

**MINUTES OF THE THIRD MEETING OF THE
ELECTRICITY NETWORKS STRATEGY GROUP (ENSG)
Held at BERR, 1 Victoria Street, London SW1 0ET
10:30 AM, WEDNESDAY 18th FEBRUARY 2009**

Present:**Co-Chairs**

DECC	Chris Barton
Ofgem	Steve Smith

Industry Members

National Grid	Nick Winser
Eon Central Networks	John Simpson (attending for John Crackett)
Scottish Power	Jim Sutherland
EDF Energy Networks	Dave Openshaw (attending for Barry Hatton)
RWE Npower	David Mannering (attending for Kevin Ackhurst)
CE Electric UK	Phil Jones
RES	Richard Ford (attending for Douglas Wright)
Scottish Hydro Electric Transmission Ltd (SHETL)	Mark Mathieson
Centrica Energy	Sue Wheeler (attending for Sarwjit Sambhi)
Vattenfall (formerly AMEC)	Elaine Greig (attending for David Hodgkinson)
Trade Associations	Robert Longden
British Energy	David Love

Government Members

DECC	John Overton
Energy Wales	Ron Loveland
Scottish Executive	Colin Imrie

Also in attendance

National Grid	Andy Hiorns
Ofgem	Stuart Cook
Scottish & Southern Energy	Mike Barlow
Scottish Power	Colin Bayfield
DECC	John Spurgeon
DECC	Phil Hicken
DECC	Lorraine Hamid
DECC	Amanda Eden
AEAT (Secretariat)	Chris Naish

Apologies

Vattenfall	David Hodgkinson
RES	Douglas Wright
E.ON Central Networks	John Crackett
EDF Energy Networks	Barry Hatton
Centrica plc	Sarwjit Sambhi

1. Welcome and Introduction

- 1.1 The DECC Chairman welcomed the participants and asked them to introduce themselves. Apologies for absence and alternates attending were noted.

2. Minutes and Actions

- 2.1 The minutes of the previous meeting were approved.
- 2.2 All actions from the previous meeting were complete. Specifically, the project working group and the GB Transmission Studies team had delivered their report for the meeting and the Secretariat had arranged the day's meeting.

3. GB Electricity Transmission Studies

- 3.1 The DECC Chairman invited the Transmission Studies Project Working Group (PWG) Chairman to deliver a presentation on the report (ENSGR 2009-13). An electronic copy of the presentation slides are attached with the minutes.

- 3.2 The PWG had identified a number of issues in relation to taking forward the results from the 2020 Transmission Study:

- Investment - The timescales required to deliver the required 2020 system are agreed as achievable but challenging. Timely decisions will be required by the regulator on approval of new investments. In particular regulatory funding for pre-construction work is a priority now.

- Planning - The historical timescales for new transmission network has been longer than consenting and constructing new generation. It is therefore essential that elements of the new transmission infrastructure start construction ahead of the associated generation projects. This will require regulatory change.

- Technical – Innovation - The network solutions proposed in the report, such as HVDC and Series Compensation, have not to date been used in the UK system, which is highly meshed, although they have been used successfully overseas but not in such highly meshed applications. The group does not see significant technical barriers however thorough modelling and planning will be essential to ensure the solutions are 'right first time'.

- Supply Chain - Supply chain issues could impose constraints. The UK is not alone in taking forward the required technologies and there will potentially be competition for both hardware, software and skilled staff.

- Skills - New skills and expertise will be required to deliver the 2020 system. The National Skills Academy for Power that is under development should recognise the likely demands.

- 3.3 The ENSG agreed that all of these were important issues that would need to be addressed if the 2020 network was to be delivered to time.
- 3.4 The DECC Chairman moved to the second presentation under agenda item 3 and asked the 2020 Network Study Team to make their presentation (papers

ENSGR 2009-14 and ENSGR-15). Copies of these papers were sent out ahead of the meeting and are available from the Secretariat.

- 3.5 During the presentation and the subsequent discussion the following key points were made:
- The study needs to make clear that it has examined all the likely scenarios that would result in the proposed reinforcements not being required and been able to dismiss them as very unlikely;
 - the effect of the likely microgeneration commissioning over the period through to 2020, based on the 2016 zero carbon homes policy etc, has been factored into the study;
 - the DNOs see the effects of microgeneration growth broadly matching the growth in demand from consumer electronics however, largely post 2020, the potential growth in demand from electric vehicle charging and electric heating will potentially lead to a significant growth in demand;
 - the results of the study should be tested against the Ofgem LENS study scenarios and results – it was noted that none of the LENS scenarios have as much wind energy as the 2020 study;
 - The Ofgem Chairman asked if the central scenario assumed that NG would continue to charge on the same basis as today based on locational transmission charges. He also asked whether the scenario had looked at the future economics of plant where locational charges were currently relatively high and may rise as more generation connected in that locations.
 - National Grid answered that the group had not modelled at this level of detail and also pointed out that as well as additional investment costs to be recovered there would be additional generators paying these charges and that the net effect would not necessarily be an increase. It was agreed that the study team would provide further information on this point.

Action 1: GBSO/TO team – to provide more information on the effect of locational charging etc on the results of the analysis used in the study.

- The study team acknowledged there were considerable uncertainties around the costs of new technologies such as HVDC and Series Compensation however these solutions appeared to have the potential to deliver significant savings and technically superior solutions. The costs would become firmer during the pre-construction planning phase and the decisions to go ahead would only be made after this phase.
- The view was expressed that the requirements for the proposed new substations and series compensation installations etc will need to be explicit in the National Policy Statement or serious planning problems are likely to result.
- The impacts on transmission charging needs to be addressed either in the full report or in an associated publication or note.

- The way in which the proposals are to be paid for needs addressing in some manner in the full report or associated publications. National Grid agreed to provide a separate note on these two issues.

Action 2: National Grid to provide a note on transmission charging and cost recovery for the reinforcements.

- 3.6 The DECC Chairman drew the discussion to a close and formally asked the ENSG for its support for the results and conclusions of the study. The ENSG agreed to this.
- 3.7 The DECC Chairman noted the ENSG's endorsement of the results and conclusions and thanked all those involved in producing the transmission investment report for their hard work on behalf of the ENSG, DECC and Ofgem.
- 3.8 He confirmed that the plan was to publish the results of the study as soon as possible and that the delivery of the report's conclusions and addressing the associated issues raised in the ENSG PWG Chairman's report would be a priority going forward.
- 3.9 DECC made the point that the study and its associated reports would form the basis, and be a key part, of a number of consultations DECC would be issuing over the late spring and summer of 2009.

4 Scottish Government – National Planning Framework 2

- 4.1 The Scottish Government made a short presentation on the Scottish National Planning Framework 2 – an electronic copy of the presentation is attached with the minutes.
- 4.2 The following point was made in the subsequent discussion
- the proposals set out in ENSG report are compatible with those set out in the NPS2.
- 4.3 The DECC Chairman thanked the Scottish Government for their presentation.

5 Update from Ofgem on Enhanced Investment Incentives

- 5.1 Ofgem provided a short verbal update on progress with Enhanced Transmission Incentives. The plan is to have the immediate short term measures and funding arrangements in place by April to address the short term requirements on pre-construction costs. The longer term measures to provide a suitable and equitable balance between risk and reward for developing transmission capacity ahead of firm generator commitments were under discussion and review with the TOs who had provided proposals. It was hoped to finalise these measures in the winter of 2009.
- 5.2 The DECC Chairman invited questions and comments from the membership. Points raised in the discussion included:
- the supply companies needed to be aware of the likely cost implications as

soon as possible so they could assess the effects on their pricing to customers;

- 5.3 The DECC Chairman thanked Ofgem for their update and the members for their comments.

6 Future Activity for ENSG - Discussion

- 6.1 The DECC Chairman invited DECC to introduce this item. DECC mentioned that the group had been asked ahead of the meeting to give some thought to this topic. DECC suggested that:

- Phase 2 of the GBSO/TO study that would look at scenarios through to 2030

and

- A number of the issues raised in the ENSG-PWG Chairman's report should continue to be monitored by the group going forward.

- 6.2 The discussion was opened to the group. The following areas were suggested:

- Impacts on transmission charging, effects on DNOs integration of DNO network upgrades etc with transmission system reinforcements.

- Reviewing the changing environment as policy moves forward

- Monitoring, advising on and tackling obstacles to achieving the policy objectives in the networks area – supply chain, technology, investment.

- Issues associated with balancing the evolving system – roles of Demand Side Management, ancillary services – it was noted that this fits well with an upcoming National grid consultation in this area.

- Power flows from distribution networks – their active management and its interaction with the transmission system

- 6.3 DECC thanked the group for these suggestions and added that the timeline on putting in place the National Policy Statements that would be used by the Infrastructure Planning Commission makes it a priority area with which the group could assist. The group were invited to propose names of individuals who could help by forming a working group to consider the network specific issues.

- 6.4 The timescales for this work are tight; completion is required by the end of March. DECC agreed to provide Terms of Reference to the group to allow them to suggest suitably qualified individuals.

Action 3: DECC to provide TOR for NPS development assistance to members.

Action 4: Members to nominate individuals with suitable skills and knowledge to assist DECC with the NPS.

7 Future Meetings and AOB

- 7.1. The DECC Chairman asked if there were any items that the group would like to raise under AOB. As there were none, he drew the meeting to a close, suggesting that the group met again in early June.

Action 5: 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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