

**London Electricity High-level Working Group**

**28 March 2013 – 15:00 – 17:00**

**Committee Room 4 - City Hall**

**Chair:** Sir Edward Lister

<b>Item</b>	<b>Time</b>	<b>Subject</b>	<b>Lead person</b>
	15.00	Tea/Coffee on arrival	
1	15.10	Welcome and introduction	Chair
2	15.15	Action note of January meeting (herewith)	Chair
3	15.30	Funding options for network capacity improvements through UKPN's Business Plan for 2015 - 2023 <ul style="list-style-type: none"> <li>• Presentation</li> <li>• Discussion</li> </ul>	UKPN All
4	16.20	Consideration of longer term options for improving circumstances for strategic infrastructure investment <ul style="list-style-type: none"> <li>• Discussion</li> </ul>	All
5	16.40	AOB	All
6	16.50	Next steps	Chair
7	17.00	Close	Chair

# London Electricity High-level Working Group 15 January 2013

## **Action Notes – *and follow-up activities***

*Please note that follow-up activities are included in italics.*

### Item 2

#### **Draft Terms of Reference**

Terms were agreed

### Item 3

#### **Identifying growth hotspots and areas of existing network stress that require strategic infrastructure investment**

The following specific next steps were agreed at the meeting:

- DNOs will provide data about network stress (UKPN in form of a ‘heat map’) and a broad overview of the factors/assumptions informing their demand forecasting. – *UKPN has indicated that this will be available at the March meeting.*
- UKPN should respond to the GLA’s data offer shortly, also identifying a suitable format and level of detail of the data on offer. – *UKPN is still considering the potential added value and scope of the data offer. A meeting to discuss is being arranged for early May.*
- The GLA should provide SSE shortly with an example of data from the London Development Database for their consideration. – *The GLA has just provided the example and is awaiting SSE’s feedback.*
- Other stakeholders should consider the provision of additionally suitable development data to the DNOs.

### Item 4:

#### **Potential of Decentralised Energy (DE) systems, district heating and demand side response measures to reduce electricity distribution infrastructure costs**

It was highlighted that charging is highly regulated.

In terms of demand management only small-scale opportunities have been identified so far due to cost implications – most of it is back-up generation.

Lessons are being learnt from the Low Carbon London project.

The following process for delivery of the identified requirements was agreed at the meeting:

1. Brief by GLA to UKPN on connection costs and use of system charging constraints on the delivery of DE.
2. Delivery by UKPN of the available options for charging connection and electricity supply costs to attract electricity-optimised DE investment.
3. Ofgem’s comments on the available options
4. Delivery by UKPN of its proposals in its capacity as distribution network operator for incentivising or promoting –

- delivery of demand side response services (including heat storage facilities) aimed at reducing network investment cost;
  - to the extent not already available proposals to enable DE to participate in the provision of ancillary services.
5. Formulation by the Mayor of any measures appropriate and available to him to support UKPN in relation to 4 above.
  6. Ofgem's comments
  7. Preparation of a joint UKPN / GLA strategy for network operation for DE in London and GLA input to UKPN on its strategy for the development of demand side response services.
  8. Timing and formulation of action on strategy.

*After the meeting it was also agreed between GLA and UKPN to form a sub- group to ensure that the required actions are carried out and that permanent lines of communication over the DE / demand side response issues are established.*

*A list of areas of synergy between the GLA's DE programme and UKPN's planned initiatives for supporting demand side response services and network cost effectiveness has been drafted and agreed in principle between UKPN and the GLA. UKPN is currently putting together a group of in-house experts to work with the GLA's energy supply team on the identified areas.*

*As and when appropriate, the sub-group will report back to the High-level Working Group.*

#### Item 5

#### **Estimating costs of investments required and considering models for how they could be met/shared**

Business and development industry representatives indicated that London's electricity infrastructure is inadequate and that there are risks to London's performance as global economic centre.

UKPN highlighted that as a company they would not be prepared to take stranded asset risks.

Ofgem stressed their role to protect existing customers and a regulatory framework that works country-wide and not only in London. They insisted that the new RIIO framework does not prevent a more strategic approach to infrastructure investment.

However, legislation does not allow investment to be triggered without a connection application. Commitment from connection customer or consortia of connectees under commercial arrangement (section 22) represents an exception. Ofgem presented a potential approach where existing customers would contribute to a strategic investment to the scale of the cost saving compared to incremental investment.

Consortia would not work in The City / West End and elsewhere developers may still not be prepared to give up a first-mover advantage.

Community Infrastructure Levy and Section 106 Agreements were not considered as a suitable funding mechanism. The Mayor's CIL is restricted to transport and at local level there would significant competition with other funding priorities.

Following on from the discussion and in preparation for the next meeting, stakeholders were asked to provide ideas on:

- how to incentivise and facilitate consortia of developers
- any other feasible funding model that would not require the change of primary legislation. The Mayor does not think that consortia should be the only solution to fund strategic investment and he therefore urge all stakeholders to think again about alternatives for London

*In February UKPN submitted a paper to Ofgem setting out a range of different options for the funding of infrastructure improvements through UKPN's Business Plan for 2015 - 2023. This was followed up by a high-level meeting on 21 March to discuss UKPN's emerging preferred options. UKPN are now slightly revising their options paper (it includes seven different options) and will present their preferred options to the meeting on 28 March (agenda item 3).*

*The Central London focused Electricity Regulation Working Party has also met to discuss options considered feasible in Central London and has had an exchange of letters with Ofgem.*

#### **Item 6**

#### **Next steps**

Next meeting had been arranged for 28 March 2013. Participants agreed that this would be useful.

In the meantime the identified actions (above) would be pursued and report back on at the arranged meeting.

#### ***Related activities***

#### ***DNO's draft Business Plans***

*The Mayor has responded to UKPN's draft Business Plan for London highlighting that he*

- Supports the approach set out in particular with regards to (a) strategic investment ahead of need and investment in six new substations in central London and (b) decentralised energy and demand site response measures, and is keen to support their implementation*
- Sees fundamental problems with its delivery of (a), in particular in terms of appropriate funding mechanisms to meet London's needs under the current regulatory system. Short and long term solutions for this need to be explored urgently and in cooperation to inform UKPN's final business plan*
- Sees scope for improving the transparency of the information on electricity capacity and demand provided*

*SSE is currently consulting on their second consultation paper. The consultation closes at the end of March.*

#### ***Ofgem Strategy Decision***

*On 4 March Ofgem published its final Strategy Decision for the RIIO-ED1 Electricity Distribution Price Control. This provides an overview of their decision on the approach to the next electricity distribution price control (RIIO-ED1). It includes the outputs the DNOs will need to deliver, the incentives to encourage their delivery and Ofgem's approach to assessing the Business Plans.*

**Greater London Authority  
London's Electricity - High Level Working Group  
List of Participants**

<b>Name</b>	<b>Job Title</b>	<b>Borough/Company</b>
Ben Wilson, Keith Hutton and Barry Hatton	Director of Strategy and Regulation Head of Regulation Director of Asset Management	UK Power Networks
Graham Meeks	CEO	Combined Heat and Power Association
Paul Hemsley and John Smart	Regulation Manager System Planning and Investment Unit Manager (South)	Scottish and Southern Energy
John Wilson	Head of System Design - Network Engineering	National Grid
Dora Guzeleva	Head of Networks Policy: Local Grids	Ofgem
John Dickie	Director of Strategy and Policy	London First (representing business sector)
Hugh Bullock	Head of Planning and Development	Gerald Eve (representing developers)
Neil Pennell?	Head of Sustainability and Engineering	Land Securities Group (representing developers)
Chris Trew	Director, Engineering Services	Davis Langdon (representing City of London Property Association / property sector)
Paul Beckett	Policy and Performance Director	City of London
Barry Smith	Operational Director of City Planning	City of Westminster
Rob Krzyszowski	Deputy Team Leader, Development Plans	Hammersmith & Fulham Borough Council
Philip Gullet and Gary Edwards	Chief Operating Officer Technical Director	Battersea Power Station Development Company (representing VNEB OA)
Martin Heyward and Vince Colby		Meedhurst Project Management VBC Associates (representing Imperial West / White City OA)
Edward Lister (Chair)	Deputy Mayor and Planning Advisor	GLA
Jorn Peters Colin Wilson	Senior Strategic Planner Senior Manager – Planning Decisions	GLA - Planning
Peter North	Senior Manager - Programme	GLA - Energy
Kevin Hoctor	Senior Policy Officer, Private Sector	GLA - Business