

Meeting minutes

ENSG

Date: 12/10/20	Location: Microsoft Teams
Start: 10:00	End: 13:00

Participants

Panel Chair	Dame Fiona Woolf	
Panel Members	Ed Rees (Consumer Representative)	Lynne Bryceland (DNO)
	John Greasley (Interconnector)	James Dickson (OFTO)
	Andy Paine (Offshore Developer)	Douglas Allan (Onshore Developer)
	Marko Grizelj (Technology Supply Chain)	Cathy McClay (Existing Service Provider)
	Darryl Murphy (Asset Investor)	Hedd Roberts (TO)
	Richard Clay (Seabed Manager)	Tania Davey (Local Environmental Groups)
	Simon Rooke (Asset Contractor)	James Harris (Planning Representative)
	Neil Copeland (Ofgem)	Ruth Findlay (Planning Representative)
	Craig Dyke (ESO)	Tom Johns (Ofgem)
Early Competition Project Team Attendees	Hannah Kirk-Wilson (Network Competition Senior Manager)	Sally Thatcher (Network Competition Policy Manager)
	Rachel Payne (Stakeholder Lead)	Urmi Mistry (Network Competition Policy Development Analyst)
Offshore Coordination Project Team Attendees	Alice Etheridge (Offshore Coordination Senior Manager)	
Apologies	James Norman (Ofgem)	William Black (Planning Representative)

Discussion and details

1. Previous minutes and actions

Lynne requested that the previous minutes are updated to reflect that the Early Competition team were requested to extend the deadline to respond to the Early Competition Plan consultation which they did by extending the timeline to respond to 6 weeks.

Alice E gave an update on actions 14 and 15. Alice said she had a call with Natural England, RSPB and Wildlife Trusts since the last ENSG meeting. Alice had reviewed timelines for the Offshore Coordination

project and believed the consultation couldn't be extended and still deliver by the end of the year. The timeline has not changed but the team is trying to make it as easy as possible to read and respond to the consultation by making it accessible and being clear that any feedback received in the interactive workshops will be given the same weighting as anything received in writing. But it is still appreciated it is a tight timeline.

Fiona asked what had been agreed with Natural England, RSPB and the Wildlife Trusts and are they happy with it. Alice E said it was agreed environmental groups will be engaged with and they are on the consultation distribution list. Tania said it was useful to get everyone together and making first contact with those with the expertise of how the network will develop. When and if necessary, they will set up further meetings. Tania said it was very a positive meeting.

Fiona asked the group if anyone felt there is anything missing or anything that could make the stakeholder engagement and feedback easier. Andy said his organisation is preparing a response but wanted to know at what depth is the industry is expected to respond to this and what level of detail do they need to go to. There are a number of options due to timelines and knowledge. Alice E said that was a question for the group on what they think about timelines and responses.

Fiona said that how is just as important as substance. The verbal input needs to be carefully recorded and the write up needs to be approved. It can take just as long to give the verbal update and write and approve it than a written response would be. Andy agreed and said the team needed to think about how they are going to record verbal input. Alice E said the webinars are recorded to capture notes. If they are having a one to one meeting, they can capture it and play back the notes to those they have discussed it with. Alice said they are happy to talk further about it if anyone in the group had any ideas.

Andy said the team needs some terms of engagement to detail what is going on the record, how is it going to be disseminated and how confidentiality will be treated. Alice E said she will engage with Andy on how they are going to do that.

ACTION: Alice E to consider terms of engagement

Actions 5, 6, 11, 14, 15 and 16 have been closed.

2. Early Competition report outline

Alice M spoke through slide 4 to give an overview on what the current plan is for the Early Competition report structure and dates for future ENSG meetings.

Hannah said the dates may change as they have extended the consultation period, so January and February dates are subject to change as they agree what the timelines are.

ACTION: Alice M to work with Hannah to agree timelines, meeting dates and agendas.

Fiona said she challenged the team on the dates as she was nervous of the gap between November and January and felt they would need an intensive suite of meetings to finalise things. However, the team was really driven by the needed to absorb the input they received from the consultations and didn't know what the volume of it would be or how it would go. The team will come back when Alice M and team have done some more thinking.

Fiona requested a timetable for the report to ensure it is being done as we go along rather than having to do it from scratch at the end. We will also need to ensure we record the stakeholder engagement that is part of the ToR and record any challenges that have been made as well as ensuring the thinking is captured in a way that is useful.

ACTION: Alice M to create plan for report writing

Richard asked if there is the intention of a similar report for offshore. Richard also asked where this fits in with the BEIS work. Alice E said that the report was formal requirement for early competition whereas it is not for offshore. When discussed with Ofgem they didn't see the need for one. BEIS is currently setting up an expert group and we are taking a wait and see approach; once the group is established, we will see if there is still a requirement of this group to review the Offshore Coordination project. Fiona replied that the Offshore Coordination team has said this group is useful and we don't want to lose the

thinking because there is nothing to read within ESO or the BEIS group apart from the minutes of the meetings. To pay proper respect to this group it would be useful to produce a report of the contributions this group has made. Alice E said that is a decision for the group and if the group think that is the best approach that would be useful.

3. Early Competition update - Role Proposals

Urmi spoke through slides 5 to 17 to give a summary of the proposed rules for early competition, who could perform those roles and the advantages and disadvantages of each entity performing that role.

Urmi said since phase two they have published a thought paper on the proposed roles, and they have gathered stakeholder feedback through written responses and bilateral conversations. Feedback has suggested some roles overlap with each other and would benefit from being defined further.

Fiona asked for a clarification of what was meant by “refining” recommendations from network planning bodies under pre-tender planning and if there will only be one proposal. Urmi said they are proposing the planning bodies will work on the need and make it robust before it goes to the approver. The procurement body would not be changing the need. Sally said the procurement body would be doing market engagement and the procurement body would have a role in the context of finalising how the tender is shaped. Fiona asked if they would be splitting it up in more manageable pieces and Urmi confirmed that they are implying that but the wording does give some ambiguity so they will review it.

ACTION: Urmi to review wording of ‘refining recommendation from network planning bodies’.

Fiona said the way in which the tender is written is a very critical role and is something she has made a point about before; if you don’t get it right there is a risk over or under specification and the procurement body would be to blame for being too woolly or too specific (subject to the approver’s role)

Darryl asked whether the team are looking at examples elsewhere, including networks in other sectors. Use of a third party is an unusual scenario so have there been examples where this has been used? Urmi said they have received feedback on who should own the role, but they need to look further at whether it is practical to have two different parties. They have looked at Thames tideway and how that is set up as an example. Darryl said a good example to look at would be the Contract for Difference (CfD) process. Cathy said she wanted to make a similar point and a classic example of having two different parties is the Capacity Market (CM); the roles change every year. It is also important to understand the cash flows. Urmi said that was good feedback and they have started looking at pathfinders and extrapolating the data to understand cash flows. Sally said money would be spent anyway so it is not additional cash flow in the system, it is just flowing to different parties. Cathy said with the project there should be less cash flow.

James asked if any potential conflicts had been identified in the roles the team are considering against the late competition model as it is not clear how a project might transition from being considered for early competition to late competition. Urmi said they have created a map of how the process will work and how decisions will be made. The first stage gate will require the planning bodies to decide on the need and as part of that there will be a decision by the Approver, Ofgem, on whether the project will go into early competition or late competition. Urmi agreed it needed to be considered further. Sally said it may start off in early competition but Ofgem could move it to late competition when looked at further, in which case TOs would continue to look at it. James said it is worth considering who would be carrying out the roles in late competition to make sure there are no conflicts. Sally agreed and said they are discussing with Ofgem what the roles for late competition are.

Cathy asked if there have been discussions with Ofgem on the charging regime as that might change the risk profile. Urmi said the current analysis has been based on the current charging regime and Sally said Ofgem are aware and it has been highlighted, but it is beyond the scope of the project.

Fiona said the approver role is critical and it needs to be considered in detail what exactly they are approving and when. The team needs to go into depth with Ofgem on how this would work.

ACTION: Urmi and Sally Consider the approver role in more detail

Sally spoke through slides 18 to 20 to give an overview of the Network Planning Bodies and what activities would sit under the Network Planning Bodies based on their current end to end model. Sally confirmed they are talking to the TOs about it as their roles are most directly affected.

James asked if they had considered what would be required for the ESO to be able to do this process themselves. Sally said it had been considered as an option, but the TOs have other planning functions (based on their licence conditions) and if the ESO perform this role there may be duplication and loss of synergies. James said this is a key contentious part of the programme and there is bound to be a conflict of interest regardless. If the ESO recommends they do it, they are increasing their role which in itself is a conflict. Equally, there is a clear conflict where TOs are bidding into a competition when they have had a role in designing what is to be competed in the planning phase. But part of the role of the ENSG is to try to ensure there is a fair and transparent process. ENSG needs to see views and arguments of what is being put forward to Ofgem. Fiona agreed this is a key issue and very sensitive, it needs to be discussed again. Cathy cited examples where she'd come up against a conflict of interest in regard to the network development pathfinders and providing bidder information to DNOs for assessment.

Lynne said the team needs to consider the fact that this proposal is essentially taking the TO out of the regulatory framework in which it was designed to operate in and questioned if this will deliver additional cost benefit to the end consumer, which has not been considered as no cost benefit analysis is being undertaken as part of the ECP work. The proposals mean the TOs are not involved. Lynne said she is becoming increasingly nervous that the ESO, as a licenced entity, is consulting on the roles and responsibilities other licenced entities, which includes proposing expanding the roles and responsibilities of the ESO itself. The role of the ENSG is to make sure the process the ESO follows is balanced and fair. Lynne asked what processes and controls the ESO have in place for carrying out consultations; Ofgem have very strict process on managing consultations. Sally said Ofgem would see this group as a key part of the ESO process on stakeholder engagement. Ofgem are also asking ESO to do QA on the process and then Ofgem plan on scrutinising how ESO have done this process. Ofgem will carry out their own consultation as well.

Simon asked how the team planned to overcome the conflict of interest of a bidding TO as all contractors would want to become a partner and they may also be worried how it affects their relationship with the TOs regulated business. If the TOs can participate in these bids, then will it reduce competition for other bidders due to the aforementioned conflict. Simon also asked if the projects can be done cheaper then why are they not being done cheaper now? Fiona said that we must get into this in some detail and that the ESO has made a valid attempt to allow everyone to have their cake and eat it. It is important we record what is being said. Fiona said that in some countries they don't even allow the ESO to have final word on planning and the SO have a reputation of being risk adverse and therefore over-specifying infrastructure.

Urmi talked through slides 21 to 26 and gave a summary of feedback received in the workshops and next steps.

4. Offshore Coordination update

Alice E spoke through slides 28 to 38, giving an update on the consultation and what the key messages are and the next steps.

Marko said the team had done a great job on the consultation document by splitting it into three parts and the webinars were well done. James said he would like to echo what Marko has said and whilst was yet to get into the underlying documentation, the consultation seems a comprehensive piece of work. James said it would be useful to understand what areas the team have identified and will be recommending to progress in phase two.

Alice E said progress needs to happen with haste, which was reinforced by the latest manifesto announcement. HVDC circuit breakers need an innovation strategy. There is a need for a much more detailed technical analysis in phase two. This includes the coordination between onshore and offshore networks, planning of the network and voltage and system stability analysis. The commercial code

changes need a more integrated approach; there is a strong case for a significant code review to ensure a wholesale review.

James asked if the feedback received from previous engagement will still be taken into account. Alice E confirmed it has been and there is a stakeholder annex in the consultation on what feedback has been received and how the team responded to it.

Fiona asked about the environmental impacts and how the team will create criteria to measure the impact. Alice E said Tania and her colleagues have provided further information on the environmental side of things. The first assessment has been done at a high level and there will be more detailed analysis carried out on the environmental considerations.

Tania said how you determine the environment impact is in the next stage. It is good news offshore coordination will decrease infrastructure assets but there will still be a huge amount of infrastructure offshore. There will be further discussion and an update in phase two.

Alice E said the next steps will be to collate feedback on the consultation and agree approach to addressing the feedback going forward. The team will then finalise and publish three reports in December.

Fiona asked what BEIS are covering in their review and if there will be a requirement for phase two. Alice E said the BEIS review started in July and said she will see if BEIS would be happy to present their views and approach to ENSG. Marko and Ed confirmed that would be useful. Alice E said BEIS was planning their review when the ESO project started but decided it was right they started looking at offshore coordination as soon as possible to maximise the benefits. There will be areas where they will need strategic direction from BEIS and Ofgem. Phase two will be looking at the areas that can be considered without knowing how it is going to be implemented as well as those where the strategic steer is needed.

ACTION – Alice E to invite BEIS to attend future ENSG meeting to present about their Offshore Review

Richard asked whether it would be beneficial for the group to produce a report for offshore coordination to review the phase 2 scope. Alice E said she would find that useful but would leave it with the group to decide if that is something they would like to produce. It was agreed it would be discussed at the next ENSG meeting.

5. AOB

Fiona said it needs to be considered further how we take forward all the issues around planning and conflicts of interest. Fiona asked the group if a focussed session would be useful to show in the Early Competition report that ENSG considered it in depth. The group agreed it would be useful. Hannah said a response to feed into the phase three consultation work would be useful.

ACTION: Dedicate the next ENSG meeting to ECP and discussing roles and conflicts of interest

No other AOB.
