

**Minutes and actions of the National Grid Electricity and Gas Transmission
Independent User Group (User Group) Meeting 17**

Meeting Number:	NG-UG17
Meeting Date:	22 nd Jan 2021
Location:	Microsoft Teams
Start Time:	9:30 – 16:00
Attendees:	<p>Chair: Trisha McAuley (TM) Technical Secretary: Amelia Affum (AA), Charon Balrey (CBa)</p> <p>Members:</p> <ul style="list-style-type: none"> • Roz Bulleid (RB), Green Alliance • Julie Cox (JC), Energy UK • Paul Denniff (PD), SGN • Joe Howe (JH), University of Chester • Tom Knowland (TKn), Leeds City Council • Denise Massey (DM), Energy Innovation Centre • Zoe McLeod (ZM), Independent Consumer Advocate • Eddie Proffitt (EP), Major Energy Users Council • Ben Watts (BW), ADE • Campbell Murdoch (CM), Total • Will Webster (WW), Oil and Gas UK • Andy Paine (AP), Vattenfall <p>National Grid Representatives:</p> <ul style="list-style-type: none"> • Alice Delahunty (AD), National Grid President of Electricity Transmission • Phil Sheppard (PS), National Grid Director of Gas Transmission Owner • Tony Nixon (TN), National Grid Head of Gas Transmission Regulation • Mark Brackley (MB), National Grid Head of Electricity Transmission Regulation <p>Invitee: For agenda item 3 – Enduring role of the User Group</p> <ul style="list-style-type: none"> • Ivo Spreewenberg (IS), National Grid Electricity Transmission Regulation Strategy Manager
Apologies:	<p>Members</p> <ul style="list-style-type: none"> • Barry Hatton (BH), UKPN • Julian Leslie (JL), National Grid, Electricity System Operator <p>National Grid Invitees</p> <ul style="list-style-type: none"> • Chris Bennett (CBe), National Grid Director of UK Regulation

Minutes

Agenda Reference	Minutes	Action Reference and Owner
1.	<p>Welcome from the Chair</p> <p>Trisha welcomed everyone to the meeting, went through the apologies and reminded everyone of the rules of engagement.</p> <p>The minutes of the previous minutes were approved for accuracy. All actions were closed with the exception of UG16-01 and UG16-02, which were carried forward and included as part of agenda item 3.</p> <p>PS informed the User Group that he would be retiring from the Gas Transmission business in the summer but would then become a non-exec director for NGET. PS will continue to lead GT until the new President Gas Transmission is appointed</p> <p>AD introduced herself to the Group as the President for NGET replacing David Wright and provided a run through of her background. AD also went through the rationale behind of the evolutionary changes taking place in the business, explaining the three pillars the changes were based on namely....</p> <ul style="list-style-type: none"> • Efficiency • Stakeholder alignment - This is in terms of what NGET is delivering for customers and stakeholders, how funding is being secured and how outputs are being delivered in an efficient way. • Culture shift nudging more towards results and purpose focus and innovation. <p>Introductions were, in turn, made by the members of the User Group.</p>	
2.	<p>NGGT & NGET RIIO 2 Update</p> <p>TM introduced this session as the next stage to understanding where NG is at in the journey towards finalising the business plan commitments for RIIO 2.</p> <p>NGGT RIIO 2 Update</p> <p>TN reminded the Group of the three key concerns NGGT had with the draft determination (DD) and the movements they had been expecting with the final determination (FD).</p> <p>TN updated the Group that Ofgem had moved significantly on reliability and resilience and commented on the mechanisms that had been put forward by Ofgem to enable delivery of net zero. These covered some of the hydrogen activities NGGT needed to undertake and also went further to cover some of the environment efficiencies.</p> <p>TN, however, explained that there was still a lot to review, with regards to the current proposals, in order to get to the final licence drafting expected for the 3rd February.</p> <p>TN then went through the outputs for Gas in the following areas:-</p>	

- Meeting the needs of consumer and network users
- Maintaining a safe and resilient network – committed to the network capability reporting and the exit capacity
- Delivering an environmentally sustainable network

For each of these outputs, TN went through the commitments and where applicable, the licence obligations, the financial & reputations incentives, the price control deliverables and whether a re-opener would apply. He explained that this, in essence, would become the performance framework against which NGGT would be required to demonstrate delivery.

TN talked about the level of funding that had been provided via the Network Innovation Allowance and Strategic Innovation Fund. He also touched on the re-openers pertaining to net zero, which have now been proposed by Ofgem, subsequent to feedback to them around the inflexibility of the framework in the Draft Determination.

Q&A

The Group enquired about how NGGT intended to take whole systems forward in the context of the FD. PS responded by providing examples of whole system working, citing the cross-network approaches being adopted through the work with the Energy Network Association (ENA). PS also talked about conversations with Ofgem around the Strategic Innovation Fund (SIF) which is picking up on the whole system and how they model the interactions. There was also the question of how the transition to net zero is managed and the role hydrogen might play in that context. Reference was also made to the initiatives NGGT has been supporting, like the Greater Manchester Authority work where the electricity distribution and gas distribution networks have collaborated and come up with solutions to address the specific needs of the region (around housing, transport requirements, the possible decarbonisation routes for the area) and therefore what role in electrification that hydrogen deployment will play. He acknowledged that there was still a lot of collaborative work to be done to ensure that there were economic solutions that were suitable not just for one city but scalable across all cities.

JC raised a question on cross-sector thinking and referred to the recent Gas Goes Green publication which, she believed, was very gas networks focused. She informed that no mention was made of key issues, like the impact of generation, and expressed concern that with some of these high-profile publications, it was not visible that a whole system view was being taken.

PS responded by explaining that, albeit very important, Gas Goes Green was only a part of the whole system jigsaw. He talked about the work NGGT was doing with the government at various levels and the reliance on government policy, and he explained how whole system went beyond electricity and gas to include heat and transport. PS also touched on the need to involve more stakeholders and to consider solutions from the consumer's perspective.

JC also mentioned the exit capacity planning guidance document, purposed at getting transmission and distribution to work together so that distribution networks are able book exit capacity in a way that is the best set up for the whole system. She sought NGGT's view as to whether they believed the process followed a whole system approach. TN suggested to address this offline with JC.

JC also highlighted that, in terms of the exit capacity constraint management incentive, it seemed as if the revenues that led to the challenges before Christmas, in terms of interruptible and off-peak capacity, were still feeding into the incentive, unless there was a buy back question on charging.

TN informed the Group of the discussions with Ofgem on constraint management and the changes required for RIIO 2.

An action was taken to come back to the Group on the exit capacity planning guidance document.

EP raised a continuing concern amongst Industrial & Commercial customers, that it did not seem like asset risk had been addressed adequately through the FD. PS explained that although Ofgem had moved considerably on their proposals for reliability and resilience, the NGGT Board was carefully considering the FD.

A question was also raised with regards to uncertainty mechanisms around whether NGGT was convinced that Ofgem would respond quickly enough to get decisions within the five-year period for RIIO 2.

TN explained that, based on learning from the RIIO 2 business plan process, he believed the onus would rather be on NGGT to put forward the right plan to make it easy for Ofgem to make the necessary decisions at pace.

NGET RIIO 2 Update

MB provided an overview of the FD, focusing on the key stakeholder priorities.

On Reliability, MB updated that, similar to NGGT, the whole package being proposed by Ofgem in the FD was under consideration by the NGET Board. He explained the level of funding which NGET had requested was to ensure that the level of risk on the network was kept at a constant. He advised that though Ofgem had moved significantly in what they eventually proposed in the FD, they still did not fund all the investment NGET had put forward in the business plan. The high-level outcome was that Ofgem, in effect, funded at the same level pro rata as NGET has been spending in RIIO 1. The consequence was, therefore, that the level of risk on the network will drift up which is contrary to what stakeholders want.

MB then talked about the mechanisms Ofgem had put into place to ensure that NGET was held to account to deliver the investments that have been requested and allowed, as well as the mechanisms to claw back allowances upon non-delivery.

In terms of Resilience, MB informed the Group that NGET has either been funded to deliver outputs stated or they have access to uncertainty mechanisms to get funding at various points through the period as requirements change or new requirements come in. He explained that, for customers, this provides flexibility to ensure NGET is able to respond appropriately to any potential changes in the future.

MB further highlighted to the Group that with both Reliability and Resilience there were some relatively small areas that were not fully resolved in the time allowed for the price control process. There were, therefore, some bespoke re-openers to deal with some specific projects in April this year which would, in essence, be an extension of the process.

In terms of net zero, MB advised that NGET had been funded for all of the connection projects and network reinforcements which was a significant change from DD. In addition to that, MB explained that there were a whole range of uncertainty mechanisms in place to allow for the required flexibility in the price control framework. These were expected to enable NGET to respond accordingly to any changes in investments which could be as a result of new customer requirements or the system operator flagging a new need for network capacity.

The User Group was reminded that Ofgem was setting up a net zero advisory group (NZAG) to look at whole system collaboration on the big investments required to progress to take us forward to net zero by 2050 but perhaps were not facilitated by the current arrangements.

MB talked about NGET's own carbon footprint, with the biggest contributor being sulphur hexafluoride (Sf6). He explained that a flexible uncertainty mechanism was proposed in the business plan to enable the removal of Sf6 equipment over the 5 years. Though Ofgem has funded only a small amount of the investment requested, a re-opener was in place to seek additional funding which should keep the business on a trajectory towards net zero by 2050.

There was a further discussion on uncertainty mechanisms and the possible risk of delay, with Ofgem being the sole controller of re-openers. The Group expressed concern that the range of mechanisms which have proposed by Ofgem to provide some flexibility in the framework, may not be adequate enough for to deliver the right solutions.

They Group also emphasised again the need for a coordinated approach and collaborative working across the energy industry, if current culture and behaviours are to change.

NGET was also asked how long it would take to refresh the existing network based on what Ofgem has now allowed in the FD. AD responded by explaining the rationale behind what was proposed in the FD, which meant the business was taking on a bit more risk, albeit not an intolerable one as it did not create a future bough wave. AD informed the Group that with the FD and the re-openers proposed, NGET has now landed at a point where although not stable, risk is not escalated to the point where it is irrecoverable.

	<p>The Group reflected on the regulation challenges now being faced by the industry and the impacts across all sectors. WW highlighted the particular net zero implications for the off-shore production sector.</p> <p>Finally, MB highlighted the cost implications of the FD on customers as being that of bill reduction.</p>	
<p>3.</p>	<p>Enduring role of the User Group</p> <p>IS opened by explaining that the purpose of the session was to facilitate the development of the workplan for the User Group for the next twelve months and to consider how it might be tracked and measured.</p> <p>IS did some context setting by reminding the Group of the three focus areas which aligned to their Terms of Reference. These were ..</p> <ul style="list-style-type: none"> • Scrutinise and challenge company business plans as part of the periodic price control process • Monitor, interrogate and enhance transparency of performance against commitments within price control periods • Critical friend for strategy, culture and processes in key areas of stakeholder, customer, consumer, innovation and responsible business <p>He explained that the period now was one of transition as the Group moved from the RIIO 2 delivery period. IS also set how he envisaged the focus of the Group might change over the next five years.</p> <p>IS then went on to explain the eight key areas of impact over the coming year against the IUG purpose and set out the type of outcomes anticipated for each of the focus areas.</p> <p>ZM commented that with regards to outputs, it may be worth the Group considering multiple shorter reports which would be more aligned to key points in the business, as a way of improving transparency. ZM also enquired how NGET would respond to changing needs within the RIIO 2 period, particularly in relation to innovation and net zero, where there could be sizeable shifts.</p> <p>IS advised that the reporting which most suits the Group's needs would be looked at as the next step in deciding on the outputs for the Group. With regards to demonstrating changing needs, he advised that this would be more challenging. Possible approaches would, never the less, be considered and put forward when the Business comes back to the Group to present the stakeholder engagement plans.</p> <p>Feedback was also provided for NG to more explicitly pull out the Group's role in evaluating changes in culture, especially bearing in mind the stakeholder and innovation charters. The Group discussed the need to assess where the business is now in order to measure the level of any future change.</p> <p>There was also a discussion around being able to identify the key areas where a deep dive would deliver value.</p>	<p>UG17-01 Review the previous Golden Threads to capture underlying themes in forward plan.</p>

	<p>IS then went through the proposals for a forward plan for NGET & NGGT, which considered possible topics aligned to the User Group purpose and against a timing influenced by key milestones.</p> <p>Further feedback was sought from the User Group.</p> <p>This was followed by a discussion around the need for context setting for each topic to be presented to the Group, to help demonstrate the cultural changes taking place within that thread. IS also explained how what is expected from the Group would be made explicit for each topic.</p> <p>The Group discussed the metrics that would be needed to measure performance and they agreed with A's views on the importance of prioritising the IUG's focus on the critical things, and on its scope and remit. WW offered to provide some support to aid the development of the required metrics.</p> <p>There was also a discussion around how the business could make those commitments that are not part of the Ofgem framework, more transparent.</p> <p>IS presented some example dashboards and also went through an example framework which the Group could use to measure effectiveness. It was discussed that an area, where the IUG could bring considerable value, would be in how NG can make reporting easily translatable to stakeholders.</p> <p>ZM commented positively on the simplicity of the framework.</p>	
4.	<p>Ways of Working</p> <p>TM referred to the governance documents that were circulated as part of the pre-read for the meeting and encouraged members to refresh their memory on the detail.</p> <p>TM set out her expectations on how the Group may continue to work together.</p> <p>She referred to the IUG charter and expressed that she was keen to understand what members expected of her. TM then talked about the desire to re-introduce closed sessions, as well as the customer and safety moments. She asked for the group to, as always, to think about and represent the needs of users/future users. TM stated that she would like the Group to continue to work as a collective and work within the scope of their remit. She asked for the Group to continue to challenge constructively, to agree challenges and to register disagreements. She also advocated that the Group use their expertise and experience to look for solutions, stating the need for trust and transparency.</p> <p>Finally, TM noted that the new phase of the Group's work may require a higher level of focus than the detailed scrutiny that went into the draft business planning process. It would be important to get the right level of scrutiny that was strategic and focused.</p> <p>TM encouraged, the Group to engage with each other as much as is feasibly possible, given current conditions.</p>	

	<p>The Group provided their feedback and discussed, within that, the need for an improvement in the engagement with Ofgem and any associated Groups like the Challenge Group and the Net zero Advisory Group</p> <p>Comment was also sought from NG and MB asked for the constructive nature of the relationship to be continued, as it impacted the business positively.</p>	
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