

DCP 289 Working Group Meeting 01

7 February 2017 at 10:00am

Web-Conference

| Attendee | Company |
|--|----------------------------|
| Working Group Members | |
| Andrew Sherry [AS] | Electricity North West Ltd |
| Angus Rae [AR] | SSE Networks |
| Claire Campbell [CC] | Scottish Power |
| George Moran [GM] | British Gas |
| Pat Wormald [PW] | Northern Powergrid |
| Simon Yeo [SY] | Western Power Distribution |
| Vivian Marangoni [VM] | Ofgem |
| Code Administrator | |
| Claire Hynes [CH] (Chair) | ElectraLink |
| Dan Fittock [DF] (technical secretariat) | ElectraLink |

| Apologies | Company |
|-----------|--------------------|
| Lee Wells | Northern Powergrid |

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 the Working Group agreed that these were a fair and accurate representation of the Working Group's objectives.

2. Purpose of the Meeting

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

3. Analysis of the DCP 289 Change Proposal

- 3.1 As the proposer of the CP was not present at the meeting, CH walked the Working Group through the intent of the CP which is to introduce a new DCUSA Charging Methodology Development (DCMDG) which seeks to replace and consolidate Distribution Charging Matters (DCM), Distribution Charging Methodology Forum (DCMF) and the Methodologies Issues Group (MIG). It was noted that a Change Report had been drafted for this CP which was submitted to the DCUSA Panel for their consideration at an ex-committee meeting on the 24 January 2017. The DCUSA Panel determined that additional work or significant amendment of the Change Report was required and agreed to set up a new Working Group where the CP would be subject to the Definition Procedure to consider the amendments required to the Change Report. As a result, the DCP 289 proposed legal text had already been reviewed by the legal advisor.
- 3.2 The Working Group walked through the CP form and the draft legal text of the original proposal, noting that although not addressed in the CP form, the proposer had considered that the DCUSA Charging Methodology Development Group would be paid for by all DCUSA Parties. The strawman for the DCMDG is based on the existing Standing Issues Group (SIG) which is set out in DCUSA Schedule 7 and is funded by all DCUSA Parties.
- 3.3 VM noted that Ofgem had concerns regarding the nature of the DCMDG due to the fact that it is classified as a forum-style meeting and this could mean that Parties may incorrectly bring commercial disputes for discussion at this meeting as they have been doing with MAMCoP under SPAA; resulting in the SPAA EC having to review commercial disputes. CH confirmed that although they are not within the scope of this Working Group, the Terms of Reference for the DCMDG will be written in such a way that this will not be permitted and agreed to take an action to ensure that the Terms of Reference reflect this. VM confirmed that she would be happy with this approach.

ACTION: 01/01 - ElectraLink

4. Analysis of the Alternate DCP 289A Change Proposal

- 4.1 GM walked the Working Group through his alternate proposal, noting that the primary reason for the alternate is to clarify the charging arrangements for the funding of the DCMDG. The alternate CP reflects that the funding of the DCMDG would be 100% paid for by the DNOs using a proposed funding model based on the existing funding mechanism for TRAS and ETOS.

- 4.2 PW noted that the DCMDG will be used to pre-assess changes under DCUSA rather than the MIG. It was also highlighted that there was a misconception on the Distribution Standard Licence Conditions that apply and that the obligation on the DNOs is to review the methodologies annually and that there is no requirement to pre-assess changes going into the DCUSA process, which is one of the objectives of the DCMDG.
- 4.3 GM noted that the DCMF and MIG are paid for by DNOs and this is reflected in their allocated allowed revenue under the RIIO ED1¹ price control which runs from 01 April 2015 to 31 March 2023. Changing these arrangements mid pricing period to require Parties to fund it would result in the cost of running the DCMDG being picked up through DUoS charges. If funding is shifted away from the DNOs, then the cost of the DCMDG would be levied ultimately on the customer.
- 4.4 The Working Group discussed the outcome of the DCMF MIG consultation and the debate on whether the DCM, DCMF and DCMF MIG should be brought under the DCUSA governance arrangements. Members agreed that the premise for this change was that one single group would replace the three groups but agreed to confirm that Parties agreed with this principle in the consultation.
- 4.5 Upon review of the legal text, it was queried whether the drafting for the alternate had also been submitted for legal review. The Chair confirmed that the originating CP's draft legal text was submitted for legal review when the initial change report was developed. This change report had now been superseded and the alternate CP's legal text will be legally reviewed when the change report is ready to be re-drafted.
- 4.6 GM considered that both the original and alternate CPs would better facilitate DCUSA General Objective 3 rather than Objective 1.

5. DCP 289 & 289A Consultation Questions

- 5.1 The Working Group discussed the DCP 289 and 289A consultation, noting that as the two solutions were not reconcilable, the consultation document would detail both DCP 289 and 289A.
- 5.2 The Working Group agreed that a question on whether supportive of the principles of consolidating the three meetings into the DCMDG under DCUSA should be included as a consultation question to make it very clear to respondents that these change proposals are seeking to consolidate three existing groups into the DCMDG.
- 5.3 The Working Group also agreed that a question should be included regarding whether respondents agree that the funding of the DCMDG should be provided by all DCUSA Parties or by DNOs as this will aid the Working Group in determining the best route forward for these funding arrangements.
- 5.4 It was also noted that where discussions regarding the formation of the DCMDG were discussed outside of DCUSA, a background document including the MIG's consultation responses should be

¹ RIIO (Revenue = Incentives +-Innovation + Outputs) - ED1 price control

included within the consultation pack. PW agreed to check whether a published version of the consultation responses was available that could be shared in this consultation.

ACTION: 01/02 - ElectraLink

- 5.5 ElectraLink agreed to take an action to prepare the consultation document based on today's discussions and circulate this to the Working Group for comment.

ACTION: 01/03 – Working Group Members

- 5.6 Following this the consultation will be sent out to industry for a three-week duration on 21 February 2017.

ACTION: 01/04 - ElectraLink

6. Work Plan

- 6.1 The DCP 289 Working Group reviewed the Work Plan and ElectraLink agreed to update this as a result of today's discussions.

ACTION: 01/05 - ElectraLink

7. Agenda Items for the next meeting

- 7.1 The Working Group agreed to add the following items to the agenda for the next meeting;
- Review consultation responses.

8. Any Other Business

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

9. Date of Next Meeting: 23 March 2017

- 9.1 The Working Group agreed to have the next meeting on 23 March 2017 and for the meeting to be face to face for the purpose of reviewing the consultation responses.

10. Attachments

- Attachment 1 – DCP 289A Draft Legal Text

- Attachment 2 – DCP289 Draft Legal Text v1 0

New and open actions

| Action Ref. | Action | Owner | Update |
|--------------|--|-----------------------|-------------------------|
| 01/01 | To ensure that the Terms of Reference for the DCMDG reflect that commercial discussions are not permitted. | ElectraLink | |
| 01/02 | To prepare the background document for attachment to the consultation. | Pat Wormald | |
| 01/03 | To review and provide and feedback any amendments to the draft consultation document. | Working Group Members | |
| 01/04 | To prepare the consultation document based on today's discussions and circulate this to the Working Group for comment. | ElectraLink | Completed post-meeting. |
| 01/05 | To update the Work Plan to reflect today's discussions. | ElectraLink | Completed post-meeting. |