

Minutes

Meeting name **Access SCR Delivery Group**

Time **9.30 – 11.00**

Date of meeting **10 November 2020**

Location **WebEx**

Attendees

Name	Initials	Organisation
Amy Freund	AF	Ofgem
Andrew Enzor	AE	Cornwall Insights
Andrew Urquhart	AU	SHET
Angelo Fitzhenry	AF	Electralink
Beth Hanna	BH	Ofgem
Chris Barker	CB	ENWL
Chris Allanson	CA	NPG
Chris Ong	CO	UKPN
Claire Campbell	CC	SPEN
Clothilde Cantegreil	CCa	SSEN
David McCrone	DMcC	Ofgem
David Boyland	DB	SHET
David Wilkins	DW	NPG
Deborah MacPherson	DMacP	SPEN
Gillian Hilton	GH	SSEN
Gordon McFadzean	GMcF	TNEI
James Veaney	JV	Ofgem
James Stone	JS	ESO
Jenny Doherty	JD	ESO
Jon Parker	JP	Ofgem
Julia Phillips	JPh	ENA
Katie Stanyard	KS	ENA
Lee Wells	LW	NPG
Lewis Heather	LH	CEPA

Marco	D'Alterio	MD	Ofgem
Mathew	Paige-Stimson	MPS	NGET
Mike	Harding	MH	BUUK
Nicholas	Rubin	NR	Elexon
Nigel	Bessant	NB	SSEN
Nigel	Turvey	NT	WPD
Paul	Aukland	PA	ENWL
Paul	McGimpsey	PMcG	ENA
Paul	Branston	PB	WPD
Petra	Koulia	PK	CEPA
Ross	Thompson	RT	UKPN
Simon	Yeo	SY	WPD
Tom	Cadge	TC	BUUK
Tony	McEntee	TM	ENWL

1 Introduction

- 1.1 JP opened the meeting and reviewed the agenda for the morning.

2 Project Update

- 2.1 JP provided an update on project timings. Ofgem are delaying the minded to decision and consultation into next year and there are no firm dates as of yet for their publication. Ofgem are seeking to create a clearer view on the future framework for flexibility more generally and are scoping this out to ensure that review whether any changes are needed to their access reforms to improve consistency, delivering outcomes that will be fit for purpose on an enduring basis. Ofgem will also be considering some wider concerns around transmission charging. The expansion constant is updated at the start of each price control and ESO has advised it may increase significantly. An urgent CUSC modification is being considered to address this. Ofgem are keen to address these issues before moving forward with the minded to and final decisions. Ofgem will also be consulting on implementation timelines in the minded to, with some elements potentially delayed beyond April 2023.
- 2.2 RT asked if Ofgem are planning bringing flexibility into the SCR? JP answered that it is an interdependency that will need to be taken account of. RT followed up asking if it is work within the ED2 workstream or work being done elsewhere. JP responded advising that it is outside of ED2, under an Ofgem strategy and decarbonisation working group led by Neil Kenward. On that topic, NB asked if the Delivery Group will be able to see some outputs from that group. JP answered that there is nothing published yet but Ofgem will look at the engagement strategy. PMcG asked what input from the networks will be needed, if any? JP replied that the work will be mostly Ofgem led but they will want to engage on some of the work. This is still being scoped out and Ofgem are planning to share more details soon.
- 2.3 MH asked about what will happen to the access groups in the meantime. JP replied that it will be a bit mixed. The cost models may have more work finding the right inputs, some more tweaks needed. The IDNO working group is expected to pick up and the implementation group will continue. As for access, Ofgem envisage further work is likely to be needed to scope out

what would be involved in developing financially firm access/connect and manage at distribution level as it is being pushed for very strongly by the challenge group. This could fall under the access group. DMCC addressed the connection boundary subgroup. While there is not a whole lot more work on developing the options that would need input from the subgroup, there could be some scope for further consideration of liabilities. MH followed up saying that if there will be more work can Ofgem please be clear what the deliverables will be.

- 2.4 AU asked for Ofgem to expand on their thoughts around the wider transmission question, regarding the expansion constant. JP responded that it is a tricky question, Ofgem have modelled tariffs based on the current expansion constant and now need to check if that is still ok to do or does the modelling need to be updated. An important question is whether they are comfortable with the signal the transport model is giving. AU followed up, would this be the time to take a broader look at transmission? Is there potential to take TNUoS out of the SCR and take a look at the broader methodology? Appreciating that expanding to a wider group helps caps but there is quite a lot of potential for it to exacerbate issues. JP replied that this may need consideration but also noted the concern that there is a significant distortion in TNUoS charges at the moment. Ofgem don't think there is much doubt in the premise of locational charging, and think postage stamp method would bring significantly more cost to consumers. There is potential to take a look at the mechanics used to produce the signals in question.
- 2.5 AU followed with a question about net zero, why is it not included in the guiding principles? If we're just looking at least cost then we're losing some of the picture. JP responded that net zero at lowest cost to consumers is part of the principles. Renewables under 100MW were currently facing different network cost signals to those above 100MW and so this can lead to a higher whole system cost of achieving the same level of decarbonised generation mix. AU asked a final question, based on the model outputs shared at the joint challenge group/delivery group session, it looks like onshore wind in Scotland is a loser and solar in the south is a winner. What behaviours are you trying to encourage? is the goal to locate generation closer to the load? JP responded that Ofgem are trying to develop the most efficient system. So if you locate generation closer to load then the less network you need. If a generator can face that signal as a result of a better load factor in Scotland, then they can balance those signals. Ofgem aren't saying we want more solar, we're saying we don't want there to be a distortion in the market.
- 2.6 PA brought the conversation back to timelines and asked when Ofgem will be able to share a new timeline? JP replied that Ofgem are looking at what the long term direction is and will align plans with that but they don't know when. Ofgem hope to have something to share in the next couple weeks and will share an update at the least.
- 2.7 RT asked with the mention of future work, what area of the SCR will be most impacted by flex work? JP answered that the biggest interaction is with demand charging. There are also many questions are being raised around non-firm access rights, feedback from Open Networks was that they don't fit well with wider flexibility markets. Ofgem think that unless you have connect and manage at a distribution level it is a good way to get quick connections before reinforcement. It may not have a place in the long-term plan but it's a useful step at the moment.
- 2.8 MH raised a point to Ofgem about comments made during the Challenge Group yesterday around grandfathering and cap and collar of rights and one thing said today about transmission looking at distortions, it's a balance of correcting distortions and not introducing new ones. JP replied that Ofgem will be thinking about those trade-offs and it will be a key part of decision making.

3 Managing interactions with ED2

- 3.1 JP expressed that the plan today will be to discuss an initial set of options and the detail of implications for ED2 business planning will be discussed at the Overarching Group meeting on Thursday.
- 3.2 RT replied that it makes sense to split this conversation in two parts. The business planning process guidance needs updating. Even if the July submission goes in with current arrangements it will still be tricky as a lot will hang on whether April 2023 is achievable. JP suggested that it is possible that that 2023 may be too tight a timeframe for DUoS changes, but it is possible to envisage that any connection boundary charging changes could be implemented in 2023 and DUoS changes in 2024.
- 3.3 NB commented on the connection boundary point, one of the behavioural aspects of this change would be customers either delaying or speeding up their decision to connect. CA added that the connection boundary decision has effects in relation to bigger projects like 132KV reinforcement, if we're going to treat that the same as transmission then an early indication that this is happening would be very useful so we can understand if an uncertainty mechanism or capex re-plans would be needed in order to decide what you would do with those GSPs that are close to being full already.
- 3.4 JV raised a question with the group. If the access decision on connections is known by the end of next year, we accept that the draft and final business plans may not be based upon that final decision. Do we wait to 2023 to instigate reopeners or is there scope for us to use 2022 to correct some of those business plans prior to the start of ED2? RT asked if it would come down to there being an additional business plan subject to assessment? JV replied that Ofgem would like to avoid a full further submission but would be useful to know if there is a neat way to isolate the parts of the business plan that will be effected by these decisions. JP added that if there are already going to be some uncertainty mechanisms in ED2, can we isolate and determine what would need to be picked up in an access re-opener?
- 3.5 PA commented that it is proposal worth looking into but it all depends on what the changes are. It could cover fundamentals like risk, cost of equity or have financeability considerations depending on what kind of proposals come forward. He added that he does like the idea of isolating parts of the plan but it depends what's effective, also the idea of building mechanisms with change in mind but really depends on what is proposed. JP replied that Ofgem work so far gives a reasonable idea of the spectrum of options and this is a basis for networks to go away and think about them. PA asked for clarity that none of the options would change as result of the flexibility work Ofgem is doing and JP confirmed that they are not expecting any different options¹.
- 3.6 NB raised a point about stakeholder engagement, if there is a wider list of options it will be more difficult to engage with customers on ED2 business plans. NB added that the less scenarios networks are consulting on, the easier it will be to manage.
- 3.7 DW commented that the ED2 meeting was one of the places it should be discussed, but that it should also be discussed at the Electricity Regulation Managers Meeting. Further, if there's more than one potential outcome for each option, then the combined blend of options in the middle of the business planning process would make the task significant. DW further noted the additional complexity of scenario inclusion when business plans were limited to 200 pages. DW

¹ Point of clarification: Ofgem confirmed after the meeting that the range of options for connection charges is unlikely to change, although there is the potential for changes to the options for use of system charges.

flagged that while Andrew Self attends, it would also be worth JV attending. JP replied that Ofgem will be as clear as they can and will discuss all the pros and cons on Thursday. This can be followed up at the Regulation Managers Meeting.

- 3.8 PA asked a final question as to whether this will affect the SSMD? And JV replied that the timing will not be but it will be reflected in the content.

4 IA modelling (CEPA TNEI)

- 4.1 LH introduced the impact assessment modelling approach. CEPA-TNEI have been feeding options specifications into the model and are processing and reviewing initial results with Ofgem. GMcF will focus on the testing of the distribution model.
- 4.2 GMcF updated the Delivery Group on the CEPA-TNEI modelling approach and assumptions as described on the slides provided.
- 4.3 MH asked a question around the nominated flexibility cost of £10,000/MW in slide 5, what costs are being referred to there? GMcF answered that they are referring to the cost of the DNO putting in a contract with a flexibility provider instead of doing a reinforcement.
- 4.4 NB asked what about the availability of generation resource, or the location of factories? GMcF responded that ultimately they don't have those sorts of factors within the distribution model, conscious that they are capturing a more extreme version than what will exist in reality.
- 4.5 RT asked about assumptions, concerned when CEPA-TNEI say "disincentivise connections". This is artificial as network companies legally can't disincentivise connections and so that could suppress the actual outcome of some of these arrangements financially. GMcF replied that if a connection is going to cause such significant reinforcement such as to cause years of delays, they can't model that. So the assumption helps to abstractly capture that delay. GMcF to review.
- 4.6 MPS asked why there isn't Solar on the 132kV network given upsizing in planning and limits to capacity availability at lower voltages? GMcF replied that that's something CEPA-TNEI have been discussing internally as to whether they should remove that assumption. GMcF recognised this was reflective of historical solar PV deployment, where it was largely HV, but this was no longer the case. GMcF took this point away to review the removal of this limit.
- 4.7 CA asked a question regarding non-firm time profiled access. Is an assumption needed around how many users would give up 24/7 365 access? GMcF answered that the assumption that users will give up the access if they don't need it is based on their profiles in the market model, for example solar PV who don't export overnight. CA added that he can see the logic but there are directors of companies who don't want to give up 24/7 access due to the potential for future plans. If they give up the capacity and plans change they'll have to apply to get that access back. This could be seen as a business risk. The incentive would need to be quite high to get them to shift.

5 Close

- 5.1 JP thanked everyone for attending and closed the session. The next meeting date has not been set.