

**London Electricity High-level Working Group
18 June 2013**

Meeting Notes

[Post meeting notes are included in italics.]

Attendance

The list of participants is included at the end. All invited organisations attended, except Neil Pennell, Land Securities, and John Smart, Scottish and Southern Energy.

Item 1 - Introduction

Matthew Pencharz, the new Chair, welcomed participants. He referred to the references to electricity infrastructure in the Mayor's recently published 2020 Vision – see the following link for further details: <http://www.london.gov.uk/mayor-assembly/mayor/vision-2020>.

Item 2 - Action Notes of 28 March meeting

Ofgem

Ofgem stated that their cost-benefit analysis, concluding that there was no case for the need to change legislation to allow strategic investment, was discussed at the Flexibility and Capacity Working Group meetings. *Its minutes can be accessed via the following link.*

<http://www.ofgem.gov.uk/Networks/ElecDist/PriceCntls/riio-ed1/working-groups/Pages/index.aspx>

Ofgem's Strategy Decision Framework for this price control period includes details about the Business Plan assessment process and criteria. *Its Annex 4 lists questions related to the core criteria, which cover process, outputs, cost, financing and risk/uncertainty. The Strategy Decision is available at:*

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=120&refer=Networks/ElecDist/PriceCntls/riio-ed1/consultations>

The timetable post Business Plan submission is as follows. *Further details are included in Annex 5 of Ofgem's Decision Framework:*

- July 2013: Invitation to comment on the final Business Plans once submitted – 4 weeks
- Oct 2013: Initial assessment and fast-track draft determination – 8 week consultation
- Mar 2014: Invitation to comment on re-submitted non-fast-track Plans – 4 week
- July 2014: Non-fast-track draft determination – 8 week consultation
- April 2015: New price control period – until 2023 - commences

UKPN

UKPN and Ofgem clarified that extending the '5 year rule' (investment recovery period) to reflect that development areas tend to take longer to build out would require changes to secondary legislation.

Relevant GLA and UKPN experts met on 8 May to discuss UKPN's demand modelling and the potential added value and scope of a GLA development data offer aiming to make UKPN's demand forecasts more robust. Officers are currently in the process of setting up a mechanism to provide UKPN regularly with up-to-date data from the GLA's London Development Database in particular about planning permission. *Scottish and Southern Energy have also confirmed that they will be considering the GLA offer of development data.* The Working Group will be kept informed about progress with the data provision.

The GLA and UKPN have also established a sub- group with respective experts to discuss identified Decentralised Energy and demand side response issues and develop a joint strategy initially covering UKPN's demand site response initiatives and connection cost barrier for Decentralised Energy. The sub-group met on 3 May for the first time and will meet again twice this year. As and when appropriate, the sub-group will report back to the High-level Working Group.

It was also mentioned that demand side response measures work best in new developments. GLA officers confirmed that development could be encouraged to be 'demand-side-response ready' through the London Plan. This will be considered as part of the Further Alterations to the London Plan.

Item 3 - Initial feedback on responses to UKPN's Business Plan Update

Relevant consultation responses have been received from the City of London, the City of Westminster, the Mayor and the Electricity Regulation Working Party, which also includes key business stakeholders in central London. The following two issues were highlighted and feedback was provided:

- Reduction in substation investment: UKPN acknowledged that this was not endorsed or supported by these stakeholders, but instead that it became clear that the higher investment originally suggested investment figure would have had no chance to gain approval under the current regulatory regime.
- Price cut: This could largely be achieved by re-profiling/re-phasing planned investment. UKPN sees this as important to increase their chances to get fast-tracked.

UKPN have now also shared with the Electricity Regulation Working Party members an overview of responses to their comments. There is only a short window of opportunity to comment on this.

UKPN is now making minor/final changes to its Business Plan including additional expenditure for a new operation response centre in central London. This will reduce their response time to network disruptions.

The following specific new output commitments that will be included in UKPN's final Business Plan were highlighted:

- The publication of an Annual Strategic Development Statement including a development pipeline and investment required to accommodate it. *This could be informed by the GLA development data that will be provided in the future (see above under Item 2 regarding GLA's data provision initiative).* – Whilst this could highlight investment need, the Statement would not in itself serve as a trigger for additional investment in reinforcement.
- The publication of 'heat maps' for network capacity and the role out of their 'flexible plug and play'¹ initiative as standard across all their networks including London. These commitments will be looked at further by the sub-group dealing with decentralised energy and demand side response measures.

UKPN would encourage stakeholders to comment on their final Business Plan.

Scottish and Southern Energy have provided a statement that general reinforcement during the first four years will be included in their Business Plan submission for the following locations: Harvard Lane, Copley Dene, Leamington Park, Brentford and Perivale.

Item 4 - Consideration of longer-term options for improving circumstances for strategic infrastructure investment

The existing legal and regulatory framework governing investment in electricity distribution infrastructure does not appear to be fit for purpose, certainly in the context of the nature and scale of development in central London. The GLA have set this out in a Briefing for Peers for the House of

¹ This seeks to provide cheaper and faster connections of renewable generation to the electricity distribution network.

Lords' Second Reading of the Energy Bill. A robust evidence base of sufficient quality needs to be assembled to justify change to the circumstances of strategic infrastructure investment. The evidence base needs to demonstrate the likely extent to which London's development and economic growth may be impeded if no change is made, combined with evidence to show that the risk and cost to London's electricity consumers caused by making a change is far outweighed by the economic benefits to Londoners, to London's commuters and visitors.

Developers and business representatives supported such research and raised a range of related issues including:

- The robust quantification of risks will be challenging. There may be ways to put a value for example on lost load, but generally it will be necessary to devise risk implication models and scenarios with realistic assumptions based on developer experience.
- The economic downturn has 'helped' to reduce demand. Otherwise there would have already been a severe capacity shortage in central London.
- The identification of land for infrastructure is severely constrained by the lack of a forward plan showing what is needed where.
- The detailed specification of infrastructure costs for a development area at an early stage is crucial for the development process.
- The '5 year rule' (investment recovery period) incentivises second-comer developers to wait to avoid costs.
- The temporary use of generators to overcome delays has a detrimental impact on air quality.
- The potential for the London Enterprise Partnership to engage was mentioned.

UKPN also welcomed the idea, whilst reiterating that electricity capacity has never and will never prevent development. It was admitted though that cost and timing of connections were separate issues.

Ofgem indicated that the consideration of wider benefits to London would be beyond the remit of their regulatory framework. They also highlighted that due to the 'shallowish' connection charges existing customers already contribute significantly towards the electricity supply for new developments. As demonstrated at the first Working Group meeting, they would be open for co-funding through existing customers where they directly benefit.

Item 6 – Next Steps

Group members were asked to consider participation in a new sub-group to support the preparation of the research with their ideas/expertise/data. Several member organisations volunteered and are now asked to confirm individuals for the establishment of the sub-group. Participants were also asked to provide ideas to inform the approach to the research and in particular to the potential quantification of risks and benefits.

It was agreed that the next meeting would be scheduled for in about six months time when results of the research could be discussed and further steps to pursue the improvement of the circumstances of infrastructure investment could be considered.

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26 June 2013

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List of Participants

Name	Job Title	Borough/Company
Basil Scarsella Ben Wilson, Mark Adolphus and Robert Kemp	CEO Director of Strategy and Regulation Director of Connections Head of Systems Development	UK Power Networks
Nicky Butterworth	Policy and Development Manager	Combined Heat and Power Association
John Wilson	Head of System Design - Network Engineering	National Grid
Dora Guzeleva Sam Williams	Head of Networks Policy – Local Grids Senior Policy Analyst	Ofgem
John Dickie and David Leam	Director of Strategy and Policy Executive Director – Policy	London First (representing business sector)
Hugh Bullock	Head of Planning and Development	Gerald Eve (representing developers)
Chris Trew	Director, Engineering Services	Davis Langdon (representing City of London Property Association / property sector)
Steven Bage	Strategic Infrastructure Advisor	City of London
Barry Smith	Operational Director of City Planning	City of Westminster
Rob Krzyszowski	Deputy Team Leader, Development Plans	Hammersmith & Fulham Borough Council
Jamie Eagles Laurence Johnson	Strategic Manager Associate	Nine Elms Vauxhall Hoare Lea (representing VNEB OA)
Gary Edwards	Technical Director	Battersea Power Station Development Company (representing VNEB OA)
Martin Heyward		Meedhurst Project Management (repr. Imperial West / White City OA)
Matthew Pencharz (Chair)	Environment and Political Advisor to the Mayor	GLA
Stephen Tate	Assistant Director – Environment	GLA – Environment
Andrew Barry-Purssell Jorn Peters	Senior Manager – Spatial Strategy Senior Strategic Planner	GLA – Planning
Suzanne Moroney	Principal Policy Officer – Competitiveness and Infrastructure	GLA - Business