey |
| DECC | Giles Holford |
| DECC | Elin Williams |

**Apologies**

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| Centrica | Merel van der Neut Kolfschoten |

## 1. Welcome and Introduction

1.1 The Co-Chairs welcomed the participants to the meeting to discuss SHE Transmission's announcement in December of delays to a number of its major grid projects.

## 2. SHE Transmission Announcement and Managing Potential Impacts

2.1 SHE Transmission gave a presentation on its Transmission Programme Review and December announcement of delays to a number of projects. This covered:

- The potential SHE Transmission network development over the next 10 years to accommodate the potential growth of Scottish renewables
- Drivers for and scope of its review
- Controllable and uncontrollable risks
- Key projects affected and delays
- Feedback and Impacts

2.2 In particular, Caithness-Moray, Shetland and Orkney completion dates were now projected to be in 2018, although for the Western Isles completion of the HVDC link was possible by October 2016. 21 generation schemes representing 2.4GW (of which 5 projects totalling 0.64GW were consented) were affected. SHE Transmission explained that it had issued the December statement to allow National Grid to reduce underwriting commitments for generators, and National Grid would be assessing opportunities to advance connections and the effect on system constraints.

2.3 National Grid followed this with a presentation on the key programme changes and impacts, connection enabling options, and stakeholder engagement .

2.4 The programme changes would affect 17 reinforcements over 2-4 years. 21 potential contracted developers would be affected representing 1GW Onshore Wind (640MW consented), 1.1GW offshore wind (none consented), and 0.3GW Wave and Tidal (none consented). National Grid was working closely with affected developers, and engaging with industry to understand the impact. Overall it considered developer impact would be relatively low, but it would be taking a number of actions including new security arrangements (CMP192), a time-limited Transmission Entry Capacity (TEC) amendment amnesty where charges to developers for making changes would be waived, and GB queue management measures. An assessment of connect and manage implications, eg constraint costs, was ongoing. The impact

would become clearer in April once the results of the TEC amnesty and CMP192 changes were evident.

Discussion

The following points were raised in discussion

2.5 Although the project delays may not directly impact on achieving 2020 renewables targets, they would reduce developer confidence for wider development and investment. They could have significant impacts on a few developers, though, and on wave and tidal technologies in particular. It was important that SHE Transmission delivered by the revised dates. The company had an important PR task to restore confidence.

2.6 SHE Transmission had taken these messages on board, but highlighted that many of its projects were on track and none under construction had been delayed.

2.7 Concerns were expressed about the ability of the Transmission Owners (TOs) and the System Operator (SO) to respond to faster deployment of generation in Scotland. Having a review process was important. The TOs said that steps were being taken to address this including the re-establishment of the Joint Planning Committee.

2.8 It was suggested that generation capacity impacted by SHE Transmission's new delivery dates could be greater than the stated 2.4GW due to delayed first phases of generation projects probably impacting on subsequent phases. Any evidence of this would come to light in discussions with developers and it was agreed that any such consequential impacts would be incorporated into future assessments and updates provided to ENSG.

2.9 The Orkney Islands were highlighted by some as a particular concern, where, despite many positive actions such as deploying using smart technologies the perception was that the grid had reached capacity and wave and tidal was likely to take a big step forward shortly. SHE Transmission agreed that the development of marine generation in Orkney looked promising, but felt there remained uncertainties around this (not just on grid) and an assessment of the commercial viability of generation projects was awaited. It was suggested that a 132kV connection for the Orkney Islands could be part of a solution to connection delays. SHE Transmission confirmed that this option would feature in its considerations. It was further suggested that the 132kV 180MW connection for the Orkney Islands originally planned for being operational in 2015/16 should be reinstated or at least have a shorter postponement. The Scottish Government and SHE Transmission agreed to hold a meeting to discuss the potential impacts on the Scottish Islands.

2.10 The potential interaction with the Renewable Obligation (RO) and Contracts for Difference (CfD) was raised. If generation projects were being pushed back past the 2017 RO cut off date due to grid connection delays beyond their control, would they still be able eligible for RO Certificates, and what was the process?

**Action: DECC to clarify arrangements regarding ROCs and CFDs for generation projects with grid connection delays.**

2.11 It was suggested that the transmission project delays could impact on other parts of the network. In addition were there general lessons for the network to help manage the risks that had caused these delays in the future? This included supply chain - particularly HVDC cables, skills, stakeholder engagement, interaction between the SO and TOs, the TO quarterly major project updates given to ENSG, and planning consenting.

**Action: TOs to consider general lessons learnt for the network and report to the ENSG meeting after next.**

2.12 On a related theme TOs needed to be clear which risks to their projects were generic and beyond their control, eg speed of generation projects seeking connection and which ones were in their control and/or specific to individual projects. There was a distinction between 'reasonable reasons' and 'unreasonable' reasons for delays and from a regulatory standpoint these are treated differently. It was also important that there was a full assessment of any wider impacts of these delays for example on constraint costs.

**Action: National Grid to present to the next ENSG meeting a wider assessment on the network including potential constraint costs due to the SHE Transmission project delays.**

2.13 The possibility of third parties or the generators themselves delivering connections was raised. Ofgem confirmed that competition in transmission is one of the issues being examined as part of its Integrated Transmission Planning and Regulation project.

## 3. Scottish Islands Renewables Project

3.1 DECC gave a short presentation on the Scottish Islands Renewables Project, which had been announced in October 2012 following the recognition of concerns about the speed of progress of renewable projects on the Scottish Islands. This had declared the establishment of a Steering Group, chaired by DECC and including key stakeholders to inform a new independent study on Scottish Islands Renewable Generation.

3.2 The study began in January 2013 and would assess the commercial viability of renewable projects on the Scottish Islands as well as the overall economic value for money these projects would provide for the UK. It would also consider barriers to development of renewable projects and if barriers were identified, identify broadly costed options for actions to tackle them. The project would take account of the conclusions of Ofgem's transmission charging review (Project TransmiT) and CUSC (Connection and Use of System Code) working group activity. A report on options and consideration of any further work was expected around April-May 2013. A further update would be given at the next ENSG meeting.

## 4. Next Steps

4.1 The following actions were recorded:

- DECC to check RO/CfD situation for renewable generation projects delayed by grid connections.
- Next ENSG meeting to review progress including how the mitigations have worked and developer responses to managing the impacts as part of the regular update by TOs on their major projects
- Next ENSG meeting to include an update on Scottish Renewables Project and a National Grid update on wider network implications including potential constraint costs due to the project delays.
- All TOs to consider general lessons learnt for rest of network including those identified in paragraph and report to the ENSG meeting after next.
- Next ENSG meeting will be held on 4 April 2013.