

# DCP 289 Working Group Meeting 01

7 April 2017 at 2:00pm

Web-Conference

Attendee	Company
<b>Working Group Members</b>	
Andrew Sherry [AS]	Electricity North West Ltd
Claire Campbell [CC]	Scottish Power
George Moran [GM]	British Gas
Oliver Day [OD]	UKPN
Simon Yeo [SY]	Western Power Distribution
Vivian Marangoni [VM]	Ofgem
<b>Code Administrator</b>	
Claire Hynes [CH] (Chair)	ElectraLink
Dan Fittock [DF] (technical secretariat)	ElectraLink

Apologies	Company
Lee Wells	Northern Powergrid
Pat Wormald	Northern Powergrid
Angus Rae	SSE
Peter Waymont	UKPN

## 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

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- 2.1 The secretariat set out that the purpose of the meeting is to review the DCP 289 and DCP 289A Consultation responses.

## 3. Review of the DCP 289 and DCP 289A Consultation Responses

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*A copy of all consultation responses with Working Group comments can be found as Attachment 1.*

- 3.1 The Working Group reviewed the DCP 289 and DCP 289A consultation responses and made a number of observations:

### Question 2

- The Working Group noted that one respondent could not support either DCP 289 or DCP 289A as both changes seek to have different treatments of costs effectively looking at the same areas of work under DCUSA.

### Question 3

- Three respondents believed that the DCM should not fall under DCUSA as the meeting would not be as open as it is now and there would be a lack of visibility on the discussions held for non- DCUSA parties. However, the consensus from the Working Group was that the DCM should fall under DCUSA governance. In addition, one respondent noted that they would like to see an independent chair for the DCMDG.

### Question 4

- A respondent noted that the calculation for the recovering of costs for the DCMDG would not cover 100% of the cost recovery as some IDNOs did not wish to have the cost apportioned to them. An amendment to the calculation was suggested to cover the shortfall in revenue by ensuring costs were recovered by all Distributors, not just DNOs. An alternate, DCP 289B, was suggested to include equal revenue recovery across all distributors.

### Question 5

- It was noted by the Working Group that there is a general split between Parties on who should be covering the costs of the DCMDG, with DNOs believing that costs should be covered by all Parties and Supplier and IDNO respondents believing that costs should be covered by DNOs.

- Some Working Group members noted that under DCP 289 some customers may end up paying more, and that these arrangements arguably do not fall in line with the RIIO ED1 arrangements. It was also noted that DCP 289A removed these barriers and issues. However it was noted that one of the benefits of DCP 289 is that DNOs would not be required to include the costs of the DCMDG within RIIO ED2, and this may result in the belief that there would be lower overall costs to customers, although this is not the case; as it would result in lower Use of System costs but not lower overall costs. It was also noted that the funding arrangements under ED2 are going to reduce with DCP 289, but Supplier costs would be higher than under DCP 289A. Where costs are going to be recoverable from consumers, some Working Group members noted that their preference, on this basis, would be DCP 289A.
- A Working Group member noted that an obligation is placed on DNOs by their Distribution Licence Conditions to review the charging methodologies annually, but these obligations do not extend to the DCMF or the DCMF MIG and thus the funding arrangements should not solely be placed on the DNOs.
- The Ofgem representative stated that they would not support a funding mechanism that has a negative impact on consumers and suggested the Working Group undertake an impact assessment, as at this stage it is difficult to assess the overall cost implications of the proposal. The Working Group noted that the existing costs of the DCMF and DCMF MIG are not a line item in RIIO ED1 Price Control as anything less than £20,000 is not a line item and as a result, it is not possible to undertake an impact assessment on the cost implication. GM was comfortable that under the alternate DCP 289B that DNOs would have forecast these costs which would be fed in to and taken account off in the RIIO ED2 Price Control and that all Parties would then cover the costs of the DCMDG going forward from the RIIO ED2 Price Control.
- The Chair requested views from the Working Group members on whether a compromise could be reached if the DCMDG could be funded with the DCP 289A solution to the end of RIIO ED1 and by all Parties from RIIO ED2 onwards. This resulted in a mixed view from the Working Group with some members agreeing to the compromise, but other members not agreeing due to the DCUSA funding principle as previously mentioned.
- In order to remedy the lack of consensus, the Working Group agreed that a DCP 289B should be raised which would share the development costs associated with the DCMDG across all Parties from RIIO ED2 onwards. GM agreed to sponsor this new proposal and circulate the legal text to the Working Group for consideration.

**ACTION: 02/01 - GM**

## 4. Next Steps

4.1 The DCP 289 Working Group agreed to the following next steps:

- GM to draft DCP 289B and submit this to ElectraLink;
- ElectraLink to circulate the legal texts for DCPs 289, 289A and 289B to the Working Group for ex-committee review prior to submission to the DCUSA legal advisor; and
- ElectraLink to draft the change report for submission to the May DCUSA Panel; and
- The Working Group to meet next on 08 May 2017 to discuss the legal text and finalise the change report.

## 5. Work Plan

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

## 6. Any Other Business

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

## 7. Date of Next Meeting: 08 May 2017

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- 7.1 The Working Group agreed to have the next meeting on 08 May 2017 via teleconference.

## 8. Attachments

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- Attachment 1 - DCP 289 Collated Consultation Responses with Working Group comments
- Attachment 2 – DCP 289 Updated Work Plan

## New and open actions

Action Ref.	Action	Owner	Update
<b>02/01</b>	To draft the change proposal form and legal text for DCP 289B and circulate this to the Working Group.	GM & ElectraLink	Completed post-meeting.

## Closed Actions

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