

DCP 287 Working Group Meeting 15

21 August 2018 at 10:00am

Skype Meeting / Web-conference

Attendee	Company
Working Group Members	
Alessandra DeZottis [AD]	UK Power Reserve
Andrew Enzor [AE]	Northern Powergrid
Dave Wornell [DW]	WPD
Chris Ong [CB]	UKPN
Dan Starman [DS]	Cornwall
Julia Haughey [JH]	EDF Energy
Kathryn Evans [KE]	Scottish Power Energy Networks
Observers	
Edda Dirks [ED]	Ofgem
Code Administrator	
John Lawton [JL] (Chair)	ElectraLink
Dylan Townsend [DT] (technical secretariat)	ElectraLink

Apologies	Company
Anika Brandt [AB]	SSE
Claire Campbell [CC]	Scottish Power Energy Networks

1. Welcomes and Apologies

1.1 The Secretariat noted the welcome and apologies for this meeting.

2. Administration

- 2.1 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.
- 2.2 The Working Group agreed that that from the previous meeting were a fair and accurate representation of the discussions held.

3. Purpose of the Meeting

- 3.1 The Chair set out that the purpose of the meeting was to discuss/review the access and forward-looking charges task forces consultation as well as reviewing draft consultation document.

4. Discussion on Ofgem Consultation

- 4.1 The Working Group discussed a number of points related to Ofgem’s recently issued consultation titled ‘Getting more out of our electricity networks by reforming access and forward-looking charging arrangements’. The Working Group noted that section four of the consultation sets out the scope of review of forward-looking network charging proposals and in particular, paragraph 4.3 to 4.7 are related to DUoS charging.
- 4.2 In general, the Working Group were of the view that, if/when the Significant Code Review (SCR) does go ahead, there will be significant cross over between it and DCP 287 but that there is no cross over currently as Ofgem are yet to launch a SCR. The member acting on behalf of the Proposer provided their additional view which is that DCP 287 could help level the playing field, possibly in advance of the work that would result from a SCR.
- 4.3 The Ofgem representative suggested that the Working Group will need to be especially mindful of what reform may be seen in the area of generation dominated areas. The Working Group were asked to consider the potential direction of travel with respect to the introduction of different network areas, i.e. generation dominated, and demand dominated and who might be paying charges or receiving credits. The Ofgem representative noted the Working Groups view in respect of the fact that Ofgem are yet to launch a SCR, however, asked that the Working Group consider the potential impacts associated with this CP continuing into the new year which will then directly overlap with the potential SCR. It was noted that Ofgem intend to make a decision and launch a SCR by the end of 2018.
- 4.4 Given the request for consideration to be given to the likely timetable that DCP 287 will follow, the member acting on behalf of the Proposer suggested this timetable overlap may be taken to the Proposer to confirm their view on the approach to DCP 287.
- 4.5 One Working Group member explained their view that, when looking at the elements which sit behind this change, i.e. direct/indirect costs, network rates and transmission exit charges, it might be the case a SCR could coexist with DCP 287.

5. Review of Draft Modelling Support Specification Cover Sheet and Draft Legal Text

Draft Model Specification Pack Cover Sheet

- 5.1 The Working Group reviewed the draft model specification pack cover sheet and agreed to some minor amendments which were carried out during the meeting. The revised document which captures these amendments acts as attachment 1 to the minutes.

Draft Legal Text

- 5.2 It was noted that during the last Working Group meeting, the legal text had been amended based on the principles set out in the LRIC methodology and that an action had been taken by those who use the FCP methodology to confirm if the newly proposed text was applicable to FCP methodology. This action had not been completed in time for this meeting and one member of the Working Group had missed some previous discussion as a result of dropping off the email distribution list for a period of time. Given the above the Working Group took the time to confirm what exactly needs to be confirmed.
- 5.3 It was noted that there were two placeholder comments in the draft legal text document on paragraph 6.5 where confirmation was needed. One member had provided an update via email with regard to the use of 'lifetime net present value' which stated that "there isn't such thing as 'lifetime net present value' in FCP. Charge 1 in FCP is incremental over the following ten year period.". The Working Group noted that it isn't defined in Schedule 18 either, so should be equally as applicable for use in Schedule 17.
- 5.4 The second placeholder comment relates to the formula under paragraph 6.5, where the term annuity rate is used and then further defined below. It was noted that the issue is, where, if at all, does the FCP methodology annuitise as this step is what needs to be used to align as closely as possible to the LRIC methodology. No members of the Working Group were able to provide a view during the call and it was agreed that the best course of action would be to arrange a teleconference which is to include members who use the FCP methodology and the modelling support consultants to discuss potential approaches. Other members of the group will be invited to join this teleconference however won't necessarily need to. The Working Group agreed a number of dates which could be used for such a meeting and the Secretariat took an action to confirm which date has been agreed with the modelling support consultants.

ACTION: 15/01 – ElectraLink to confirm selected dates for potential next meeting with CEPA/TNEI to confirm that they are available to dial into a teleconference and then confirm the selected date with the Working Group.

- 5.5 During the review of the legal text, the Chair noted a number of inconsistencies that require amendment and the Secretariat took an action to update the draft legal text as follows:
- Where text refers to a number, e.g. as calculated in 16.4, the word 'paragraph' needs to precede the number.

- Where text refers to a clause, e.g. as determined in clause 6.4 of this Schedule 17, the word 'clause' needs to be replaced by 'paragraph'.
- Where text refers to a schedule, e.g. as determined in clause 6.4 of this Schedule 17, the words 'of this schedule' need to be removed.
- Amend the reference to an 'Annuity Rate' to 'Discount Rate' in Schedule 17.

ACTION: 15/02 – ElectraLink to update the draft legal text as follows:

- Where text refers to a number, e.g. as calculated in 16.4, the word 'paragraph' needs to precede the number.
- Where text refers to a clause, e.g. as determined in clause 6.4 of this Schedule 17, the word 'clause' needs to be replaced by 'paragraph'.
- Where text refers to a schedule, e.g. as determined in clause 6.4 of this Schedule 17, the words 'of this schedule' need to be removed.

5.6 The document capturing the amendments made to the draft legal text acts as attachment 2 to the minutes.

6. Review Draft Consultation Document

6.1 The Working Group reviewed the DCP 287 draft consultation document and agreed to amendments which were carried out during the meeting. The revised document which captures these amendments acts as attachment 3 to the minutes.

6.2 The following actions were captured during the Working Groups review of the consultation document:

ACTION: 15/03 – ElectraLink to carry out the following in the consultation document:

- Copy the question under paragraph 5.16 and paste into the other relevant sections, ensuring that the text is changed to account for the applicable item.
- Include layman's terms/examples of 'closely associated indirects' and 'Non-Operational Capex' – to be provided by CO in the first instance.
- Check a prior version of the consultation document to confirm what word should sit in place of 'dird' in paragraph 5.33
- Section 10 'Questions' is to be update in line with the amendments made throughout the body of the document.

7. Next steps and agenda items for the next meeting

7.1 The Working Group agreed to the following next steps:

- As previously noted ElectraLink to confirm selected dates for potential next meeting with CEPA/TNEI to confirm that they are available to dial into a teleconference and then confirm the selected date with the Working Group.
- Next meeting will be used to discuss the area of annuity rates in the FCP methodology with CEPA/TNEI and members of the Working Group who use the FCP methodology.

8. Work Plan

- 8.1 The Working Group reviewed and refined the Work Plan, the updated version of which can be found as Attachment 4.

9. Any Other Business

- 9.1 ED noted she will be moving into new role within Ofgem and that this will be her last Working Group meeting as the Ofgem representative. It was noted that no successor has been appointed yet, but that David McCrone will provide support in the short term until the next Ofgem representative is appointed.

Attachments

- Attachment 1 - DCP 287 Draft Modelling Specification Cover Sheet
- Attachment 2 – DCP 287 Draft Legal Text
- Attachment 3 - DCP 287 Draft Consultation
- Attachment 4 – DCP 287 Work Plan

Appendix 1: Actions

New and open actions

Ref.	Action	Owner	Update
12/05	To investigate what the impact on the price control is as a result of DCP 287, and how the long term cost savings will be realised upon implementation of this change; and	All DNOs	Ongoing
14/03	Include the approach for Indirect costs of using a hard coded value of 0.6 within the consultation document.	ElectraLink	Ongoing
14/04	Include commentary covering whether the transmission exit credit should be proportional to charge 1, as it is with indirect costs, direct costs and network rates in the consultation document and ask a question on it.	ElectraLink	Ongoing
15/01	Confirm selected dates for potential next meeting with CEPA/TNEI to confirm that they are available to dial into a teleconference and then confirm the selected date with the Working Group.	ElectraLink	
15/02	Update the draft legal text as follows: <ul style="list-style-type: none"> Where text refers to a number, e.g. as calculated in 16.4, the word 'paragraph' needs to precede the number. Where text refers to a clause, e.g. as determined in clause 6.4 of this Schedule 17, the word 'clause' needs to be replaced by 'paragraph'. Where text refers to a schedule, e.g. as determined in clause 6.4 of this Schedule 17, the words 'of this schedule' need to be removed. 	ElectraLink	
15/03	Carry out the following in the consultation document: <ul style="list-style-type: none"> Copy the question under paragraph 5.16 and paste into the other relevant sections, ensuring that the text is changed to account for the applicable item. Include layman's terms/examples of 'closely associated indirects' and 'Non-Operational Capex' – to be provided by CO in the first instance. Check a prior version of the consultation document to confirm what word should sit in place of 'dird' in paragraph 5.33 Section 10 'Questions' is to be update in line with the amendments made throughout the body of the document. 	ElectraLink	

Closed actions

Ref.	Action	Owner	Update
14/01	Review new calculation included in legal text to confirm accuracy and to compare against similar calculations for demand. Once this review has taken place the text and any comments are to be passed to CC for confirmation of the appropriateness for application in the FCP EDCM model.	Andrew Enzor	Completed
14/02	Review new calculation to confirm the appropriateness for application in the FCP EDCM model.	Claire Campbell	Closed as confirmation could not be obtained and new action opened.