DCP 332 & 333 Working Group Meeting 01

15 January 2019 at 10:00
Web-Conference

Attendee	Company
Working Group Members	
Chris Barker [CB]	BU-UK
Donald Preston [DP]	SSE
Julia Haughey [JH]	EDF Energy
Karl Maryon [KM]	Haven Power
Kathryn Evans [KE]	SP Energy
Lee Wells [LW]	NPG
Matt Shore [MS]	UKPN
Paul Duffus [PD]	WPD
Rebecca Cailes [RC]	BU-UK
Terry Carr [TC]	EON
Observers	
David McCrone [DM]	Ofgem
Code Administrator	
Hollie Nicholls [HN] (Chair)	ElectraLink
Huw Neyroud [HN1] (Secretariat)	ElectraLink

Apologies	Company
Andrew Enzor [AE]	NPG

1. Administration

1.1 The Chair welcomed the members to the meeting.

1.2 The Working Group reviewed the "Competition Law Guidance". All Working Group members agreed to be bound by the Competition Laws Guidance for the duration of the meeting.

1.3 The Terms of Reference for the meeting were reviewed and the Working Group agreed that these were a fair and accurate representation of the Working Group's objectives and agreed to be bound by them for the duration of the Working Group.

2. Purpose of the meeting

2.1 The Chair set out that the purpose of the meeting was to review and analyse the Change Proposals (CPs) for DCP 332 and DCP 333 and agree the preliminary consultation questions and next steps.

3. Review of DCP 332 and DCP 333

3.1 LW provided the Working Group with an overview of DCP 332 and DCP 333.

3.2 It was noted that these changes have been developed due to the current climate of the electricity energy market in which a number of small Suppliers have been defaulting and going through the Supplier of Last Resort (SoLR) process. In light of this, Ofgem have convened a licence modification group and the changes that are made to DCUSA must be cognisant to these modifications. A statutory consultation for the proposed modifications to the distribution licence should follow shortly.

3.3 It was explained that DCP 332 aims to ensure that associated costs are recovered fairly and equitably from customers where a DNO Party receives a claim from a SoLR for a Last Resort Supply Payment (LRSP) claim.

3.4 When a SoLR is appointed, it becomes liable for any credit balances of non-business customers. Honouring those credit balances is typically the primary driver of costs associated with an LRSP claim. The credit balances of business customers are not protected by the SoLR under Ofgem's Safety net.

3.5 To be able to recover these costs the DNO is currently required, under the licence, to increase the Use of System Charges and in doing so require derogations from both the 15 months' notice period that is provided to industry and the methodology used to determine the charges.

3.6 DCP 333 was raised to ensure that associated costs are recovered fairly and equitably from customers where a DNO or IDNO Party incurs eligible Use of System Bad Debt due to the insolvency of electricity Suppliers whose Supply licence has subsequently been revoked.

3.7 It was explained that the only real difference between the two CPs is the focus on costs associated with a DNO Party incurring Use of System Bad Debt and receiving an approved LRSP claim, but the need for the CPs however, the proposed solution differs slightly between the two CPs

3.8 It was highlighted that the rationale behind both of the changes DCP 332 and DCP 333 are in part due to the licence modification as without changes to Schedule 16, the proposed changes to the electricity distribution licence would currently result in all customers contributing to the recovery of these costs, with unit charges increasing via revenue matching. This is potentially not an appropriate means to apportion costs to the end customers and therefore a solution would need to be implemented to make sure this does not transpire.

4. Working Group Review of Change Proposals

4.1 The Working Group noted that they were in support of the CPs and have requested a high-level overview of the CPs and the SoLR process. **Post-meeting note:** This has been provided as Attachment 1.

ACTION 01/01: LW to provide the Working Group with a high-level guidance document for SoLR process.

4.2 One Working Group member also suggested that it would be beneficial to see the differences between the LDNO and DNO charges as there could be an imbalance between the different chargesIt was explained that the figures would be based on the normal absolute discount that an LDNO customer would receive. However, LW agreed to provide the Working Group with a live example of how this would function.

ACTION 01/02: LW to provide a live example of the solution and how this would work with the LDNO discounts.

4.3 It was also queried if the adjustment is made prior to the LDNO discount. The response to which was that LDNO discounts should not be applied to these specific charges as customers connected to LDNO networks should contribute to the same level as customers connected to DNO networks without the LDNO being a net beneficiary.

4.4 The Working Group recognised the proposer's rationale for the different solutions proposed to DCP 332 and DCP 333. However, the Working Group questioned whether the solution to DCP 333 should be aligned to DCP 332 and recover costs from domestic customers only. The Working Group considered this would be a simpler solution and where the majority of the costs would be recovered from domestic customers regardless due to their dominance in customer numbers. The Working Group agreed that this should be included as a consultation question to ask industry to assess the proposed solutions to both DCP 332 and DCP 333 against the DCUSA Objectives

4.5 LW questioned whether the Working Group believe it would be beneficial to provide the current numbers and figures for the recent SoLR claims within the consultation document. The Working Group agreed that these numbers are already available and so did not see the benefit in providing this information.

5. DCP 332/333 Consultation Questions

5.1 The Working Group discussed the drafting of the consultation questions and requested that the following were included within the document:

- Do you understand the intent of DCP 332 and DCP 333;
- Are you supportive of the principles of DCP 332 and DCP 333;
- Do you foresee any other advantages or disadvantages for each of the proposed solutions for both DCP 332 and DCP 333;
- Do you have a preference for any of the solution options for both DCP 332 and DCP 333;
- Do you believe that the Working Group need to consider any other solution for DCP 332 or DCP 333;
- Do you believe that the Working Group should focus on one solution option for domestic and non-domestic customers for each of the CPs;
- Do you have any comments on the proposed legal text for DCP 332 or DCP 333;
- Which of the DCUSA Objectives does the implementation of DCP 332 and DCP 333 better facilitate;
- Do you think the Working Group should conduct an RFI to determine the number of customers that have been impacted by the appointment of a SoLR;
- Are you aware of any wider industry developments that may impact upon on be impacted by DCP 332 or DCP 333; and
- The proposed implementation date for DCP 332 and DCP 333 is 01 April 2021. Do you agree with the proposed implementation date?

ACTION 01/03: The Secretariat to draft a consultation document and circulate to Working Group members by 29 January 2019.

6. Work Plan and Next Steps

6.1 The Working Group agreed the next steps as follows:

- The Secretariat to draft a consultation document and circulate to Working Group members by 29 January 2019; and
- The next Working Group meeting to be held on 04 February 2019 to review the draft consultation document.

6.2 The DCP 332 and DCP 333 work plan has been updated to reflect the next steps for the change and can be found as Attachment 2.

7. Any Other Business

7.1 There were no items of AOB, and the Chair closed the meeting.

8. Date of Next Meeting: 04 February 2019

8.1 The Working Group agreed that the next Working Group meeting will be held on 04 February 2019 at 10am to review the draft consultation document.

9. Attachments

- Attachment 1 – Modifications to the Electricity Distribution Licence in plain English
- Attachment 2 – DCP 332/333 Updated Work Plan

New and Outstanding Actions

Action Ref.	Action	Owner	Update
01/01	LW to provide the Working Group with a high-level guidance document for SoLR process	Lee Wells	
01/02	LW to provide a live example of the solution and how this would work with the LDNO discounts.	Lee Wells	
01/03	The Secretariat to draft a consultation document and circulate to Working Group members by 29 January 2019.	ElectraLink	