

Ofgem Access and Forward Looking Charges Significant Code Review



Minutes

Meeting name	Delivery Group – Meeting 1
Time	10.00 – 16.00
Date of meeting	21 st January 2019
Location	ENA Offices, 4 More London Riverside SE1 2AU

Attendees

Name	Initials	Organisation
Jon Parker	(JP)	Chair-Ofgem
Stephen Perry	(SP)	Ofgem
Amy Freund	(AF)	Ofgem
Andrew Conway	(AC)	Ofgem
Patrick Cassels	(PC)	Ofgem
Scott Sandles ☎	(SS)	Ofgem
Josh Haskett ☎	(JH)	Ofgem
Rebecca Cailes	(RC)	IDNO (CNA)
Jennifer Doherty	(JD)	ESO
Richard Woodward	(RW)	NGET
Paul McGimpsey	(PM)	SPEN
Nigel Bessant	(NB)	SSEN
Nigel Turvey	(NT)	WPD
Chris Ong	(CO)	UKPN
Tony McEntee	(TM)	ENWL
Andrew Enzor	(AE)	NPG
Ross Thompson	(RT)	UKPN
Claire Campbell	(CC)	SPEN
Rob Marshall	(RM)	ESO (CUSC)
Angelo Fitzhenry	(AF)	ElectraLink (DCUSA)
John Spurgeon	(JS)	ENA Secretariat
Farina Farrier	(FF)	ENA Secretariat
Apologies		
Aileen McLeod		SSEN

1 Welcome and introductions

1.1 JP welcomed the Delivery Group members to the meeting and provided a brief overview of the agenda and the objectives for the meeting. It was clarified that 'draft' and 'working' papers would not be published.

2 Overview of how Ofgem envisage SCR working

2.1 JP presented the supporting slides for this item giving an overview of the scope of this Significant Code Review (SCR), objectives, approach to assessing options, guiding principles and key outputs and intermediate milestones.

2.2 The group discussed a number of aspects of this SCR including:

- The scope of the SCR, industry-led work outside of the SCR looking at the allocation of access rights and a review of BSUoS which is overseen by National Grid and due to conclude in May.
- Ofgem reaffirmed that the SCR is a Type 1 SCR (Ofgem directs licensee(s) to raise modification proposal(s). However, this may change depending on future needs to ensure an efficient process. The SCR is closely linked to, and will take account of, work under the Targeted Charging Review and RIIO2.
- Ofgem re-emphasised the overarching objectives of the SCR to ensure best use of existing capacity and avoidance of unnecessary costs. There is the potential to utilise flexibility to manage the expected growth in EVs and DER taking a holistic approach across traditional network boundaries while ensuring that changes are not distortionary for investment.
- The Guiding Principles are designed to align/complement the TCR, but are different as this SCR has differing objectives i.e. the TCR is more about fairness and this review more about efficiency. However, it will be mindful of distributional impacts, including those on vulnerable customers.
- Highlighted that the group needs to ensure that work going forward is clearly linked to supporting analysis of options against the guiding principles.
- Described the first phase of work of options development which is more qualitative, followed by a quantitative approach as options develop which will feed into an overall Impact Assessment.
- Timing: aim is to publish working papers on emerging options/analysis in two stages over the summer (June & September), which can be used to help stakeholders understand potential direction and gather feedback. Then a shortlist of options to be taken forward for more detailed assessment (including modelling) will be determined in November. It is possible that some options may be de-prioritised before that point if it is clear they are not viable.
- Recognised the need to ensure coherence/relationships across the SCR bodies and wider charging-related bodies. This was discussed and acknowledged by the group.
- As the SCR will ultimately result in code changes which will be assessed against the code objectives, the group agreed to develop a mapping between the code objectives and the guiding principles to aid the code modification process in due course.
- It was agreed that non-SCR access work should utilise the SCR governance, particularly the Challenge Group to ensure coherence across the different strands.

Action agreed under this item:

DG01 Map the 'code objectives' in the CUSC and DCUSA against the three SCR Guiding Principles.

DG02 Overview slides to be refined with updated plans and presented to first Challenge Group meeting. They will be published at that point.

3 Discussion: Terms of Reference for Delivery Group

3.1 Ofgem gave an overview of the Delivery Group Terms of Reference.

3.2 Key points were:

- Papers/materials for the Challenge Group would need to be provided by the Delivery Group at least 2 days in advance of the meetings and earlier where possible.
- The group asked for visibility of meeting minutes ahead of publication. Ofgem confirmed that will be given a day to review and comment on minutes.
- The management of sensitive information, particularly in the context of the Challenge Group was raised and whether there is a need to consider having confidentiality terms for the Challenge Group. It was agreed this would be re-visited once there were clear examples of sensitive information that it would be beneficial to share more widely.
- Group suggested that the ToR should be reviewed to ensure clear differentiation between the roles of the Delivery Group and the Challenge Group.

3.3 Other points discussed under this agenda item included:

- Delivery group sub-working groups can call on wider industry parties to contribute. Ofgem will also gain input from users and academics.
- Key aspects of the relationship between the Challenge and Delivery groups were outlined, with the Challenge Group's first meeting scheduled for 26th February.

Action agreed under this item:

DG03 Group to review Terms of Reference (ahead of first Challenge Group meeting) to ensure clear differentiation between the roles of the Delivery Group and the Challenge Group.

4 Development of SCR options: High Level Plan

4.1 Ofgem talked through the key analytical questions identified for the areas covered by the SCR, the timing and sequencing of key activities and outputs and roles of the delivery and challenge groups.

4.2 Key points made across each of the areas were:

Cost drivers: Group to establish a common view of what the networks costs drivers are for the changes that may be made. Start with information provided in response to Ofgem's Request for Information (RFI) on network costs and planning processes. A working group is to be set up with the overall aim of developing a user friendly set of network costs information for use across the other activities including any future modelling (discussed further under item 5). Ofgem confirmed forward looking costs should be captured and how these are attributable to particular users.

4.3 DUoS locational charging and cost models: This work will consider how the DUoS cost models (that underpin the charging methodologies) estimate forward-looking costs, including what level of locational granularity. There are two initial activities – 1) to commission academic input on best practice on charging cost models, and 2) considering what level of granularity in charges may be possible and warranted given both network data availability and variation in costs. A working group is to be set up to discuss 2 (discussed further under item 5). The group commented on the political acceptability of different approaches e.g. it may be possible to have highly granular charges but this

could cause tensions between rural and urban customers. Ofgem recognised these potential issues and that these types of questions would be considered against the guiding principles. The work covering small users will also pick up many of these aspects.

4.4 **Access arrangements - choices:** Ofgem talked through this area of the work and provided examples of the types of access choices that could be defined. The workstream will include consideration of the range of access choices, key design options and their characteristic. This will include consideration of the pros and cons of standardisation of choice across DNOs versus bespoke approaches. A working group will be set up to take this work forward, considering questions of implementation and feasibility, including how any new access choices would interact with how networks are planned and operated (discussed further under item 5). Later considerations will include the value of different options to users. The group pointed to the need to consider and understand whether work is looking at Distribution and/or Transmissions as well as potential new whole system approaches i.e. Transmission and Distribution. The question of compliance with, and enforcement of, any new access regimes will need to be considered in design options.

4.5 **Charge Design:** Ofgem talked through this workstream and the close relationship with the Small Users workstream. The group raised that an important consideration would be the extent to which suppliers provide users with signals in response to different charges, with a view to mitigating risks of weakened incentives on user behaviour and achieving the intended objectives of any new policy/charging structure. It was agreed that this would be considered in a future meeting.

4.6 **TNUoS Generation:** Ofgem briefly talked through this aspect of the SCR and the questions around the impacts of distributed generation on the transmission system and how current differences in charging approaches across the system levels might distort business models and investment decisions. This work will include looking at international approaches to generation charging. The group noted that a key question is what distribution generation costs should be picked up in TNUoS charges, and that the cost drivers workstream would have an important role in this.

4.7 **Small Users:** Ofgem talked through this aspect of the SCR. This work will explore thinking on the setting of thresholds for core access or a basic charging tier and feasibility of these types of options; how well different options might work with users and suppliers, and where possible to include consideration of empirical evidence from trials. The group noted that trials have been done in the past in this area and should be considered as part of the work. Ofgem confirmed that representatives of small users will be involved in the review as it develops, for example Citizens Advice.

4.8 **Connection Boundary:** The review will consider options for improving current arrangements in the context of the connection boundary, and include consideration of the need for legislative change; impact of changing signals on efficient network investment; potential for removing barriers to connection and the number of types and number of new connections that could come forward;; user behavioural research on changes to boundary; user commitment and how any new arrangements might impact the need for this. The group noted that while the SCR did not include transmission connection charging within scope it would still be important to understand learnings from transmission arrangements, avoid undue distortions and ensure any unwanted impacts are identified.

4.9 **Modelling:** Ofgem intend to carry out system modelling and plan to commence procurement in spring to give time for model development so that modelling of shortlisted options could begin from November. It was discussed how trialling could help inform assumptions about different user's behaviours in the modelling.

Actions agreed under this item:

DG04 Group to suggest academics with suitable capability to support work under the Locational DUoS workstream.

DG05 Include risk session in future DG meeting agenda.

DG06 Group members to identify relevant previous or live trials underway and outputs that could be available to inform the Small User workstream, particularly user behaviours/analysis.

5 Draft Product Descriptions

5.1 Ofgem talked through product descriptions for three initial foundational studies that will inform the development and assessment of future access and charging options.

5.2 **Network Cost Drivers:** A working group is to be established. A key area is to improve understanding on drivers of network costs and covers, for example, the extent to which there are peak costs drivers e.g. winter maximum load, off-peak or non-seasonal drivers including locational. This work will be focused on network costs drivers rather than wider system cost drivers, for example, BSUoS is being considered separately. The group were invited to views on the draft product description and approach for delivering this workstream.

5.3 **Access Arrangements:** A working group is to be established. This work will focus on the assessment and further detailing of access options developed under the Ofgem Charging Futures Access Task Force in 2018. This work will seek to better understand the value of improved access choice and definition and how current access rights and user characteristics are taken into account when planning the system.

5.4 **Locational Granularity of DUoS Forward Looking Charges:** A working group is to be established. This work will focus on areas where there is less granularity at the moment, but where it may be possible to achieve. Want to better understand what is achievable across the spectrum of options and to understand more clearly the drivers of network costs and the level of granularity needed to capture those costs. The first phase is focused on the CDCM level. The group highlighted the need to ensure the work takes into account potential cross boundary issues/questions.

Action agreed under this item:

DG07 Working Groups to be establish and take three priority products forward with first meetings scheduled during w/c 28 January.

6 Need for legislation / code changes for all scope areas

6.1 The group were asked to consider and identify legislation, regulation, codes and standards that could be affected by changes resulting from this significant code review. The group identified a number of potential areas. This will be reviewed as the work progresses.

Action agreed under this item:

DG08 Code Administrators to continue to consider need for legislation / code changes for all scope areas.

7 Challenge Group support / training

7.1 The group were asked to consider ways to assist the Challenge Group members to improve their knowledge of the subject matter covered under the SCR. A number of suggestions were made including the use of previous materials and webinars used for the Charging Futures Task Forces in 2018.

Action agreed under this item:

DG09 ESO to circulate webinars used for Charging Futures Task Forces.

8 Network Company Access Allocation update

8.1 PM provided a progress update on the work areas (i.e. allocation of access and queue management) led by industry outside of the SCR. A working group has been established under the auspices of the Electricity Networks Association and a number of products scoped.

8.2 The working group were also progressing well the collective and individual company response to the Ofgem request for information on network costs and planning processes. The ENA working group committed to provide progress updates on at future Delivery Group meetings. JP thanks PM for the update.

9 Summary and Close

9.1 JP thanked the group for their input and closed the meeting.

Next Delivery Group meeting:

Time / Date	Location
10.00 – 16.00 Wednesday 13 February 2019	ENA Offices, 4 More London Riverside SE1 2AU

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Delivery Group Actions

Meeting held on 21 January 2019			
Action	Description	Lead	Status
DG01	Map the 'code objectives' in the CUSC and DCUSA against the three SCR Guiding Principles.	Networks	Open
DG02	Overview slides to be refined with updated plans and presented to first Challenge Group meeting. They will be published at that point.	Ofgem	Open
DG03	Group to review Terms of Reference (ahead of first Challenge Group meeting) to ensure clear differentiation between the roles of the Delivery Group and the Challenge Group.	All	Open
DG04	Group to suggest academics with suitable capability to support work under the Locational DUoS workstream.	Networks	Open
DG05	Include risk session future DG meeting agenda.	Secretariat	Open
DG06	Group members to identify relevant previous or live trials underway and outputs that could be available to inform the Small User workstream, particularly user behaviours/analysis.	Networks	Open
DG07	Working Groups to be establish and take three priority products forward with first meetings scheduled during w/c 28 January.	Secretariat	Open
DG08	Code Administrators to consider need for legislation / code changes for all scope areas.	ESO & ElectraLink	Ongoing
DG09	ESO to circulate webinars used for Charging Futures Task Forces.	ESO	Open