

# DCP 328 Working Group Meeting 01

05 October 2018 at 10:00am

Web-Conference

Attendee	Company
<b>Working Group Members</b>	
Julie Haughey (JH)	EDF
Chris Ong (CO)	UKPN
Peter Waymouth (PW)	UKPN
Kathryn Evans (KE)	SPEN
Tom Chevalier (TC)	Power Data Associates
Dave Worrell (DW)	WPD
George Moran (GM)	BU-UK
Derek McGlashan (DMcG) (part)	Forthports
Lee Stones (LS)	EON
Andrew Enzor (AE)	NPg
William Jago (WJ)	NPower
Olivia Powles (OP)	Ofgem
<b>Code Administrator</b>	
John Lawton (JL) (Chair)	ElectraLink
Richard Colwill [RC] (technical secretariat)	ElectraLink

Apologies	Company
Peter Gray (PG)	SSE

## 1. Administration

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- 1.1 The Chair welcomed the members to the meeting.
- 1.2 The Working Group reviewed the "Competition Law Do's and Don'ts". All Working Group members agreed to be bound by the Competition Laws Do's and Don'ts 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

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- 2.1 The Chair set out that the purpose of the meeting is to review the Change Proposal (CP) and the proposed solutions.

## 3. Overview of the DCP 328 Change Proposal

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- 3.1 AE provided an overview of the content of DCP 328 which acts as attachment 1 to these minutes. The intent of this change is to ensure that use of system charging remains cost-reflective when competition in supply on a private network is in place.

## 4. Ofgem response to DCP 158

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- 4.1 The Working Group were reminded that an earlier CP was raised on the same topic. They reviewed the Ofgem decision for DCP 158 - DNO DUoS re EDNOs, which was rejected on 5<sup>th</sup> February 2014. In particular, the Working Group reviewed the additional comments that were included in the decision letter.

- 4.2 The decision letter included two points to consider. The first read as follows:

"We support the intention of DCP158 and DCP158A but we consider it is important that that the main parties affected by the proposals are sufficiently involved in their development. We recognise that the owner of a number of DEH networks was represented on the working group and that two owners of DEH networks participated in the consultation process. Further, we recognise that the working group raised this change proposal with a number of DEH holders by writing to them. However, we consider more involvement with a wider number of DEHs would be beneficial in developing a standard process".

The reference to DEH referred to Distribution Exempt Holders.

The Working Group agreed that it was important to ensure there is appropriate engagement from Private Network Operators and ElectraLink agreed to take an action to look at ways of ensuring appropriate engagement. It was noted that this was attempted during DCP158 and that the list should be reviewed together with the earlier work undertaken by the Energy Networks Association.

- 4.3 The second point raised in Ofgem's letter read as follows:

“In our decision on DCP124 we noted that an industry forum should be established to develop standard connection terms to apply to DEHs who do not have a valid bilateral agreement in place. We further noted that this body should also consider the wider ramifications of the introduction of competition in supply on DEH’s networks on the DCUSA and other industry agreements. A date for the first meeting of this forum is currently being established. We consider that the issues associated with DCP158 and DCP158A could be discussed further in this forum”.

It was noted that there was a change proposal that introduced National Terms of Connection (NTC) to DEHs where there was no agreement in place. It was understood that this just concentrated on the NTC. ElectraLink took an action to circulate details of this change proposal to the Working Group.

The only other area related to a forum was the one held by Ofgem which some members attended. There were no further meetings.

It was therefore felt that the issues associated with DCP158 and DCP158A were not considered in any great detail and therefore it was appropriate that this Working Group considered these.

**ACTION 01/01: ElectraLink to consider approaches to ensure appropriate engagement with private network operators.**

**ACTION 01/02: ElectraLink to circulate details of the change proposal that look at introducing NTC to DEHs.**

## 5. Review of the DCP 328 Change Proposal

5.1 The Working Group reviewed the DCP 328 Change Proposal. In particular the Working Group reviewed the four proposed options for solution:

### 5.2 Option 1 – Invoice only the boundary supplier

*Under this approach, the DNO would continue to invoice use of system charges only to the supplier registered to the boundary MPAN in Settlement. In order to invoice all units, this solution requires the DNO to either receive or be in a position to calculate gross units at the boundary, where Settlement will only show net units (i.e. with units used by embedded customers having been differenced from the boundary MPAN).*

*This solution has the advantage of the DNO only invoicing in respect of the boundary, being where its responsibility ends. However, it results in the boundary supplier being invoiced use of system charges in respect of units which it has not supplied (i.e. the units used by embedded customers for whom another supplier is responsible). The solution is only compatible with the difference metering option as it relies on a ‘principle’ supplier being in place, where the full Settlement and shared metering options treat all suppliers of customers connected to the private network equally.*

The Working Group discussed the above option. Key points from these discussions are as below:

- It was noted that this option is similar to what is happening now where such arrangements exist, but this is currently under bilateral agreements and not covered in DCUSA.

- This option is only suitable with difference metering because it is reliant on a boundary supplier being registered.
- If third party access is in place and the private network operator intends to levy use of system charges for use of its network, the private network operator must have a charging methodology approved by Ofgem. The Working Group noted that it would be useful to establish which private network operators have approved charging methodologies in place in order to identify situations where third party access arrangements are in place, albeit the Working Group acknowledged that this would not be an exhaustive list as it would not include private networks with third party access where the private network operator is not explicitly levying use of system charges for use of its network.

### **5.3 Option 2 – Invoice all suppliers with a correction to fixed charges and some form of capacity allocation**

*Under this approach, the DNO would invoice use of system charges to both the boundary supplier and the supplier of embedded customers (under the difference metering approach) or the suppliers of all embedded customers (under the full Settlement or shared metering approach), based on units received through Settlement, using the tariff which the DNO would apply if the customers were connected at the DNO to private network boundary. In this way, units would be charged once and only once.*

*A solution would be needed to the issues raised at the end of the ‘Why Change’ section. This could be achieved for fixed charges by applying discounted fixed charges which ensure that the total of fixed charges applied for the site is equivalent to the fixed charge which would be applied had there only been a single boundary MPAN, and through some means of capacity allocation for capacity charges.*

The Working Group discussed the above option. Key points from these discussions are as below:

- The Working Group discussed this option and a potential variant of it which would involve the DNO levying a discounted version of the tariff which would apply if the end user were connected to its network rather than the tariff which would apply if the end user were connected at the DNO to private network boundary. As an example, the Working Group considered a large office block connected to the DNO network, within which small non-domestic NHH metered customers were connected. The tariff which would apply at the DNO to private network boundary would be the HV HH Metered tariff, whilst the variant of this option would see a discounted version of the ‘small non-domestic unrestricted’ tariff being applied.
- It was agreed that this option needed to be expanded on and that there was a potential fifth option coming out of this. AE took an action to expand on this option.

### **5.4 Option 3 – Invoice all suppliers as if the customer were connected to the DNO network, with the private network operator able to ‘claim’ some use of system revenue back from the DNO in respect of private network assets**

*Under this approach, the DNO would invoice the supplier of both the embedded customers and the boundary supplier use of system charges as if those end customers were connected direct to its network. As a result, the DNO would have recovered some use of system charges in respect of assets*

*on the private network, to which the private network operator should be entitled, and so the private network operator would be eligible to claim back a portion of use of system revenue from the DNO.*

The Working Group discussed the above option. Key points from these discussions are as below:

- It was noted that a mechanism would be needed in regard to how much the private network operator could claim. This could follow a similar process to the Independent Distribution Network Operator processes.
- There were concerns raised in regard to how does the private network operator find out what the settlement data is as these could be under the super customer DUoS billing and therefore it is not clear what the customer has used i.e. aggregated consumption data rather than individual consumption data.

#### **5.5 Option 4 – Invoice the private network operator direct**

*Under this approach, the DNO would invoice use of system charges direct to the private network operator only based on total units at the boundary, with no charges applied to the units recorded in Settlement against MPANs which relate to customers connected to the private network or against the boundary MPAN if applicable. The private network operator may then directly pass through the DNO's charges to customers connected to the private network or recover those costs through another means (e.g. included in the lease for each customer).*

*In order to invoice all units, this solution requires the DNO to either receive or be in a position to calculate gross units at the boundary, where Settlement will only show net units (i.e. with units used by embedded customers having been differenced from the boundary MPAN).*

*This solution has the advantage of the DNO only invoicing in respect of the boundary, being where its responsibility ends, and avoids the issues presented in option one where the boundary supplier is being invoiced use of system charges in respect of units which it has not supplied (under the difference metering approach). Unlike option one this option is also compatible with all metering approaches.*

The Working Group discussed the above option. Key points from these discussions are as below:

- It was noted that for this option there would need to be a contract with the Private Network Operator
- There would also be a need for zero tariffs to be produced because suppliers would need to know that there is no use of system charging and that these will be invoiced directly to private network operators.
- It was noted that this could increase risk for the Distribution Network Operator if, for example, the Private Network Operator changed ownership.
- Issues could arise with this option as Private Network Operators do not accede to DCUSA.
- There may be a need to install a boundary meter.

**ACTION 01/03: AE to expand on option 2 and consider whether there is a need for a fifth option**

## 6. DCP 328 Draft Legal Text

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6.1 The legal text will be reviewed and updated throughout the Working Group.

## 7. Work Plan

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7.1 It was agreed that the current workplan needed to be reviewed and updated. The secretariat agreed to update this and circulate post meeting.

**ACTION 01/04: The Secretariat to update work plan and circulate for approval**

## 8. Agenda Items for the next meeting

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8.1 The Working Group agreed to add the following items to the agenda for the next meeting;

- Look through options and consider any consumer impact with each and how these can tie into the three metering solutions (difference metering, fully settled metering and shared metering). Consideration on whether there are any gaps in these options will also be required; and
- Decide which options we should take forward to consultation.

## 9. Any Other Business

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9.1 There were no further items of AOB and the Chair closed the meeting.

## 10. Date of Next Meeting –

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10.1 The Working Group agreed that the next meeting will be held on 5<sup>th</sup> November 2018, via teleconference.

## 11. Attachments

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- Attachment 1 – DCP 328 Change Proposal

## New and open actions

Action Ref.	Action	Owner	Update
01/01	ElectraLink to consider approaches to ensure appropriate engagement with private network operators.	ElectraLink	
01/02	ElectraLink to circulate details of the change proposal that look at introducing NTC to DEHs.	ElectraLink	
01/03	AE to expand on option 2 and consider whether there is a need for a fifth option	AE	
01/03	The Secretariat to update work plan and circulate for approval	ElectraLink	