

**MINUTES OF THE FIFTH MEETING OF THE
ELECTRICITY NETWORKS STRATEGY GROUP (ENSG)
Held at Ofgem, 9 Millbank, London, SW1P 3GE
10:00 AM, Wednesday 30th September 2009**

Present:**Co-Chairs**

Ofgem	Stuart Cook
DECC	Jonathan Brearley

Industry Members

National Grid	Chris Bennett
Eon Central Networks	Jeff Douglas
Scottish Power	Colin Taylor
EDF Energy Networks	Colin Gardner
Vattenfall	David Hodkinson
Scottish & Southern Energy	Chandra Trikha
CE Electric UK	Phil Jones
RES	Richard Ford
Centrica Energy	Sarwjit Sambhi
Trade Associations	Robert Longden
British Energy	David Love

Government Members

Energy Wales	Alun James
Scottish Government	Colin Imrie

Also in attendance

Ofgem	Gareth Evans
DECC	Giles Scott
DECC	John Christie
Accenture	Rob Hopkin
Accenture	Kausar Qazilbash
AEA Technology (Secretariat)	Chris Naish

Apologies

RWE Npower	Kevin Akhurst
EON	John Crackett
EDF Energy Networks	Barry Hatton
Welsh Assembly	Ron Loveland
SHTL	Mark Mathieson
DECC	John Overton
National Grid	Nick Winser
RES Ltd	Douglas Wright

1. Welcome and Introduction

- 1.1 The joint Chairmen introduced themselves as this was the first meeting of the group they had chaired.
- 1.2 Stuart Cook is now Acting Senior Partner, Transmission and Governance at Ofgem and in this role has taken over responsibility for the ENSG from Steve Smith.
- 1.3 Jonathan Brearley explained that he was heading the Energy Strategy and Futures Directorate at DECC. The Future Energy Networks Group, which is responsible for the ENSG is part of this Directorate. One of Jonathan's roles is to link policy across the Office of Nuclear Deployment (OND), Office of Renewable Energy Deployment (ORED) and the Office of Carbon Capture and Storage (OCCS), to handle cross cutting issues and lead the work at DECC on how UK energy systems are likely to develop over the period 2020-2050.
- 1.4 The Ofgem Chairman welcomed the participants and asked them to introduce themselves as there were a number of new members and alternates. Apologies for absence and alternates attending were noted.

2. Minutes and Actions

- 2.1 The DECC Chairman asked the members whether they had any comments or corrections to the draft minutes from the meeting of 4th June 2009 - none were raised by the group.
- 2.2 The minutes were accepted as correct and would now be published on the ENSG website.
- 2.3 The Chairman went through the actions from the last meeting. Actions 1, 2 and 3 had been on the ENSG 2020 Transmission PWG. They had provided a note ahead of the meeting completing these actions.
 - A point was raised over the carbon savings reported in the note in comparison to those in the Government's recently published Low Carbon Transition Plan (LCTP). The study team representative agreed to assess whether the information provided could be extended to the other scenarios.

Action 1: Study team to provide, if possible, a comparison of carbon savings under a number of scenarios.

- 2.4 All other actions (4 through 6) were agreed as completed (the ENSG Planning Working Group report was placed on the ENSG website, DECC/Ofgem had circulated Terms of Reference for the smart grid working group and the next ENSG meeting had been arranged).

3. ENSG 2020 Transmission Vision Report – Update on Progress

- 3.1 The DECC Chairman invited Ofgem and the TO representatives to provide an update on the implementation of the conclusions of the 2020 Transmission

study that was published by DECC in March 2009 as 'Our Electricity Transmission Network – A Vision for 2020'.

- 3.2 The slides from the Ofgem presentation are available alongside these minutes.
- 3.3 The following points were made in the presentation and in the following discussion:
- Ofgem are committed to ensuring that the regulatory structure does not hinder necessary investments in the transmission system however it must balance this with protecting the consumer from inappropriate risks.
 - Ofgem have two consultancy studies presently underway to verify the proposed transmission investments – 'Lot 1' is looking at the individual proposals from each transmission area of the GB system while 'Lot 2' is looking at a higher level at the whole system benefits of the proposed investments.
 - The regulator is seeking views on how alternative incentive arrangements can fit with the present RPI-X@20 project. However the incentives are required in the next 6 months whereas the RPI-X@20 project is not due to be finished until the end of 2010.
 - Final proposals in March 2010 may be too late given the need to modify licenses and codify the new arrangements.
 - The view was expressed that the current arrangements around TIRG should not be discarded without recognising that it is delivering on time and with efficiency.
 - Ofgem suggested that the new projects can be split into high and low risk groups – it is possible that different incentive parameters would apply with the new incentives structure applying to the high risk projects.
 - It was pointed out that investments made now would bring wider benefits given the wider economic issues in the economy. Scotland had a presumption in favour of the agreed developments built in to the NPF – this should mean fewer delays in delivering transmission developments.
 - The ENSG transmission report was developed ahead of (e.g.) recent Round 3 offshore announcements in Scotland – is this being taken into account?
 - The study team responded that the 'gone green' scenario used in developing the study results was being reviewed with interested parties. New scenarios will be run and National Grid will publish the first offshore development statement by the end of the year.
 - It was asked whether there was a plan that showed the sequencing of the various transmission developments. There is - NG defines the detail in this - it includes assumptions on nuclear build rate, outages for upgrades etc.
 - The TOs reported that the projects identified in the study as requiring work in 2009 were advancing well.
 - Finally it was noted that the transmission incentives consultation closes in the next few weeks and Ofgem will then go ahead with putting forward their final views on the incentives structures.

3.4 The Chairman closed the discussion on this item.

4 The ENSG Smart Grid Vision

4.1 DECC introduced this item. The TOR was issued following agreement at the last ENSG meeting to take forward a smart grid working group. The TOR called for the delivery of a smart grid vision for the UK and a route map for its delivery. There have been 3 meetings of the group to date with significant activity and interactions from the group between the meetings. The Phase 1 work – the delivery of the vision, is nearly complete. A representative of the working group was invited to present an outline of the work to date, the key conclusions and some of the assumptions underlying the process.

4.2 The slides used for the presentation are available alongside the minutes. The following points were made during the presentation and discussion:

- Smart grids will enable delivery of the low carbon transition plan at lower cost and more quickly than otherwise would be the case.
- What underpins the outline cost benefit analysis (CBA) presented as part of the vision? There is a detailed model but it requires further validation and review – a CBA sub-group of the working group will take this forward in the next few weeks.
- The benefits in the CBA as presented are associated with replacing network reinforcement and reducing load related activities.
- There are key synergies between smart grids and smart meter roll-out. One does not require the other but the combination maximises the benefits and range of services and options that can be accessed and exploited for system benefits.
- There are significant phasing issues and uncertainties with all of the smart grid proposals.
- Accessing significant demand response from consumers will require a staged approach – enable, encourage, incentivise, (mandate).
- The communications platform is a key decision in taking forward the smart grid.
- Smart grids is a complex area - early practical demonstrations will be beneficial and may be required to take developments forward in a timely way. Related to this point:
 - DECC noted that they were in the final approval stage for a smart grid capital grant programme that could support demonstration.
 - Scottish Enterprise is supporting a smart grid demonstration facility in Scotland in association with the Scottish electricity companies.
- The smart grid vision and route map will be linked to the DECC 2020 – 2050 work referred to at the start of the meeting. The role of infrastructure in enabling the transition to low carbon networks is important to understand.
- The vision needs to be tested for the scenarios it employs – are they realistic – are some not ‘least regrets’ – are others clear-cut ‘do now’ options?

- The vision in its present plan has two investment phases – the do now or soon items and the post 2020 possibilities.

Action 2: The Working Group team to determine and report back to ENSG on which parts of the analysis are robust under the complete or a wide range of scenarios and which are more dependent on other external factors being delivered.

- Has the full range of potential (nascent) technologies been considered – the group felt yes but the focus was at present on the delivery of Phase 1 developments.
- The route map will address the communication platforms issue.
- The role of energy storage will also be considered.
- Disruptive technologies, developments, policy changes should be considered where possible.

The Chairman summarised, thanked all for their inputs and closed the discussion on this item.

5 The Smart Grid Route Map

- 5.1 DECC outlined the next steps. Two slides summarising the plan are available alongside the minutes. The next meeting of the Smart Grids WG is taking place on 12th October. This would consider 'barriers' as a first stage in developing the route map.
- 5.2 The plan is to review the route map at the next ENSG meeting on 23rd November and aim to address any issues so the group could sign it off at a meeting in early 2010.

Action 3: Secretariat to arrange an ENSG meeting for mid-January 2010.

6 UK Representation for ENARD

- 6.1 DECC introduced the International Energy Agency (IEA) Implementing Agreement ENARD (Electricity Networks Analysis, Research and Development). The UK is a member of the ENARD group. ENARD is managed on behalf of the IEA Committee by its Operating Agent, EA Technology at Capenhurst in Cheshire. DECC explained that the UK representative had been Philip Baker (ex NGC and DTI/BERR) he has resigned the post. DECC have proposed that the new representative should be from industry. Ian Welch of National Grid has offered to fill the post with Giles Scott of DECC as his deputy. DECC asked the group to confirm they were in agreement with this proposal. The group agreed with the proposed nominations.
- 6.2 A question was raised over dissemination of ENARD information. DECC agreed to come back to the next meeting of the group with further information on this.

Action 4: DECC to confirm the dissemination route for information gained via UK participation in ENARD.

7 Any Other Business and Date of Next Meeting

- 7.1 The DECC Chairman asked members if there was any other business.
- 7.2 A question was raised over the TAR Review and the National Grid's paper on the 2020 grid.
- 7.3 DECC responded that their proposals on the 'Connect & Manage' approach had been broadly welcomed by industry, Consultants were to be appointed to analyse the responses from the present consultation (Improving Grid Access' published on 25th August 2009, closing for responses on 17th November 2009).
- 7.4 NG confirmed that they had received more than 50 responses to their consultation. These were wide ranging from the large players through to smaller companies and other industry players. NG would be publishing a conclusions document at the end of the year with the responses and a road map for the way forward.
- 7.5 The Scottish Government wished to put on the record their position on Transmission Access – they felt that BSUoS should be put on one side because of the TAR review and that TNUoS should be looked at in terms of intermittency.
- 7.6 No further items were raised under AOB.
- 7.7 The Secretariat confirmed the next meeting had been arranged for Monday 23rd November from 14:00 to 17:00. **[N.B. Subsequently changed to 23rd November from 10:00 to 12:30]**
- 7.8 The DECC Chairman thanked the members for their attendance and input and closed the meeting.

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