

**MINUTES OF THE SECOND MEETING OF THE  
ELECTRICITY NETWORKS STRATEGY GROUP (ENSG)**  
Held at BERR, 1 Victoria Street, London SW1 0ET  
11.00 AM, THURSDAY 23<sup>rd</sup> OCTOBER 2008

**Present:**

**Co-Chairs**

DECC	Simon Virley
Ofgem	Steve Smith

**Industry Members**

National Grid	Chris Bennett (attending for Nick Winser)
Eon Central Networks	John Crackett
Scottish Power	Jim Sutherland
EDF Energy Networks	Barry Hatton
RWE Npower	Kevin Akhurst
CE Electric UK	Phil Jones
RES	Richard Ford (attending for Douglas Wright)
Scottish Hydro Electric Transmission Ltd (SHETL)	Paul Neilson (attending for Mark Mathieson)
Centrica Energy	Sarwjit Sambhi
Vattenfall (formerly AMEC)	David Hodkinson
Trade Associations	Robert Longden
British Energy	Rob Rome (attending for David Love)

**Government Members**

DECC	John Overton
Energy Wales	Ron Loveland
Scottish Executive	Jamie Hume
DECC	Neil Witney

**Also in attendance**

National Grid	Andy Hiorns
Ofgem	Stuart Cook
DECC	John Spurgeon
DECC	Ian Lomas
DECC	Anne Stuart
DECC	Amanda Eden
AEAT (Secretariat)	Henry Parkinson

**Apologies**

National Grid	Nick Winser
RES	Douglas Wright
SHETL	Mark Mathieson
British Energy	David Love

**1. Welcome and Introduction**

- 1.1 The Chairman welcomed the participants to the meeting and briefly noted the formation of the new Department for Energy and Climate Change (DECC). He reviewed the agenda and invited participants to introduce themselves. Apologies for absence and alternates attending were noted.

**2. Minutes and Actions**

- 2.1 Subject to minor points of correction, the minutes of the previous meeting were approved.
- 2.2 All actions from the previous meeting were complete or in hand. Specifically the sub-groups of the former ENSG had been thanked for their contribution and closed, and a new project working group had been formed to support the GB Transmission Studies.
- 2.3 Following a brief discussion about the publication of information it was agreed that documents used to report “work in progress” would not be published. Final outputs from the group would be published.

**3. GB Electricity Transmission Studies**

- 3.1 The Chairman noted paper ENSGR 2008-09 and invited the working group members to deliver a presentation on progress to date. It was noted that this work was a joint effort between the transmission companies, good progress had been made. The presentation was prefaced by the fact that it was a report on work in progress and subject to change following further analysis.
- 3.2 The study is on track to complete Phase 1 (2020) by end of January 2009. Further work will optimise reinforcements and carry out cost/benefit analyses. It was noted that further work would carry on in January – March 2009 looking at the network beyond 2020.
- 3.3 The Chairman opened the meeting to a discussion on the presentation, during which the following points were made:
- the targets for renewables should not be seen as a cap but as an indication of policy direction;
  - it was noted that the location and timing of generation plant closures and new plant construction is an important part of the analyses;
  - the opportunity of efficiently aligning other required asset replacement with identified reinforcement work was noted;
  - it was noted that the sensitivity analyses would look at a number of the issues above to see what triggers the need for reinforcements;
  - it was noted that the group should focus on the task looking at the physical network but that the impact on operational issues was likely to be significant as well;
  - the point was reiterated that the Beaulieu-Denny reinforcements are a critical pre-requisite for all the analyses undertaken.

- 3.4 The Chairman thanked the team for their hard work and noted the group's endorsement of their approach and progress to date.

**Action 1: Study team to deliver the final report of the 2020 GB Electricity Transmission Study by the end of January 2009 for review by ENSG.**

**4 Update on Enhanced Investment Incentives**

- 4.1 Steve Smith introduced this item by noting that one of the key issues in developing appropriate investment incentives would be agreeing the what level of risk the companies who built the new infrastructure should be exposed to and an appropriate level of reward for taking on this risk. The proposals which had been submitted by the transmission owners will be reviewed by the Ofgem board in November. It is expected that there will be a stakeholder consultation in November and further development of the proposals resulting in more detailed proposals next year. Ofgem was also working with the companies to identify any "quick wins" such as allowing them efficient pre-construction works funding once the studies are complete.
- 4.2 The Chairman opened the meeting to a discussion, during which the following points were made:
- since timescales are critical, pre-construction work e.g. consenting and engineering studies may be enabled earlier;
  - there may be trade-offs between timing and costs and these will need to be considered as part of the overall strategy;
  - it is again clear that the three critical hurdles of technical, financial and planning issues need to be tackled in parallel and on coherent timescales.
- 4.3 The Chairman thanked Steve Smith for his update and the members for their comments. He summarised the item by noting the importance of ensuring that the development of investment incentives moves on the same timescale as the technical activities and for the incentives to be effective would require pragmatism and involve appropriate sharing of risk.

**5 Update on Infrastructure Planning Commission**

- 5.1 Anne Stuart provided an update on the Infrastructure Planning Committee (IPC). Anne gave a brief outline of the Planning Bill which is the instrument whereby the IPC will be established. It is hoped that Royal Assent for the Bill will be given in November, with the IPC expected to become operational in 2010. In the meantime some thought is being given to National Policy Statements (NPSs) for a range of sectors, including Networks with consultation on these expected in Spring '09 and finalised by the end of next year.
- 5.2 The Chairman invited questions and comments from the membership. Points raised in the discussion included:
- the extent to which NPSs would make the case for need;
  - the approach to planning permissions going forward would be to consider

developments including necessary related works as a complete package, rather than as separate elements.

- 5.3 The Chairman thanked Anne Stuart for her update and the members for their comments.

## **6 Distribution Issues and DPCR5**

- 6.1 The Chairman introduced this item by referring to points previously raised by members and paper (ENSGR 2008-10). He invited Steve Smith to comment on distribution issues from the perspective of the current distribution price control review.

- 6.2 Steve Smith noted that given that there is a price control underway, if there are any issues, there is an ideal opportunity to feed them into that process. He pointed to the RPZ and IFI mechanisms and made clear it would be important to build in appropriate flexibility to respond to changes as they arise. Points raised in the discussion included:

- although no 'show-stoppers' had been identified from a distribution networks perspective in terms of delivering renewable energy targets, it was recognised that there may be scope for achieving greater efficiencies in the DN to facilitate a 2020 scenario;

- following the above it was accepted that the DNOs had the opportunity to take a lead in making the case for this and that it would be appropriate to revisit this in around 6 months time.

- 6.3 The Chairman thanked Steve Smith for his update and the members for their comments.

## **7. Future Meetings and AoB**

- 7.1. To fit in with the review of the final report on the 2020 GB Transmission Study, a further meeting for the ENSG is envisaged in mid-February 2009. The date for this meeting will be agreed and circulated in due course. (NB - the meeting which had been pencilled in for 16 December 2008 will not now be required.)

### **Action 2: Secretariat to fix date for next meeting.**

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

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