

**MINUTES OF THE FIRST MEETING OF THE RECONSTITUTED
ELECTRICITY NETWORKS STRATEGY GROUP (ENSG)
Held at BERR, 1 Victoria Street, London SW1 0ET
10.00 AM, WEDNESDAY, 2nd JULY 2008**

Present

Co-Chairs

BERR	Simon Virley
Ofgem	Stuart Cook (attending in place of Steve Smith)

Industry Members

National Grid	Nick Winsor
Eon Central Networks	Jeff Douglas (attending in place of John Crackett)
Scottish Power	Colin Bayfield (attending in place of Jim Sutherland)
EDF	Barry Hatton
RWE Npower	Nic Rigby (attending in place of Kevin Akhurst)
CE Electric UK	Phil Jones
RES	Douglas Wright
Scottish Hydro Electric Transmission Ltd (SHETL)	Mark Mathieson
Trade Associations	Jason Ormiston (attending in place of Robert Longden)
British Energy	David Love

Government Members

BERR	John Overton
Energy Wales	Ron Loveland
Scottish Executive	Jane Morgan
Defra	Neil Witney

Also in attendance

National Grid	Alison Kay
BERR	John Spurgeon
BERR	Phil Hicken
BERR	Chris Barton
AEAT (Secretariat)	Henry Parkinson

Apologies

Ofgem	Steve Smith
Centrica Energy	Sarwjit Sambhi
AMEC Wind Energy	David Hodkinson
CLG	Peter Ellis

1. Welcome and Introduction

- 1.1 The joint Chairmen, Simon Virley and Stuart Cook, welcomed the members to the meeting and invited members to introduce themselves via a tour de table. Apologies for absence and alternative members attending were noted.

2. Purpose and Role of Group

- 2.1 The Chairmen introduced this item by noting the key aim of the group over the next 6 months or so would be to develop a shared understanding of the vision for the networks of the future in the context of the government targets for renewable energy and against the background of ongoing network development activities. It was noted that, on behalf of government, BERR and Ofgem had jointly convened the group and would assist in facilitating industry discussion and progressing tasks to the required timescales, but it would not dictate outcomes. It was also noted that Ofgem was keen to ensure that networks do not act as a barrier to the appropriate connection of renewable and other generation. The scale of the challenge facing all parties in meeting the targets was acknowledged.

- 2.2 The Chairmen opened the meeting to discussion about the papers which had been circulated relating to the purpose and role of the group. The following points were made in discussion:

- the key priority of the group should be the physical network architecture but it would need to take cognisance of other important inter-related issues such as intermittency which would likely have a significant impact on physical infrastructure;

- the output of the group would be a key input into the government's renewable energy strategy that will be presented to the EU in spring 2009 and it would be desirable to arrive at consensus within the group;

- the output of the group would provide input to discussions between regulator and the Transmission Operators on their allowed revenue.

- 2.3 Following the above discussion and points of clarification, there was broad agreement within the group about its purpose, role and terms of reference.

3. Renewable Energy Strategy & Future Network Challenges

- 3.1 The Chairmen invited Chris Barton (Director of the BERR Renewable Energy and Innovation Unit) to deliver a presentation on the government's renewable energy strategy. The presentation summarised the requirements of the strategy, the timescales, the scale of the challenge, some possible pathways to meeting the challenge and the costs, benefits, risks and uncertainties associated with it.

- 3.2 The Chairmen invited John Overton (Deputy Director, Grid, of the BERR Renewable Energy and Innovation Unit) to deliver a presentation on the challenges to the network posed by the renewable energy targets. The presentation noted the scale of the challenge, identified a significant number of activities already underway, but also emphasised the need for urgent action now in order to deliver the requirements by 2020.

- 3.3 The Chairmen opened the meeting to a discussion on the presentations, during which the following points were made:
- the targets for renewable energy contributions for 2020 are seen as very challenging, but nonetheless, they are not necessarily seen as ultimate caps on the potential contribution from renewable energy in the longer-term;
 - the regulatory regime established in the 1990's had been very effective in delivering a network that was both economically and technically fit-for-purpose; however, the drivers and context have now changed significantly, and forward development needs to recognise this.

4 National Grid Networks Scenario Studies

- 4.1 The Chairmen invited Nick Winsor (Executive Director, Transmission, National Grid) and Alison Kay (Commercial Director, National Grid) to deliver a presentation on the scenario work currently being undertaken by the system operator working with the transmission owners. The presentation covered the overall scope of the National Grid activity programme, targets and scenarios, the need for potential network investment and a summary programme plan and proposal for governance.
- 4.2 The Chairmen opened the meeting to a discussion on the presentation, during which the following points were made:
- the role of the demand side needs to be captured appropriately in terms of energy efficiency, smart metering, etc;
 - longer-term issues mean that the imperative to de-carbonise the power sector will continue and increase, so although there is a focus on 2020 targets, these also need to be seen as part of a trajectory to further more challenging targets in the longer term;
 - critical issues / assumptions in delivering the scenarios are the role of (land use) planning, the effectiveness of the offshore transmission regime, supply chain response, and transmission access arrangements;
 - sizing transmission capacity appropriately for wind is not straightforward with large amounts of variable generation on the system. From work on GBQSS, NGs' preliminary cost benefit analysis leads to a working assumption that network capacity needs to be of the order of 60%-80% of the installed wind capacity although this needs to be tested further.

5 Priorities and Next Steps

- 5.1 Simon Virley invited views from the membership on how best to progress the issues identified during the meeting and whether or not a sub-group(s) would be a useful adjunct to the ENSG. Points raised in the discussion included:
- whatever form any new sub-group might take, it needs to have appropriate representation from across the stakeholders in a similar manner to the ENSG;
 - in a landscape already crowded with activity and working groups, any further group will need to demonstrably add value and ensure that it does not needlessly duplicate work already being undertaken or which could be better

delivered via another route;

- the distinction between transmission and distribution is somewhat artificial and it would be better to have a single group which looks holistically at the issues;

- whilst ENSG members recognised that addressing transmission issues was key, the role of distribution networks in delivering the 2020 target also needed to be considered.

- in order to be effective, any sub-group would need to be clearly tasked with specific activities or posed specific questions to address;

- the new approach discussed needed to be clearly communicated to the TWG and DWG.

Action: In conclusion to this discussion, Simon Virley noted that BERR & Ofgem working closely with the members would undertake actions to:

- 1. Clarify and communicate the way forward with the existing sub-groups of the old ENSG (TWG / DWG)**
- 2. Develop a proposal for a new sub-group to support the work of the ENSG between meetings**
- 3. Develop a set of specific questions for the new sub-group to address**
- 4. Circulate the proposal to ENSG members for comment**

6. Future Meetings and AoB

- 6.1. Further meetings for the ENSG are envisaged in October and December. Dates for these meetings will be agreed and circulated in due course.

Action: Secretariat to fix dates for next meetings.

- 6.2. The Chairmen thanked the members for their attendance and input and closed the meeting.

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