

**MINUTES OF THE THIRD MEETING OF THE
ENSG TRANSMISSION STUDIES PROJECT WORKING GROUP
Held at BERR, 1 Victoria Street, London SW1 0ET
10.00 AM, WEDNESDAY 5th NOVEMBER 2008**

Present

DECC	John Overton (Chairman)
DECC	John Spurgeon
Ofgem	Min Zhu (for Stuart Cook)
National Grid	Chris Bennett
National Grid	Andy Hiorns
Scottish Power	Colin Bayfield
Scottish & Southern Energy	Mike Barlow
SKM	Floren Castro (advisor to BERR)
Scottish & Southern Energy	Keith Maclean
EdF	Dave Openshaw
Eon	Guy Phillips
RWE	Nic Rigby
British Energy	Rob Rome
Trade Associations	Robert Longden
AEA	Henry Parkinson (Secretariat)

Apologies

Ofgem	Stuart Cook
Ofgem	David Hunt
RES	Richard Ford
DECC	Ian Lomas
DECC	Phil Hicken

1. Welcome and Introduction

- 1.1 The Chairman welcomed the participants to the meeting. Apologies for absence were noted. The agenda was reviewed and the key items for discussion were highlighted. The Chairman briefly noted the formation of the new Department for Energy and Climate Change (DECC) which should bring greater focus and some synergies to the treatment of these two important issues.

2. Minutes and Actions

- 2.1 The minutes of the previous meeting were agreed. The Chairman then asked the Secretariat to review the actions from the last meeting.
- 2.2 **Action 1** to circulate the updated terms of reference for the GB Electricity Transmission Study had been completed immediately following the previous meeting.
- 2.3 **Action 2** to provide the SKM assumptions for demand was complete with information provided as follows. SKM used a 2020 Final Energy Demand of 399 TWh under all scenarios inclusive of generation/transmission losses and energy producing industry own use. Excluding losses and generators own use the demand was 341 TWh. Demand with losses but excluding generators own use is 373 TWh which lines up with the figures presented for the other studies.
- 2.4 On **Action 3**, National Grid provided a verbal update on interim arrangements. However, following guidance from the ENSG, it was agreed that the focus of the group should remain on the investment in physical infrastructure and the programme of work should not get diverted into wider issues.
- 2.5 **Action 4** had been completed through the submission of the interim report on the GB Electricity Transmission Study to the ENSG. It was noted that due to the very tight timescales it had not been possible to circulate the report to the working group prior to submission to the ENSG. It is the intention to circulate the final report to the group for review prior to submission, although once again, timescales are very tight.

Action 1: The Study Team / Secretariat to aim to circulate key papers to the working group prior to submission to the ENSG.

3. Feedback from ENSG Meeting of 23 October

- 3.1 The Chairman noted that the presentation and report from the working group to the ENSG had been positively received and that the proposed direction of the analysis had been endorsed. The Chairman invited contributions from other members who had attended the meeting and any other comments or questions.
- 3.2 A number of points were raised during the discussion of this item including:
- there is a general willingness to consider critical pre-construction work to avoid unnecessary delays;

- it was recognised that the terminology of 'no regrets' investments was a shorthand for indicating those investments that had a high probability of being required to deliver the selected load/generation scenarios needed to meet legally binding targets, reduce carbon emissions and ensure security of supply. It did not necessarily imply that they would be required under an old business as usual scenario;

- the challenge of achieving the legally binding target for renewable energy generation by 2020 requires a route map with a timeline of critical milestones along the way to adequately monitor and manage progress.

4 GB Electricity Transmission Study - CBA

4.1 The Chairman invited the Transmission Study team to introduce the item on approaches to cost / benefit analysis (CBA) to be applied to the GB Electricity Transmission Study.

4.2 The team used a presentation to bring out the key issues for discussion. This covered the principles and methodology proposed for the CBA, some of the key assumptions that would need to be made, sensitivity analyses that could be undertaken and the presentation of the results.

4.3 The question was raised of how the benefits of replacing fossil fuel was being captured. Using the cost of carbon was one approach that could be considered. It was agreed that benefits should be acknowledged even if they could not be easily expressed in monetary terms and included in an economic analysis.

4.4 The time frame for cost recovery on investments was discussed. Some members felt that 10 years was too short and that 25 years may be more appropriate. Timescales of the order of 15 years appeared appropriate, but the materiality of this could be tested as one of the sensitivity analyses.

4.5 Assumptions around the performance of wind plant were discussed. A range of overall capacity factors for wind could be taken depending on the source of the data. The importance of this could be tested and if material, further work could be undertaken to obtain improved estimates. The evidence for the relative seasonal variability in wind performance was clearer and would be included in the analysis.

4.6 In a discussion on constraint pricing and the impact of losses, the following points were noted:

- initially a relatively simple approach to the estimation of losses is proposed but this can be refined further if losses are found to have a significant impact on the analysis;

- constraint volumes and price needs to be self-consistent;

- cost of constraints due to outages could be significant for the construction of some reinforcements;

- it was agreed that the use of representative historic data would be appropriate;

- initial views are that constraint costs for wind energy should be based on some value which reflects the low carbon benefit of the technology and these costs could be somewhere between the straight energy price and the price of energy plus the value of ROCs, for example;
- DECC would be able to help in the provision of appropriate data for carbon pricing.

Action 2: DECC to provide figures for the value of Carbon consistent with previous studies.

- 4.7 Issues relating to technology cost and performance were reviewed. Making allowances for cost creep for new technology was considered. Similarly, the potential impact of (offshore) cable failure in terms of failure rate and repair times needs to be addressed. Further data will be accessed from previous studies to illuminate this issue.
- 4.8 It was agreed that it would be beneficial to present results for the three scenarios separately. A number of possible sensitivity cases had been identified. Given that there are huge amounts of data to analyse, there is a need to simplify and focus on the most significant factors. The study team should have the latitude to select the most appropriate factors to include in the sensitivity analyses.
- 4.9 Looking at the boundary constraints, the team would review the Scottish and northern boundaries first, then the east coast including the offshore wind and then finally, draw the separate analyses together in a complete holistic view. Given the potential complexity of the information to be presented, the study team would give some further consideration to the presentation of results.

Action 3: The study team to circulate a report template for comment by mid-November.

- 4.10 The Chairman thanked the team and the working group members for a very useful discussion.

5 Forward Plan and Next Steps

- 5.1 The Chairman noted that the ENSG meeting set for 16th December had been deleted and a meeting was now expected in early February to enable the ENSG to review the output of the GB Transmission Study.
- 5.2 In looking at the forward dates for the working group meetings, it was agreed that the working group should meet again in December to provide a further opportunity to review progress and to avoid squashing the review process into too tight a timeframe in January.

Action 4: The study team to provide an update on progress with the analysis work for the working group meeting on 18th December.

6. Future Meetings and AoB

6.1. Dates for the next two meetings of the working group were agreed as:

- Thursday 18th December 2008 **(NB NEW MEETING)**
- Tuesday 13th January 2009.

Further details to be circulated with agendas.

6.2. The Chairman opened the meeting for any other business.

6.3. A question was raised about recent developments with the Energy Bill. The Chairman clarified that in relation to transmission issues, the Transmission Access Review set out where access reform is needed. The Energy Bill provides a back-stop power to enable access to be delivered which would only be used if the standard industry processes fail to deliver the required reforms.

6.4. The Chairman thanked the members for their attendance and input and closed the meeting.

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