# DCP 341/342 Joint Working Group Meeting 01

01 April 2019 at 2:00pm
Skype Meeting / Teleconference

| Attendee | Company |
|---|---|
| **Working Group Members** | |
| Alessandra De Zottis [AZ] | UK Power Reserve |
| Andrew Enzor [AE] | Northern Powergrid |
| Catalina Rozo [CR] | Zenobē Energy |
| Chris Barker [CB] | ENWL |
| Chris Ong [CO] | UKPN |
| Claire Campbell [CC] | SP Energy Networks |
| Dave Wornell [DW] | WPD |
| Emma Clark [EC] | SSEN |
| Karl Maryon [KM] | Haven Power |
| Matt Thomas [MT] | Fulcrum |
| Rebecca Cailes [RC] | BU-UK |
| Sebastian Eyre [SE] | ESP Electricity |
| **Observers** | |
| Ankita Mheara [AM] | Ofgem |
| Nicholas Rubin [NR] | Elexon |
| **Code Administrator** | |
| John Lawton [JL] (Chair) | ElectraLink |
| Dylan Townsend [DT] (Technical Secretariat) | ElectraLink |

| Apology | Company |
|---|---|
| George Moran | British Gas |

## 1. Administration

1.1 The Secretariat noted the welcome and apologies for this meeting.

1.2 The Working Group reviewed the DCP 341/342 Joint Working Group Terms of Reference (ToR) and agreed to undertake their work in accordance with the ToR.

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

## 2. Overview of DCP 341 and DCP 342

2.1 The Proposer provided the Working Group with an overview of the two Change Proposals (CPs), stating that changes are required to the Common Distribution Charging Methodology (CDCM) and the Extra High Voltage (EHV) Distribution Charging Methodology (EDCM} to ensure that storage facilities are not subject to residual charges for demand where the intent is to export the energy taken back onto the system.

2.2 It was noted that in July 2017, the Government and Ofgem published their Smart Systems and Flexibility Plan where they identified a number of policy and regulatory barriers to the further deployment of storage. In order to address these, Ofgem identified a number of actions which included that storage facilities should not pay the 'demand residual' element of network charges at transmission and distribution. Ofgem issued an open letter on 23 January 2019 on the implications of charging reform on electricity storage. In this letter they requested that modifications be brought forward to promptly address residual charging for storage in the CDCM and EDCM.

2.3 The Proposer explained that it is expected that the detail for the solution will be developed by the working group but suggested that this could be done by the introduction of a new set of tariffs for CDCM customers which will be applied in respect of the demand element of storage facilities, and mirror the existing LV HH metered, LV Sub HH metered and HV HH metered tariffs but with no 'adder' applied to unit rates (i.e. with no residual element). For EDCM charges, it was suggested that this could be achieved by amending the relevant clauses associated with residual charges.

2.4 The Proposer also noted that there are other changes progressing within industry which the Working Group should remain cognisant of to ensure consistency is maintained across the industry codes where possible. Specifically, the Connection and Use of System Code (CUSC) modification CMP 280 – 'Creation of a New Generator TNUoS Demand Tariff which Removes Liability for TNUoS Demand Residual Charges from Generation and Storage Users' is currently progressing through the CUSC modification process to address the same issue in the Transmission Network Use of System (TNUoS) charging framework.

## 3. Discussion on DCP 341 and DCP 342

3.1 The Elexon Representative echoed the need for consistency across industry, noting that there are a number of ongoing modifications, both directly related to these CPs and some others designed to facilitate possible enduring solutions. It was noted that these are:

- CMP281 'Removal of BSUoS Charges From Energy Taken From the National Grid System by Storage Facilities'
- CMP280 'Creation of a New Generator TNUoS Demand Tariff which Removes Liability for TNUoS Demand Residual Charges from Generation and Storage Users'
- P383 'Enhanced reporting of demand data to the NETSO to facilitate CUSC Modifications CMP280 and CMP281'
- P375 'Settlement of Secondary BM Units using metering behind the site Boundary Point'

3.2 One member questioned whether there are impacts in terms of recovery of allowed revenues, specifically, if these residual charges are currently applied to all demand/import tariffs then their removal would likely mean that that any revenue shortfall will need to be picked up somewhere else. The Proposer noted that any reduction in residual charges paid by storage facilities will be recovered from the remainder of CDCM/EDCM demand customers.

3.3 The Chair highlighted that to assist in focussing the minds of the Working Group, consideration should be given to the last paragraph of Section 3 of the CP form, which states:

> *"The new tariffs will only apply to storage facilities not co-located with final demand. Where a Supplier requests that a DNO applies these reduced tariffs, it must provide assurance to the DNO that the storage facility is exempt from final consumption levies."*

3.4 The Chair went on to suggest that it may also be useful for the Working Group to consider what Ofgem have proposed in their 'Clarifying the regulatory framework for electricity storage: licensing consultation' issued on 2nd October 2017, which states:

> ***"Condition E1: Requirement to export***
>
> *1. The licensee shall not have self-consumption as the primary function when operating its storage facility.*
>
> *2. If at any time the licensee knows or reasonably should know of any event or circumstance that has occurred or is likely to occur that may affect its ability to comply with paragraph 1, the licensee shall as soon as reasonably practicable notify the Authority in writing of the event or circumstance."*

3.5 The Elexon Representative suggested that caution was needed with respect to some terminology being used across the industry with respect to storage facilities. Specifically, that the basis on which Ofgem are considering exemption requirements for final consumption levies may not be something that should be drawn on for exemption requirements for network charges. Further to this, and with respect to the proposed 'Condition E1', one member noted

that the relationship to a licensee may cause an issue as the majority of distribution connected storage facilities will not be in possession of a generation licence.

3.6 The Elexon Representative noted that in order to make things manageable, there is view from with the group developing the CUSC modifications that those who want to be exempt from residual charges would need to become a licensee. However, another member suggested that the Working Group give careful consideration to any approach so as not to discriminate based on being licence holder.

3.7 The Chair questioned whether the Elexon Representative could provide an indication of the expected timeline for the CUSC modifications, to which it was noted that if approval is given, the expected implementation date is April 2020. It was further noted that both are coming towards the end of their Working Group phase, and for the Balancing & Settlement Code (BSC) P383, it is likely to issue a report to the BSC Panel in mid-late summer and it is hoped to be in place April 2020, however no impact assessment has been carried out yet. The Chair suggested that it would be beneficial if the Elexon representative can find and circulate any relevant materials to the Working Group, specifically the latest thinking on legal drafting then it might be of benefit. NR took an action to undertake the collation of relevant materials and circulate to the Working Group.

**ACTION: 01/01 – NR to find, collate and circulate any relevant materials related to the CUSC and BSC modifications to the Working Group.**

3.8 The Working Group discussed if definitions for terms such as 'final demand', 'final consumption levies' and 'intermediate demand' should be considered, given these are either referenced in the CP forms or the Ofgem letter.

3.9 One member of the Working Group suggested that it might be best to separate out two key concepts for these CPs, first being the definition and identification of storage facilities and the second being eligibility criteria for those that have been identified.

3.10 The Working Group discussed, how this may be best reflected in the legal text, noting that alongside 'Condition E1: Requirement to export' from Ofgem's 'Clarifying the regulatory framework for electricity storage: licensing consultation' there are also definitions contained in the same document. The definitions are set out below:

*"**electricity storage** is the conversion of electrical energy into a form of energy, which can be stored, the storing of that energy, and the subsequent reconversion of that energy back into electrical energy."*

*"**electricity storage facility** means a facility where Electricity Storage occurs."*

3.11 A discussion was had around how electricity storage facilities would be identified as compared to other sites. The Elexon representative noted that within the development of the CUSC modifications, it appears this may be via a director signed declaration, which would be followed up by assurance procedures to ensure the declaration aligns with the activity being carried out

on site. It was noted that this process would be carried out under processes defined within the BSC, as is the intent of P383.

3.12 Further to this, it was also noted that the BSC modification P375 is looking use of operational (behind the meter) metering as mechanism to record the relevant import associated to storage facilities.

3.13 There was also a related discussion regarding how best to determine if the import of a storage facility is only used for the operation of that facility and not some other purpose or onsite demand. One member questioned if there was a definition within industry for "works power", to which it was noted that no members were aware of such a definition. Another member suggested that this concept should be investigated to understand how, if at all, any distortions may be created.

3.14 The Chair suggested that the group turn their minds to how best to incorporate the relatively simple solutions proposed in the CPs within the legal text so that modelling work could be undertaken. As such, the Working Group went ahead and started the process of producing legal text for Schedule 16 and 17. Following this discussion, the Secretariat took an action to mirror the amendments made to Schedule 17 in Schedule 18 and then circulate the draft legal text to the group to review.

**ACTION: 01/02 – ElectraLink to mirror the amendments made to the legal text for Schedule 17 in Schedule 18 and then circulate the draft legal text to the group to review.**

3.15 It was questioned how an impact assessment could be carried out as it appears that counts of storage sites and associated volumes will be needed, and this is not something that is currently an input to any model as it stands. It was agreed that the DNO Working Group members would take an action to consider forecast volumes for storage sites which can then be provided to the modelling consultant for use in an impact assessment. There was discussion around the fact that this data may not be readily available and that in lieu of forecast data, another option could be to assume 5% of generators are storage sites and thus use import data of these site. Further to this it was noted that DNOs will need to undertake an impact assessment for the EDCM following receipt of the completed modelling.

**ACTION: 01/03 – DNO Working Group members to consider forecast volumes for storage sites which can then be provided to the modelling consultant for use in an impact assessment. However, if this forecast data can't easily be produced then DNOs could assume a % of generators are storage sites and thus use import data of these site in lieu of the forecast data.**

3.16 The Working Group also discussed the other side of the solution, being that in order for a Supplier to request that a DNO applies these reduced tariffs, it must provide assurance to the DNO that the storage facility is exempt from final consumption levies. Whilst none of the Supplier members on the call could confirm the appropriateness of this approach, it was suggested that a question around this area could be added to the consultation document to seek views from Suppliers.

3.17 The Working Group agreed that it would be beneficial to include rationale related to the approach of using the definitions from the licence consultation in the consultation document.

## 4. Next steps and Work Plan

4.1 The Working Group reviewed and updated the Work Plan and in doing so agreed the next steps, a summary of which is set out below:

- ElectraLink to issue draft legal text to the Working Group for review
- Working Group to review draft legal text and provide any comments by close of play on 04 April 2019.
- ElectraLink to create and issue modelling specification pack and provide to the relevant Panel members for approval to be issued to the modelling consultant.
- ElectraLink to complete a first draft of the consultation document and circulate to the Working Group by 12 April 2019.
- Working Group to review draft of the consultation document prior to next meeting.
- It was agreed that the next meeting is to be held on 23 April 2019 between 2pm and 5pm for the purpose of reviewing the draft consultation document.

**POST MEETING NOTE:** Following receipt of some comments on the draft legal text, it has become necessary to arrange a meeting for 12 April 2019, and so this will now be the next meeting and as such an amended Work Plan will also be agreed at the meeting.

**ACTION: 01/04 – ElectraLink to create and issue modelling specification pack and provide to the relevant Panel members for approval to be issued to the modelling consultant.**

**ACTION: 01/05 – ElectraLink to complete a first draft of the consultation document and circulate to the Working Group by 12 April 2019.**

## 5. Any Other Business

5.1 There were no items of any other business and the Chair closed the meeting.

## 6. List of Attachments

- None

## Appendix A – Actions

***New and Open Actions (Updates set out in blue)***

| Action Ref. | Action | Owner | Update |
|---|---|---|---|
| **01/01** | Find/collate and circulate any relevant materials related to the CUSC and BSC modifications to the Working Group. | Nicholas Rubin | |
| **01/02** | Mirror the amendments made to the legal text for Schedule 17 in Schedule 18 and then circulate the draft legal text to the group to review. | ElectraLink | |
| **01/03** | Consider forecast volumes for storage sites which can then be provided to the modelling consultant for use in an impact assessment. However, if this forecast data can't easily be produced then DNOs could assume a % of generators are storage sites and thus use import data of these site in lieu of the forecast data. | DNO Working Group members | |
| **01/04** | Create and issue modelling specification pack and provide to the relevant Panel members for approval to be issued to the modelling consultant. | ElectraLink | |
| **01/05** | Complete a first draft of the consultation document and circulate to the Working Group by 12 April 2019. | ElectraLink | |

***Closed Actions (Updates set out in blue)***

| Action Ref. | Action | Owner | Update |
|---|---|---|---|
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