

**KENT UTILITIES ENGAGEMENT SUB-COMMITTEE**

**Friday, 15th February, 2019**

**2.00 pm**

**Medway Room - Sessions House**







## AGENDA

### KENT UTILITIES ENGAGEMENT SUB-COMMITTEE

**Friday, 15th February, 2019, at 2.00 pm**  
**Medway Room - Sessions House**

Ask for: **Kay Goldsmith**  
Telephone: **03000 416512**

#### **Membership**

Conservative (7): Mr M A C Balfour (Chairman), Mr A M Ridgers (Vice-Chairman), Mr T Bond, Mr A Booth, Mr D L Brazier, Mr H Rayner and Mr J Wright

Labour (1) Mr D Farrell

Liberal Democrat (1): Mr I S Chittenden

*Tea/coffee will be available 15 minutes before the start of the meeting*

*County Councillors who are not Members of the Committee but who wish to ask questions at the meeting are asked to notify the Chairman of their questions in advance.*

#### **Webcasting Notice**

Please note: this meeting may be filmed for the live or subsequent broadcast via the Council's internet site or by any member of the public or press present. The Chairman will confirm if all or part of the meeting is to be filmed by the Council

By entering into this room you are consenting to being filmed. If you do not wish to have your image captured please let the Clerk know immediately.

### **UNRESTRICTED ITEMS**

*(During these items the meeting is likely to be open to the public)*

- 1 Welcome / Introductions
- 2 Substitutes
- 3 Declaration of Interests by Members in items on the Agenda for this meeting
- 4 Minutes of the meeting held on 1 November 2018 (Pages 5 - 12)
- 5 Presentation by Southern Gas Network (Pages 13 - 14)
- 6 Presentation by OFGEM (Pages 15 - 16)
- 7 Date of next meeting  
18<sup>th</sup> September 2019, 2pm, Medway Room

### **EXEMPT ITEMS**

*(At the time of preparing the agenda there were no exempt items. During any such items which may arise the meeting is likely NOT to be open to the public)*

Benjamin Watts  
General Counsel  
03000 416814

**Thursday, 7 February 2019**

**KENT COUNTY COUNCIL**

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**KENT UTILITIES ENGAGEMENT SUB-COMMITTEE**

MINUTES of a meeting of the Kent Utilities Engagement Sub-Committee held in the Swale 2 - Sessions House on Thursday, 1 November 2018.

PRESENT: Mr M A C Balfour, Mr A Booth, Mr D L Brazier, Mr I S Chittenden, Mr D Farrell, Mr H Rayner, Mr A M Ridgers and Mr J Wright

ALSO PRESENT: Mrs K Stewart and Mr M Whiting

IN ATTENDANCE: Mrs K Goldsmith (Research Officer - Overview and Scrutiny), Ms C McKenzie (Sustainability and Climate Change Manager), Ms S Platts (Strategic Planning and Infrastructure Manager), Mr S Baggs (Energy Manager) and Mr A Turner (Water Resources Manager)

**UNRESTRICTED ITEMS**

**16. Substitutes**

*(Item 1)*

(1) Apologies had been received from Mr Trevor Bond.

**17. Election of Chairman**

*(Item 2)*

(1) Mr Rayner nominated Mr Balfour, seconded by Mr Brazier.

RESOLVED that Mr Balfour be elected unopposed.

**18. Election of Vice-Chairman**

*(Item 3)*

(1) Mr Booth nominated Mr Ridgers, seconded by Mr Rayner.

RESOLVED that Mr Ridgers be elected Vice-Chairman.

**19. Declarations of Interests by Members in items on the Agenda for this Meeting**

*(Item 4)*

(1) There were no interests declared.

**20. Minutes - 12 April 2017**

*(Item 5)*

RESOLVED that the minutes of the meeting held on 12 April 2017 were a correct record and that they be signed by the Chair.

## **21. Terms of Reference**

*(Item 6)*

RESOLVED that the sub committee's Terms of Reference, as agreed by the Scrutiny Committee on 6 July 2018, be noted.

## **22. Kent and Medway Strategic Energy Overview - A Local Authority Perspective (KCC) - Presentation**

*(Item 7)*

- (1) Carolyn McKenzie (Head of Sustainable Business and Communities, KCC) gave a presentation about future energy systems from the perspective of a Local Authority. The presentation can be viewed online at this link: <https://democracy.kent.gov.uk/documents/s87959/Item%207%20-%20A%20local%20authority%20perspective.pdf>
- (2) The Kent Environment Strategy was a driving force behind the future of energy. It had been adopted by all Local Authorities in Kent and Medway.
- (3) Power stations needed to be decarbonised in order to meet the climate change goal of cutting CO<sub>2</sub> emissions by 80% by 2050. There was significant potential in this area, and investment totalling £14bn had been identified in the Tri-LEP Strategy.
- (4) New sources of energy were required, as current forms such as fossil fuels were not sustainable. New, low carbon systems included hydro and wind power.
- (5) Carolyn McKenzie explained that the DIGIGIF was a digital version of the Growth Infrastructure Framework. It was used as an infrastructure mapping tool by developers, utility providers and local authorities, and highlighted energy needs, hotspots and constraints – as well as information on how these would be overcome.
- (6) Steven Baggs (Energy Manager, KCC) continued the presentation to update members about the Maidstone Heat Network. The feasibility study was looking into the possibility of heating a number of buildings in Maidstone town centre by using a large, single source of energy such as a water pump and gas Combined Heat and Power. The objective was to reduce local emissions and be more efficient.
- (7) A pre-feasibility study started in 2012 with Aecom, following the receipt of funding. A number of challenges were identified; therefore a new iteration of the scheme began in 2018. The buildings involved were Maidstone Prison (the largest source of heat demand), Maidstone East train station, Invicta House, Sessions House and Kent History and Library Centre.
- (8) The possibility of locating the energy centre in the Maidstone East development site was being looked into.
- (9) Work progressed on stage 2 of the feasibility study, and KCC continued to work with external partners. The Internal Rate of Return (IRR) would be low (around 4% - though this was just a first financial assessment and more work needed to

be carried out on establishing the financial viability) but central government had set aside money (the Heat Network Investment Programme) in order to help attract commercial investors (who usually looked for an IRR of 10-12%). When the scheme became commercial, it would either be KCC or an external company that took it forward.

- (10) KCC had been in discussion with UKPN since 2016 about accessing the grid. A number of upgrades would take place in Kent over the coming years. A flexible approach would be taken where possible – such as accessing power at off-peak times.
- (11) A Member commented on the use of water from the Thames as a source of energy by London authorities. Steve Baggs advised that the Environment Agency would have to consider and approve a similar scheme in the Medway. It would not be as large as the London scheme.
- (12) There was a portfolio of case studies being built across London of different heating schemes. For example, Islington Council was looking at the possibility of using heat from the Underground as a source. Officers within KCC ensured they were aware of schemes happening across Kent and the rest of the UK.
- (13) KCC's role in the energy sector was changing to become more of a strategic partner.
- (14) The Chairman thanked Carolyn McKenzie and Steven Baggs for their presentation. He invited Mr Baggs to a future meeting for an update on the Maidstone Heat Network Scheme.

RESOLVED that the guests be thanked for attending the meeting and that Mr Baggs attend a future meeting for an update on the Maidstone Heat Network Scheme.

### **23. Future Energy Provision - A Utility Provider Perspective - Presentation** (Item 8)

*Mr Neil Madgwick (Head of Service Delivery, UKPN) was in attendance for this item.*

- (1) The Chairman welcomed Mr Madgwick, who gave a presentation about the UK Power Networks.
- (2) There were three main aspects to UKPN's work:
  - i. Keeping the lights on – ensuring the system was fit for purpose.
  - ii. Ensuring knowledge around local plans was up to date.
  - iii. Providing a service to customers who wanted to connect to the grid. Customers would state how much power they required.
- (3) Mr Madgwick explained that the South East was the area of the largest demand growth across the Country. The way power was generated was changing to become more decentralised, bi-directional, intermittent, hybrid and flexible. Customers were also able to self-produce their power with options such as solar panels.

- (4) Peaking power plants were very popular because of current government policy.
- (5) The use of Electric Vehicles (EV's) was a huge growth area. UKPN forecasts had been underestimated by 27%. Some developers wanted to install rapid EV chargers at 50kW+, but Mr Madgwick explained that the power required to do that was equivalent to installing a 22-storey block of flats. Therefore their use had to be justifiable.
- (6) UKPN's performance was rated by the regulator Ofgem. They considered a number of measures, including how many power cuts there had been. UKPN's power cut performance had improved 42% since 2010/11.
- (7) Mr Madgwick informed members of the committee about the new single phone number to call in the event of a power cut (105). There was also a "Track My Power" tool online for customer use. The use of social media such as Twitter to report issues was being utilised just as much as traditional phone calls.
- (8) Special services were available to vulnerable/ priority customers in the event of a power cut. UKPN's definition of a priority customer had developed over time, and there were around 1 million customers on the Priority Services Register at that time. The implementation of GDPR had added a number of challenges, but UKPN had partnered with South East Water and continued to provide support to customers.
- (9) Distribution Network Operator's (DNO's) were not incentivised to anticipate future developments, as they did not receive funding to make speculative decisions on where development might occur. However, UKPN ensured when it was replacing assets no longer fit for purpose, it installed larger ones to accommodate future growth. Customers were required to pay for connections when there was not adequate spare capacity.
- (10) UKPN had looked into areas where capacity was nearly at its limit. It had recently identified 25 sub-stations in specific post codes where this was an issue. They were working with other market participants to see if they could provide the additional capacity; for example, in two contracts had been signed with other providers in order to provide capacity during peak times. Mr Madgwick explained UKPN aimed to utilise the current network because it increased efficiency, reduced cost and created an income stream for customers.
- (11) Kent had significant constraints on its grid, and UKPN was working to unlock latent capacity.
- (12) A Member noted the huge pressure on District Councils to build more houses, and how this would impact the grid. Mr Madgwick commented that landowners were looking to reduce the average power requirement per house from 2.2kW to 1.5kW.
- (13) A Member questioned if there was a shortage of land for the infrastructure required to house sub-stations. Mr Madgwick explained that landowners and developers often did not appreciate the space required for sub-stations, and



also landowners wanted to sell their land to commercial enterprises in order to achieve maximum profit.

- (14) When asked if UKPN interacted with other networks, Mr Madgwick explained that there was opportunity to share information and lessons learned at Local Enterprise Partnership meetings and at DNO forums.
- (15) Members requested some site visits in order to broaden their minds and see the issues first hand.
- (16) The Chairman thanked Mr Madgwick for his presentation and invited him to stay for the remainder of the meeting.

RESOLVED that Mr Madgwick be thanked for his presentation and for attending the meeting and that Members attend some site visits – the details of which to be determined.

## **24. Enabling Growth - A Developer Perspective - Presentation**

*(Item 9)*

*Mr Nick Fenton (Chairman, Kent Developers Group) was in attendance for this item.*

- (1) The Chairman welcomed Nick Fenton who delivered a presentation about enabling growth from a developer's perspective.
- (2) The Chairman observed that historically there had been tensions between property developers and energy providers, but that the relationship had improved over recent years. His hope was that the Kent Utilities Engagement Sub-Committee would improve this relationship further.
- (3) Members of the Kent Developers Group included the Environment Agency, Homes England, and local councils, and they worked together to overcome barriers to development.
- (4) Mr Fenton explained that UKPN had a monopoly in the market. There were insets available, but they were specific to certain sites and did not contribute to off-site infrastructure improvement.
- (5) As explained by Mr Madgwick from UKPN, there was no incentive for providers to invest in future development, and Mr Fenton acknowledged that UKPN needed to recover its costs. He noted that there was no requirement for electricity companies to engage with District Councils, despite there being such a requirement for other utility providers.
- (6) As recognised by others during the meeting, the use of EVs was a growth area. Mr Fenton told the Committee it was possible to get a grant through the government for installing vehicle charge points at domestic properties (called the Electric Vehicle Homecharge Scheme) – but the grant is tied to a car, not a house.
- (7) Mr Fenton wanted there to be a greater understanding of the energy costs involved in a new development from the outset at land purchase. Currently,

abortive costs and uncertainty were high. He wanted pre-start conditions sorted out earlier in the process in order to reduce these costs. He also commented that it could take providers up to 90 days to consider a request regarding capacity – and sometimes it took a number of attempts to get something viable.

- (8) The Chairman requested a visit to a development that was underway, and that the energy providers join this visit.
- (9) Mr Fenton offered to invite Mr Madgwick to a future KDG meeting.
- (10) The Chairman thanked Mr Fenton for speaking to the Committee.

RESOLVED that Mr Fenton be thanked for attending the meeting.

## **25. Outcomes from the Previous Iteration of the Kent Utilities Engagement Sub-Committee - verbal update**

*(Item 10)*

- (1) Alan Turner (Water Resources Manager, KCC) was welcomed to the meeting, and presented an update on the work of the previous Kent Utilities Engagement Sub-Committee and their focus on water utilities.
- (2) Mr Turner explained that speakers from the previous iteration of the sub-committee were utility providers, property developers, planning authorities and the regulator Ofwat.
- (3) It was being investigated whether some of the recommendations from the work on the water sector could be rolled out to other sectors, including energy providers. For example, one of the recommendations had been about getting an understanding of costs before any land purchase – this was an action that Mr Fenton had wanted to see.

RESOLVED that Alan Turner be thanked for attending the meeting and that his verbal update be noted.

## **26. Sub-Committee background, context and objectives**

*(Item 11)*

- (1) The committee discussed its future objectives. There were to be three areas of focus:
  - i. Strategic planning
  - ii. Hotspots moving forward
  - iii. Solutions
- (2) Invitees to the next meeting, in around 3 months' time, should include:
  - i. the gas distributor SGN
  - ii. the National Grid
  - iii. Ofgem.

- (3) Formal meetings would be supported by discussion groups and site visits. The first discussion group should explain the overall planning system.

RESOLVED that the Sub-Committee note the background and contextual information.

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By: Carolyn McKenzie – Head of Sustainable Business and Communities

To: Kent Utilities Engagement Sub-Committee – 15 February 2019

Subject: SGN Presentation

Status: Unrestricted

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Summary: An outline of the role of SGN and presentation scope 15<sup>th</sup> February 2019 – this is for noting by Members of the Sub-Committee

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## **1 Southern Gas Networks (SGN) – Role in the Energy Market**

- 1.1 Southern Gas Networks (SGN) manage the network that distributes natural and green gas to 5.9 million homes and businesses across Scotland and the south of England.
- 1.2 The resident gas supplier owns the gas transported through SGN's pipes and is responsible for the maintenance of the gas meter and for billing.

## **2 Scope of Presentation 15<sup>th</sup> February 2019**

- 2.1 The broad scope of the presentation will cover:
  - What SGN does and is responsible for
  - Current challenges and issues
  - Future network plans
  - Future energy systems – 2050 and beyond
  - Opportunities to work in partnership
- 2.2 Though SGN will touch on some strategic current operational issues, the main focus will be growth and future planning for growth.
- 2.3 More information on SGN Strategy can be found at <https://www.sgn.co.uk/Publications/Strategy/>. SGN are currently consulting on the next phase of their Price Control period up to 2021. KCC are involved via the Sustainable Business and Communities Team.

<p><b>Recommendation:</b> Members are asked to note the report.</p>
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**Report Author:** Carolyn McKenzie, Head of Sustainable Business and Communities, carolyn.mckenzie@kent.gov.uk

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By: Carolyn McKenzie – Head of Sustainable Business and Communities

To: Kent Utilities Engagement Sub-Committee – 15 February 2019

Subject: OFGEM Presentation

Status: Unrestricted

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Summary: An outline of the role of OFGEM and presentation scope 15<sup>th</sup> February 2019 – this is for noting by Members of the Sub-Committee

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## **1 Office of Gas and Electricity Markets – Role in the Energy Market**

- 1.1 Ofgem is the Office of Gas and Electricity Markets. OFGEM are a non-ministerial government department and an independent National Regulatory Authority, recognised by EU Directives.
- 1.2 OFGEM's principal objective is to protect the interests of existing and future electricity and gas consumers. This is achieved in a variety of ways including:
- promoting value for money
  - promoting security of supply and sustainability, for present and future generations of consumers, domestic and industrial users
  - the supervision and development of markets and competition
  - regulation and the delivery of government schemes.
- 1.3 OFGEM work with, but are independent of, government, the energy industry and other stakeholders within a legal framework determined by the UK government and the European Union.

## **2 Scope of Presentation 15<sup>th</sup> February 2019**

- 2.1 The broad scope of the presentation will cover:
- What OFGEM does and is responsible for
  - Current challenges and issues
  - Future Plans
  - OFGEM's view of the future energy systems – 2050 and beyond
  - Opportunities to work in partnership
- 2.2 Though OFGEM will touch on some strategic current operational issues, the main focus will be growth and future planning for growth.

- More information on OFGEM can be found at <https://www.ofgem.gov.uk/about-us/who-we-are>. OFGEM are currently undertaking a formal consultation process on their network regulation – and this may limit the amount of information/detail that can be shared.

**Recommendation:** Members are asked to note the report.

**Report Author:** Carolyn McKenzie, Head of Sustainable Business and Communities, [carolyn.mckenzie@kent.gov.uk](mailto:carolyn.mckenzie@kent.gov.uk)