

DCP 319/321 Joint Working Group Meeting 03

20 August 2018 at 10:00

Web-Conference

Attendee	Company
Working Group Members	
Andrew Enzor [AE]	Northern Powergrid
Lee Wells [LW]	Northern Powergrid
William Jago [WJ]	Npower
Alessandra De Zottis [ADZ]	UK Power Reserve
Simon Yeo [SY]	Western Power Distribution
Nicholas Reuben [NR]	Elexon
Chris Ong [CO]	UK Power Networks
Chiara Redaelli [CR]	Ofgem
Emma Clarke [EC]	Scottish and Southern Electricity Networks
Code Administrator	
Shahin Miah [SM] (Technical Secretariat)	ElectraLink
John Lawton [JL] (Chair)	ElectraLink
Dylan Townsend [DT]	ElectraLink

Apologies	Company
Simon White	Smartest Energy
Karl Maryon	Haven Power

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 Working Group reviewed the minutes of the previous meeting and requested for amendments to be made to paragraphs 3.3 and 4.7. The Secretariat made the amendments to the previous meeting minutes on screen during the meeting and as such the amended minutes were then agreed to be an accurate record of proceedings.

2. Purpose of the Meeting

- 2.1 The Chair set out that the purpose of the meeting was to get an Ofgem perspective on why they believe storage/generation should be exempt from residual charging and also whether the two Change Proposals (CP) DCP 319 and 321 infringed on anything outlined within the Ofgem TCR/SCR. The Working Group would then discuss the draft consultation document which had been circulated prior to the meeting.

3. Ofgem Update on DCP’s 319 & 321

- 3.1 The Ofgem representative stated that Ofgem’s position in respect to the Working Group proceeding to develop these two CPs is that the Working Group should be mindful of the ongoing Targeted Charging Review (TCR): Significant Code Review (SCR). In particular, the group should note that within the TCR Launch document, Ofgem expressly stated that storage is outside of scope of the TCR and that the recently issued TCR consultation contains detailed rationale for not including storage. Given this, Ofgem are supportive of industry developing solutions associated with the recovery of residual for storage. It is Ofgem’s view that any Working Group seeking to develop solutions associated with residual charges for embedded generators should remain mindful of the ongoing work under the TCR: SCR.
- 3.2 The Working Group questioned why storage should be exempt from charges related to the recovery of residual charges. The Ofgem representative explained that the forward-looking demand charges should be paid by storage operators however they should not have to pay demand residual charges as they may not be the end demand customer. It was again highlighted that there is a whole section within the TCR consultation document that contains detailed rationale for not including storage.
- 3.3 The Proposer noted that the CPs were raised due to the guidance received by Ofgem during discussions held at and following a number of meetings of the Distribution Charging Methodologies Development Group (DCMDG). It was further noted that as the goal is to bring storage up to an even playing field with embedded generation then it makes sense for any solution with respect to the to the recovery of the residual element of network charges to cover both as this will ensure consistency.
- 3.4 The Chair questioned if the Proposer was comfortable with continuing to progress both CPs given the views set out by Ofgem, to which the Proposer replied that the CPs would not be withdrawn but that further thought was now required on the detailed solution. The Proposer explained that only

progressing with the storage component would mean that a distortion between embedded generation and storage would be created and this potential distortion is what these CPs are seeking to avoid. The Proposer also explained that another distortion would also be created between similar changes being progressed in the Connection and Use of System Code (CUSC) and these under DCUSA whereby one the CUSC modifications would seek to implement a solution incorporating both embedded generation and storage and the DCUSA CPs would only incorporate storage.

- 3.5 One Working Group member updated the rest of the group on the relevant CUSC Modification Proposals (CMPs), being CMP280 'Creation of a New Generator TNUoS Demand Tariff which Removes Liability for TNUoS Demand Residual Charges from Generation and Storage Users' and CMP281 'Removal of BSUoS Charges From Energy Taken From the National Grid System by Storage Facilities'.
- 3.6 It was explained to the Working Group that as it currently stands, there is a reliance on boundary meters that do not distinguish between different loads behind the meter and that there is a belief that basis for the calculation of consumption levies should be on final demand, i.e. excluding demand for the purpose of operating a generator. It was noted that Elexon have been exploring the use of secondary metering to provide such data, and this has been taking place via the Balancing and Settlement Code (BSC) modification P344 'Project TERRE' workgroup.
- 3.7 The Elexon representative stated that secondary meters are not recognised as settlement meters under the BSC. It was highlighted that Elexon are looking at how secondary meters could be used, specifically for collating the data required for both Electricity Market Reform Settlement (EMRS) and Balancing Services Use of System (BSUoS) charges. The Elexon representative explained that they are looking into the possibility of using aggregators within the balancing mechanism with the aim of facilitating the necessary data collation and that Elexon are starting to conceptualise a set of business rules for the completion of such a task.
- 3.8 The Working Group discussed how the data from secondary meters could be used to determine the correct allocation of units being imported and/or exported on mixed sites or co-located sites. The Chair suggested that the terminology around mixed sites and co-located sites needs to be defined to ensure that a consistent understanding is applied. The Elexon representative explained the Elexon are looking into extent to which import associated/co-located with the licensed generation (including storage) can be excluded from the supply volumes used to calculate network charges.
- 3.9 The Proposer explained that the bigger issue is being able to differentiate the import for which residual charges should be applied from the import for which residual charges should not apply. Two examples were provided, the first being a windfarm site where the only import into the site would be that which is needed to start up the turbines. The second being an industrial site with an on-site wind-turbine where import and export is the same and so it is harder to differentiate the import for which residual charges should/shouldn't be applied.
- 3.10 The Elexon representative outlined that one approach being discussed in terms of the secondary meter approach, is to introduce it as a user pays system. This means that licensed generators wishing to avoid charges on imports to their generating units will need to ensure that those generating units (and any directly associated load) is metered separately to any other on-site load. It was explained

that data collectors would provide the relevant data to Elexon which would be aggregated and then pushed out to Suppliers and others accordingly. It was noted that the provision of non-settlement meter data is something that already exists and so a similar mechanism could be introduced to govern the use of secondary metering for this purpose.

- 3.11 The Working Group discussed a question around the introduction of a set of tariffs that exclude residual and how, if at all, this would resolve mixed sites where demand and generations are on the one site. It was noted that if the intent is to only exempt imports which are necessary only for the start-up of the generator then there is the option of relying on secondary metering which will require significant cross code interaction and quite possibly a longer lead time to implement. An alternative approach is to introduce a mechanism whereby a DNO could determine a level of capacity on a generation only site for which import charges would be exempt, which would likely be almost all of the import at a generation only site but only a small proportion of the import at a mixed site.
- 3.12 The Elexon representative questioned how would DNOs identify the correct sites for which the rules would need to be applied. The Proposer explained that it will depend on the level of granularity that is wanted (e.g. via assumptions by technology type or via the amendment of connection agreements). It was noted that tariffs at the EDCM level are site specific, and so tariffs can be amended to exempt a proportion of import capacity from residual charging on a site by site basis. This is not possible in the CDCM where average tariffs are used, and so it may be necessary to apply one tariff to demand deemed to be for the operation of a generator and a different tariff to other demand. The Chair questioned if data is available that fulfils the requirements and if so, could this be pulled together by the Working Group and/or via a consultation or a straw man that could then be tested. It was noted that DNOs may know what fuel type is on site but then questioned if Suppliers know and whether the registration details need to be provided to those Suppliers.
- 3.13 The Proposer set out that a possible first step is to check what difference is seen between a determined percentage of import capacity for specific technology types and a percentage of export kWh. It is believed that determining the value should be straightforward but that after this step, further development will be required. The Working Group took an action to review each technology type to determine what the percentage of the import capacity may be. It was noted that that ER P2/6 contains tables with different technology types and ElectraLink took an action to provide these in a table to the Working Group.

Action – 03/01: ElectraLink to review ER P2/6 to find the relevant technology types and to provide these in a table to the Working Group.

Action – 03/02: The Working Group to review each technology type to determine what the percentage of the import capacity may be.

- 3.14 The Elexon representative noted that Elexon are looking at how to implement an interim solution to secondary metering by the end of the year and believe that a fully developed solution will be completed in a timeframe of around 18 months. The Elexon representative took an action to share relevant information related to potential solutions including a consultation and subsequent responses as well as a previously issued thought paper on the topic.

Action – 03/03: NR to share relevant information related to potential solutions including a consultation and subsequent responses as well as a previously issued thought paper on the topic.

- 3.15 The Working Group discussed how a part exemption from residual charges for demand (i.e. only exempting demand associated with the operation of a generator) could be applied in the CDCM without needing new import tariffs for each generation technology type. There was a suggestion that, rather than reducing import charges, an easier to implement solution may be to increase credits by the same amount in order to offset demand residual charges. The Working Group agreed that this needs further consideration once action 03/02 has been progressed. The Chair noted that there are currently three potential options/solutions on the table which could be the introduction of new tariffs or the amendment of existing tariffs or the addition of credits to generation tariffs which may require modelling. The Working Group took an action to consider the three options/solutions once the residual percentage is confirmed and present any views back to Working Group.

Action – 03/04: Working Group to consider the three options/solutions once the residual percentage is confirmed and present any views back to Working Group.

4. Review of DCP 319/321 draft consultation document

- 4.1 The Chair briefly ran through the draft consultation document and questioned if the option around the use of secondary meters should be added for consideration within the consultation document. Regarding this potential solution the Chair suggested that the Working Group should consider how this type of solution would work and the implications it has on the DCUSA alongside any impacts on tariffs.
- 4.2 Members of the Working Group highlighted their concerns around the potential for Ofgem to direct that this change be put on hold due to the overlap with the TCR given that time and effort would have been expended by the Working Group. The Chair questioned if Ofgem could provide a view as to whether Ofgem will want to put these CPs on hold given the Working Group are continuing with the generation elements still included. It was noted that what the Working Group want to avoid is doing too much work if Ofgem are going to put it on hold in the future. One Working Group member also requested clarity around the potential for storage to be brought back into scope of a SCR and sought confirmation from the Ofgem representative on this topic.
- 4.3 The Ofgem representative confirmed that they want to avoid too much overlap with the TCR and understand the Working Groups concerns about the amount of work undertaken only to be put on hold part way through the process. The Ofgem representative noted that these points will need to be considered further before an answer can be provided and as such took an action to seek views within Ofgem and provide any response to the Working Group.

Action – 03/05: Ofgem representative to provide a response to the Working Group on the following concerns:

- whether Ofgem will want to put these CPs on hold due to the overlap with the TCR given the Working Group are continuing with the generation elements still included; and
- the potential for storage to be brought back into scope of a SCR and confirmation from the Ofgem

that this won't happen.

5. Work Plan & Next Steps

5.1 The Working Group agreed the next steps as follows:

- Complete the actions taken during meeting 03
- Hold Working Group meeting on 20 September 2018 to discuss the output of the actions.

5.2 The Chair noted that ElectraLink will update the Work Plan and circulate to the Working Group with the minutes.

6. Agenda Items for the Next Meeting

6.1 The next meeting will be used to review/discuss the outputs from the actions taken during this meeting and to continue to develop potential solutions as well as amending the draft consultation document if the group is in a position to do so.

7. Any Other Business

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

8. Date of Next Meeting:

8.1 The next meeting will be held on Thursday, 20 September 2018 via teleconference.

9. Attachments

- Attachment 1 – DCP 319/321 Draft Consultation Document
- Attachment 2 – DCP 319/321 Work Plan
- Attachment 3 – Elexon Documentation

APPENDIX 1

New and open actions

Action Ref.	Action	Owner	Update
01/02	Consider how the potential concern over all generators being exempt from Demand residual charges could not be abused.	Working Group	Open 25/07/2018 - ongoing
03/01	Review ER P2/6 to find the relevant technology types and to provide these in a table to the Working Group.	ElectraLink	
03/02	Review each technology type to determine what the percentage of the import capacity may be.	Working Group	
03/03	Share relevant information related to potential solutions including a consultation and subsequent responses as well as a previously issued thought paper on the topic.	Nicholas Reuben	
03/04	Consider the three options/solutions once the residual percentage is confirmed and present any views back to Working Group.	Working Group	
03/05	Provide a response to the Working Group on the following concerns: <ul style="list-style-type: none">• whether Ofgem will want to put these CPs on hold when initiating a SCR given the Working Group are continuing with the generation elements still included; and• the potential for storage to be brought back into scope of a SCR and confirmation from the Ofgem that this won't happen	Chiara Redaelli	

Closed actions

Action Ref.	Action	Owner	Update
02/01	Provide Ofgem with the three possible dates for the next meeting. Their decision should be circulated to the Working Group once known.	ElectraLink	Action Closed
01/04	Ask Ofgem for clarity on why Storage should not be charged for demand residual charges.	ElectraLink	Action Closed
01/05	Draft a consultation document	ElectraLink	Action Closed