

DCP 319 Working Group Meeting 01

29 June 2018 at 14:00

Web-Conference

Attendee	Company
Working Group Members	
Andrew Enzor	Northern Powergrid
Karl Maryon	Haven Power
Claire Campbell	Spenergy Networks
Simon Yeo	Western Power
Neil Brinkley	BU-UK
Chris Barker	BU-UK
Simon White	Smartest Energy
George Moran	Centrica
Donald Preston	SSE
Oliver Zhe Xing	Orsted
Chris Ong	UK Power Network
Alessandra De Zottis	UK Power Reserves
Observers	
Hollie Nicholls [HN]	ElectraLink
Joe Underwood [JU]	ElectraLink
Code Administrator	
Shahin Miah [SM] (Technical Secretariat)	ElectraLink
John Lawton [JL] (Chair)	ElectraLink

Apologies	Company
William Jago	NPOWER

1. Administration

- 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 agreed.

2. Purpose of the Meeting

- 2.1 The Chair set out that the purpose of the meeting was to review and analyse the Change Proposal (CP) DCP 319 and agree the preliminary consultation questions.

3. Overview of DCP 319

- 3.1 The Proposer provided an overview of DCP 319. He explained that residual charges exist to ensure that distributors recover their allowed revenue. They generally recover sunk costs in respect of historic investments into network infrastructure for the purpose of serving demand customers.
- 3.2 Embedded generators can provide a benefit to DNOs by offsetting demand and so reducing the loading on, and subsequently deferring the need for reinforcement of, upstream assets. Embedded generators have an import capacity which ranges from a small capacity for start-up (of for example a wind turbine) through to a larger import capacity for the import element of a battery storage facility. This current charging regime whereby the import element of an embedded generation connection is charged the ‘HH metered’ tariff at the appropriate voltage (e.g. the import side of an LV connected embedded generator will be charged the ‘LV HH Metered’ tariff) exposes embedded generators to disproportionate costs in respect of residual charging for assets which the DNO has invested in predominantly for the purpose of serving demand customers, not embedded generators.
- 3.3 The Proposer stated that the detail for the solution should be developed by a Working Group, but it is initially envisaged that this change will be implemented by the introduction of a new set of tariffs which will be applied in respect of the demand element of embedded generation sites, which will 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).
- 3.4 The Proposer stated that it came through the DCMDG and was agreed to be raised as a CP. Within the Targeted Charging Review (TCR) consultation, Ofgem stated that Storage should not pay for demand Residual charging but it is now out of scope of the TCR and should be progressed through the standing code governance routes.
- 3.5 The Proposer highlighted that this CP covers all generation, not just Storage to remove bias and avoid creating a distortion.

4. Review of DCP 319

- 4.1 The Chair questioned whether a formal exemption had been obtained from Ofgem since this is required if there is a Significant Code Review and was highlighted in the Ofgem TCR consultation document (Para 1.33). It was acknowledged that within the TCR launch letter (Attachment 1), Storage was deemed out of scope and that a faster solution could be gained by the normal governance process through the relevant codes, however this CP is broader than just Storage and stated that the consultation document would need to explain why all generators should benefit from no demand residual charges.
- 4.2 The Chair asked whether an Ofgem representative was present at the meeting. Although one has expressed an interest to attend, there was no Ofgem representative at the meeting. ElectraLink took an action to discuss the scope of the CP and whether an exemption would formally be provided. The Chair forwarded the TCR consultation document to ElectraLink (Attachment 2).

ACTION – 01/01: ElectraLink to request an exemption from Ofgem covering this change proposal, and bring to their attention that the scope is broader than just Storage.

- 4.3
- 4.4 The Chair mentioned that DCP 321 (the EDCM equivalent change to this one) had been approved by the DCUSA Panel and is currently out for response to the Working Group invite. The DCUSA Panel advised that the Working Group for DCP 319 & DCP 321 should be held together, so the next Working Group would be joint one between the two CPs.
- 4.5 The Working Group agreed that the implementation date should be amended to 01/04/2021 as the original April 2020 target implementation date is no longer feasible as this change includes both Storage and generation so therefore this will need to go out for Consultation Review. It also now aligns with the implementation date for DCP321 and the Working Group felt that both needed to be delivered on the same date.
- 4.6 A Working Group member mentioned that the Change Proposal has complications. If a site has a large demand and has a small onsite generator, they should still pay, at least some, of the generation residual. The discussion broadened to potential solutions such as only the demand required to start the generator should be exempt from residual charges and the ones highlighted in DCP321. This area needs further development and included in the consultation document.

Action – 01/02: Working Group members to consider how the potential concern over all generators being exempt from Demand residual charges could not be abused.

- 4.7 The Chair sought opinion on whether the CP is likely to be covered by one consultation and as such we need to agree the legal text in preparation for the consultation. The view from the Working Group was that this may be too early to determine at this stage in the process.
- 4.8 As mentioned by the DCUSA Panel, there is an intention to merge DCP 319 and DCP 321, having a meeting on the same day, however the Chair reminded the Working Group that there is likely to be a

need to have separate Change Reports going to the DCUSA Panel. DCP251/252 was cited as an example whereby joint meeting were held but separate reports submitted.

- 4.9 A Working Group member suggested as an alternative option, to exempt charges based on the generation technology type. There was not much support for this from the Working Group.
- 4.10 The Chair referred to a TCR Launch letter and read out page 9 covering charging arrangements for Storage. It was not clear from the Working Group members as to why Storage should be exempt from demand residual charges. The two Ofgem documents may help in this understanding which will be shared with the Working Group with the minutes of the meeting.

Action – 01/03: ElectraLink to share the Ofgem documents on the TCR to the Working Group

- 4.11 It was agreed that ElectraLink should seek clarity on why Storage should not have demand residual charges applied during the discussion on the exemption required from them.

Action – 01/04: ElectraLink to ask Ofgem for clarity on why Storage should not be charged for demand residual charges.

- 4.12 The Chair mentioned that the next meeting will be a joint meeting for both DCP 319 and DCP 321. The Chair and Working Group agreed the next meeting will be held on the morning of 25 July 2018 and will be a teleconference. It was agreed that a draft consultation document should be provided for review at the next meeting.

Action – 01/05: ElectraLink to draft a consultation document

5. Work Plan

- 5.1 The Working Group agreed the next steps as follows:

- ElectraLink to draft Consultation by 13 July; and
- Next meeting on 25 July 2018 at 10 am via teleconference.

- 5.2 The DCP 319 Work Plan has been updated to reflect these next steps and is provided as Attachment 3.

6. Agenda Items for the Next Meeting

- 6.1 Develop solution for CP – specifically who qualifies for the exemption;

6.2 Review the consultation document; and

6.3 Discuss legal text.

7. Any Other Business

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

8. Date of Next Meeting: 25 July 2018 at 10:00

8.1 The Working Group agreed meet the week commencing the 25 July 2018 at 10:00 via teleconference.

9. Attachments

- Attachment 1 – TCR consultation document
- Attachment 2 – TCR Launch Letter
- Attachment 3 - Work Plan

New and open actions

Action Ref.	Action	Owner	Update
01/01	Request an exemption from Ofgem covering this change proposal, and bring to their attention that the scope is broader than just Storage.	ElectraLink	
01/02	Consider how the potential concern over all generators being exempt from Demand residual charges could not be abused.	Working Group members	
01/03	Share the Ofgem documents on the TCR to the Working Group	ElectraLink	
01/04	Ask Ofgem for clarity on why Storage should not be charged for demand residual charges.	ElectraLink	
01/05	Draft a consultation document	ElectraLink	