

Access SCR Challenge Group

Minutes

Meeting name	Challenge Group
Time	10.00 – 16.00
Date of meeting	30th September 2019
Location	ENA Offices: 4 More London Riverside, SE1 2AU

Attendees

Amy	Freund	AF	Ofgem
Andrew	Burgess	AB	Ofgem
Andrew	Malley	AMal	Ofgem
Andrew	Conway	AC	Ofgem
Andrew	Enzor	AE	Cornwall Energy
Andrew	Self	AS	Ofgem
Andy	Manning	AM	Centrica
Bill	Reed	BR	RWE
Caroline	Bragg	CB	TheAde
Chloe	Dyson-Bird	CDB	Ameresco
Chris	Wickins	CW	Welsh Power
Courtney	Madden	CM	ENA
David	McCrone	DM	Ofgem
David	Sykes	DS	Octopus
Eddie	Proffitt	EP	MEUC
Elizabeth	Alkins	EA	OVO Energy/Kaluza
Frank	Gordon	FG	REA
 Graz	MacDonald	GM	Green Frog Power
Hywel	Lloyd	HL	BT Internet
Jon	Parker	JP	Ofgem
Joseph	Dunn	JD	Scottish Power
Julia	Phillips	JPh	ENA
Katie	Stanyard	KS	ENA
Keith	Munday	KM	Bryt Energy
Matthew	Cullen	MC	E.ON
Nicholas	Sillito	NS	Peak Gen

Nicholas	Gall	NG	Solar Trade Organisation
Paul	McGimpsey	PMcG	ENA
Paul	Mott	PM	EDF Energy
Peter	Dennis	PD	Ecotricity
Phil	Lawton	PL	ES Catapult
Poppy	Maltby	PMa	Regen
Richard	Partridge-Hicks	RPH	Eel Power
 Sarah	Hitchcox	SH	Anesco
Silvia	Orlando	SO	Ofgem
Simon	Lord	SL	Engie
Stephen	Perry	SP	Ofgem
Tom	Steward	TS	Good Energy
Yonna	Vitanova	YV	Renewable UK

1 Welcome, Introductions and Overview

- 1.1 AB welcomed the group and gave an overview of the agenda.
- 1.2 AB confirmed that Ofgem are planning to publish a second working paper in December 19. AB explained that there are links between the first and second working papers and that the second paper will include considerations that are dependent on the options in the first paper.

2 Project Overview

- 2.1 AB highlighted the key milestones for the project. AB noted that the main focus for the remainder of this year is the second working paper. The second work paper will focus on options for reforming the distribution connection charging boundary, transmission network charges and arrangements for small users. AB noted that next year our main focus will be on shortlisting options and developing our impact assessment. AB confirmed that DG and CG meetings will continue to shape our thinking. AB also highlighted that the intention is to have a CFF in December, following the publication of the second working paper.
- 2.2 AB presented a recap of the scope of the project, and emphasised that all the elements need to fit together, to ensure there are no overall distortions between transmission and distribution, and to understand how the reforms will impact small users.
- 2.3 AB noted that Ofgem will be thinking about impact of our options on iDNOs and their customers. AB stated that Ofgem will also continue to progress work on flexibility which also has strong links to our work on access and charging.
- 2.4 AB noted that the current intention was to implement options for reform in April 2023 date. However, AB noted that some options could take longer to implement.

3 Update on Access, Charge Design etc.

- 3.1 JP provided an update on the impact assessment modelling. Ofgem is working with CEPA /TNEI under the latter's DCUSA contract to develop tariff modelling of DUoS options. This will then feed into the work that Ofgem's work to develop an impact assessment. Ofgem is also working with the ESO separately to initiate tariff modelling of TNUoS options.
- 3.2 JP noted that Ofgem has issued its invitation to tender for the Impact Assessment modelling. Once the selection process has finished and Ofgem expect the relevant consultants to present their proposed approach for developing the impact assessment to the CG for comment.

3.3 Ofgem has also set up a workshop with network planners to better understand how the options being developed will impact how the system is designed and planned.

3.4 JP noted that he expected the outcomes of the tariff modelling work to be presented to the CG for discussion. JP confirmed that the impact assessment consider a range of behavioural responses and understand if these would change the way network planning is undertaken. JP confirmed that the impact assessment will consider a range of future scenarios and that these will be presented at a future CG for discussion. JP agreed with comments that the engineering standard review will impact the SCR and noted that we are working with them to coordinate the projects.

3.9 SP presented an overview of the seven key areas the access subgroup will be focused on over next few months. SP explained that they are working with CEPA and TNEI to understand how access choices be reflected in charges. Ofgem are also coordinating with the ENA's non-SCR Access work to think through the respective roles of trading and sharing.

3.10 JP gave an update on the work underway on charge design. JP noted that there are challenges associated with implementing critical peak pricing in 2023, but that are continuing to consider the option further. JP noted that this will be brought back to the CG for further input. In response to questions, JP confirmed that this option would aim to reflect real time network conditions.

3.12 AC presented initial thinking on options for improving locational signals. AC noted that the DNOs are producing a representative network model to test the options under development. AC gave an overview of the architecture of the model, the outputs of which will help with shortlisting of options, and the timelines for completion of analysis. AC clarified that the working groups is still considering which costs should be reflected in the model. AC confirmed that the working group is considering options to integrate the current different charging methodologies. Based on current data, AC considered that applying an EDCM methodology at lower voltages could be very challenging.

4 Connection Boundary

4.1 DM introduced the session explaining it is the first time that the Connection Boundary has come to CG with any detail so Ofgem are very keen to share the initial thinking. DM firstly started by discussing the current arrangements at the distribution connection charging boundary. DM gave an overview of the current shallow-ish boundary in comparison to the shallow boundary at transmission. DM explained that stakeholders had previously raised concerns with high upfront costs, or the difference between transmission and distribution creating signals leading users to act in particular ways. Ofgem are keen to understand more about these issues and have issued a call for evidence to gather more information (this was subsequently extended to 1 November due to a low response rate). One of the first questions for the CG was whether they saw any issues with current arrangements primarily at distribution. The CG broke up into groups to discuss the question.

4.2 DM presented the slides on options for change. He explaining that there are three overarching categories that the options sit within (shallow-ish, shallower and shallow) and explained there was further information within the call for evidence and working paper. The group then broke out to discuss feedback on the options and responded to this question on Mentimeter (Menti).

4.3 A challenge group member asked if Ofgem have ruled out going deeper. DM responded yes that is correct, this was ruled out at the initial launch of the SCR. It was also noted that this work is heavily linked to the work on charge design and the extent to which we could develop a more granular locational charging regime.

4.4 DM explained that when assessing the options, the group has been guided by the 3 guiding principles set out at beginning of the SCR. He explained that assessing against the first principle has been the key focus so far for connection charging. DM gave an overview of the group's initial assessment, broken down into a number of sub-criteria. DM then response to questions. He picked out a question about customers attaching to gas network rather than electricity and outlined this is not something the group have considered yet but could certainly take it away. He also focused on the comments around carbon, and should the impact on decarbonisation be something to consider as

part of assessment. He explained there is not a specific de-carbonisation principle in the SCR but that achieving the 3 principles should support this.

4.5 DM gave an overview of the work underway on user commitment (which seeks to protect the wider customer base in options where they are at risk of picking up costs should projects not go ahead or change materially). DM gave an overview of the principles of user commitment at transmission. He explained that the group are looking at the impact of changing the connection boundary at distribution on the risk to the wider bill payer and whether such arrangements are needed at distribution. He explained one important part of this assessment is how it performs against the practical and proportionate guiding principle. The group broke up to answer questions on Menti.

4.6 A CG member commented that they are comfortable with the idea of user commitment for big projects but not for using the transmission approach to user commitment in distribution. Particularly it will be difficult if there are multiple projects all joining together that lead to reinforcement requirements. They continued to say that Ofgem need to look at two elements: reinforcement and then asset replacement, how to encourage DNOs to replace assets to meet future requirements. JP responded that Ofgem see the RIIO incentive framework as the main means to drive DNOs to replace assets in an efficient way.

4.7 DM gave an overview of the questions that the subgroup are focusing on regarding user segmentation, and the drivers for considering this. This is heavily linked to small users. A Menti question was asked about this. There were a lot of questions about small users about the size of the user. DM confirmed these would be taken away for the subgroups and internally at Ofgem.

4.8 DM emphasised that the group would welcome any comments on the interim report, call for evidence and today's material. This feedback and the Menti comments will be fed into the subgroup work to inform the second working paper in December.

5 Small Users

5.1 AF gave an update on the work on small users. A small user subgroup has been established, we have held a couple of teleconferences and first kick-off face-to-face meeting last week. AF continued to say that at the launch of SCR Ofgem explained that a specific focus on small users and any potential protections and mitigation of adverse impacts that the reforms could create. AF gave an overview of the definition of small users, explaining that it covers those distribution-connected users who do not have an agreed capacity requirement as the basis for their distribution network charges, including generation and demand users, domestic and non-domestic. She explained that the group are focused on two of the principles as these are relating to the consumer interface and gave an overview of how these relate more specifically to the small users work. The approach has been to consider the options identified in the access and charging subgroups for larger users and consider whether adaptations to these options are required or whether any protections may be needed for certain groups. The group broke up to discuss questions on the guiding principles and provided responses on Menti.

5.2 AF then gave an overview of the second and third guiding principles and the key aspects to consider against these principles for the small users options assessment. She continued to give an overview of the work underway with Citizens Advice and the consumer characteristics that might be relevant to consider. The group then broke up to discuss if there are any other characteristics that the group should consider and provided responses on Menti.

5.3 AF gave an overview of the next steps explaining the focus of the next month: the deliverables have been structured by splitting the work into 4 key areas, and will focus on reviewing options and key design choices, identifying opportunities, risks and enablers for small users. Then from October to early November the group will work on the options assessment and start considering the combinations and packages of alternatives and complementary variants. She then set out the customer journey against which the group will assess options.

5.4 Following this, AF gave an overview of the long list of options that have been identified across the SCR and the potential variants that could be required for small users. This list includes potential measures that may be required from wider retail industry, that have not been identified by the other existing SCR work streams. The group broke out to answer questions and responded on Menti.

6 Focused Transmission Network Charging Reforms

6.1 AM set out the two key areas of the review within this work stream – focusing on TNUoS charges for demand and distribution generation - and then explained that additionally the work stream will look at the reference node. AM then gave a more detailed explanation of the focus within each of these three areas and the questions that Ofgem are seeking to answer. Ofgem are looking to have a more consistent approach for different types of users. AM then set out the options under consideration as described in the slides. The group broke out to answer questions and responded on Menti.

6.2 In regards to the reference model, AM explained that the group would be looking at the transport model and whether changes in the reference node could be used to overcome potential issues with: 1) breaching the EU maximum cap and 2) distortions between different types of generation.

6.3 AM then broke down these two issues into the specific questions the group would be looking at. Key focus on average transmission charges and competition. AM then set out the options under consideration. The group broke out to answer questions and responded on Menti.

7 Industry-Led Access

7.1 PMcG kicked-off the session and gave an overview of the scope of the group and explained he would be covering four key products. PMcG explained that DNOs have been looking at ways to enable users to connect faster and quicker, including the implementing of Active Network Management schemes and the development of traded access. PMcG continued to give an overview of the key rules and principles associated with ANM schemes and traded access.

7.2 A challenge group member asked, how does this link with the SCR changes such as firm access and flexible connections? PMcG explained that there need to be time periods included in any trade, and that any trade of access will be short term. PMcG continued to say that in terms of the financial benefit of the trade, it would need to be agreed between the two parties. Another challenge group member asked, how many parties are interested in trading access? PMcG replied that initial feedback suggested that there is interest in trading access and they intend to work further with stakeholders to better understand the level of interest.

7.3 Next, PMcG described Product 2: Exchange of non-curtable capacity. He talked through an example to illustrate how this could work. PMcG clarified that there will need to be rules in place to allow users to trade with those already connected to the network and those in the connection queue.

7.4 PMcG explained that the group have teamed up with SSEN who have two innovation projects underway to explore the practicalities of trading access and identify any issues. He explained that the group are intending to hold a Charging Futures event to understand the demand for these products and get input from the CG members

7.5 In terms of delivery the solutions, PMcG explained the non-SCR working group will produce a report at the end of the year and they are intending to improve alignment with Open Networks workstreams. From next year, the Open Networks project will take this work forward and develop implementation options.

7.6 Next, PMcG introduced Product 3: Queue Management which is under development in Open Networks the consultation closed in September and the outputs of the consultation will be shared in the next few months.

7.7 And finally, PMcG touched on Product 4: changes were required to the methodology for recovering costs relating to flexible connection schemes. PMcG explained that this has now entered the formal DCUSA governance process.

8 Next Steps

8.1 AB reiterated that the second working paper will be published in December, in time for people to read it and hold a CFF before Christmas. AB noted that there will also be a CG meeting in November prior to publication of the second working paper.

8.2 AB explained that the purpose of stakeholder engagement is to help feed into the development and assessment of options. AB emphasised the importance of the CG in developing Ofgem's thinking. AB noted that Ofgem intend to publish a minded-to decision in summer 2020.

8.3 To keep up-to-date, AB encouraged CG members to ensure they are on the Charging Futures distribution list and to visit the Charging Futures website.

Next Challenge Group Meeting:

Time / Date	Location
Monday 25 th November 2019	ENA Offices: 4 More London Riverside, SE1 2AU