

# DCP 287 Working Group Meeting 14

17 July 2018 at 10:00am

The Bloomsbury Building, 10 Bloomsbury Way, Holborn, WC1A 2SL  
(Meeting Room 9 on the First Floor) / Skype Meeting

Attendee	Company
<b>Working Group Members</b>	
Alessandra DeZottis [AD] (part)	UK Power Reserve
Andrew Enzor [AE]	Northern Powergrid
Anika Brandt [AB] (Telecon)	SSE
Chris Barker [CB] (Telecon)	ENWL
Chris Ong [CB] (Telecon)	UKPN
Dan Starman [DS]	Cornwall
Julia Haughey [JH] (Telecon)	EDF Energy
Claire Campbell [CC] (Telecon)	Scottish Power Energy Networks
<b>Observers</b>	
Edda Dirks [ED]	Ofgem
Fiona Townsend [FT]	CEPA/TNEI
Gordon McFadzean [GM]	CEPA/TNEI
Andrei Vladareanu [AV]	CEPA/TNEI
<b>Code Administrator</b>	
John Lawton [JL] (Chair)	ElectraLink
Dylan Townsend [DT] (technical secretariat)	ElectraLink
Richard Colwill [RC]	ElectraLink

Apologies	Company

## 1. Welcomes and Apologies

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

## 2. Administration

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- 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

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- 3.1 The Chair set out that the purpose of the meeting was to review the Reckon modelling response and review the consultation document

## 4. Discussion on Previous Modelling Issues with CEPA/TNEI

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- 4.1 The Working Group reviewed DCP 287 Modelling Support Specification, specifically Attachment 3 ‘DCP 287 Modelling Issues Document’. Each of the five items were discussed separately and an agreed way forward was proposed for each. The following provides an overview of the issue raised by the previous modelling consultant and then the key discussions and proposed way forward under each of those items:
- 4.2 Issue A ‘We have applied the direct, indirect and network rate contribution rates to annuitised figures even though this conflicts with common sense and is different from the way these items are charged to EDCM demand’. The Working Group had previously discussed AE’s response which suggested that Charge 1 be reverted back to £/kVA rather than £/kVA/Year to ensure that generators with low or zero charge 1 are not unduly rewarded for offsetting costs. The Working Group had agreed that it would be beneficial to discuss this with the previous modelling consultant.
- 4.2.1 It was noted that the contract with the previous modelling consultant had ended and CEPA/TNEI have taken on the provision of modelling support for DCUSA and are in attendance today to assist the Working Group with their discussions.
- 4.2.2 The Proposer noted their view that the solution should closely align to charge 1 and should only adjust the amount of credit received not adjust who is paid the credit.
- 4.2.3 Members of the Working Group together with the modelling support consultant discussed possible ways to solve the issue of a calculation resulting in an expression of (/year/year). It was noted that this issue arises due to a calculation that converts demand charges from (p/kwh/year) which are applied to an expression (%/year) from a charging base of (£/kVA/year).
- 4.2.4 It was noted that within the EDCM, for both the LRIC and FCP models, there is a step where you annuitise a percentage using values for revenues and assets and that a potential solution would

be to apply these rates to assets and not a charge. It was further noted that to annuitise values to be applied in the EDCM, the rate of return of the asset life would need to be known.

4.2.5 The Working Group considered if there was another way to apply the direct, indirect and network rates contributions with the modelling support consultant noting that one possible method would be to annuitise the denominator.

4.2.6 The Working Group alongside the modelling support consultant drafted some new text, including a new calculation step. The draft legal text document that captures the amendments made during the Working Group meeting acts as Attachment 1 to the minutes.

4.2.7 It was noted that the creation of this new calculation step involving the use of an 'Annuity Rate' has been done with the LRIC version of the EDCM in mind and that confirmation that what has been drafted is applicable to the FCP version of the EDCM. It was noted that this confirmation should come from DNOs who use the FCP EDCM. AE took an action to review the new calculation that has been added and then send on to CC who took an action to confirm if the new steps and calculation are applicable to the FCP EDCM.

**ACTION: 14/01 – AE to 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.**

**ACTION: 14/02 – CC to review new calculation to confirm the appropriateness for application in the FCP EDCM model.**

4.3 Issue B 'We have included a hard-coded factor of 0.6 for indirect costs even though this figure has no visible means of support and there is no corresponding factor in the calculation of charges for EDCM demand'. The Working Group had previously agreed with a response provided by AE in an email, which detailed that no further action is required due to this being in line with the Working Groups view and supported by the consultation responses.

4.3.1 The Working Group agreed that their previous decision above should stand and that when drafting the second consultation document that their decision on the above approach should be made clear.

**ACTION: 14/03 – ElectraLink to include the approach for Indirect costs of using a hard coded value of 0.6 within the consultation document**

4.4 Issue C 'We have included the "proportion eligible for charge 1 credits" factor in the calculation of transmission exit credits even though it is not included in the most recent version of the working group's draft legal text and it discriminates against no-F-factor generation exporting to the DNO's system through an EDCM connection during super-red compared to similar generation exporting through a CDCM connection or embedded within a demand-dominated site'. The Working Group had previously noted that they have made it explicit that the change is seeking to apply credits to eligible generators and DCP 313 is responsible for setting the eligibility criteria. The Working Group had agreed

that an update to the legal text to make this clear is required and that the legal text had subsequently been amended and circulated to the group.

4.4.1 The Working Group noted that this CP should not change which embedded generators are eligible for credits, however considered how Charge 1 correlates with a DNO's need to reinforce their networks and how this then correlates to actual reinforcement.

4.4.2 The Working Group agreed that the text that has been included is the correct solution for this CP and that they should ask a consultation question on this issue. It was noted that the question could ask whether the transmission exit credit should be proportional to charge 1, as it is with indirect costs, direct costs and network rates.

**ACTION: 14/04 – ElectraLink to include a question 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.**

4.5 Issue D 'We have not applied any loss adjustment factors to the calculation of transmission exit credits even though such factors would seem to make sense and are included in the calculations of the transmission exit elements of EDCM demand charges and CDCM generation credits'. The Working Group had previously agreed that this may be a valid point and requires further discussion.

4.5.1 The Working Group discussed this issue and determined that the addition of a step in the ATECC calculation (paragraph 6.6 of the legal text) to adjust for losses could be the potential solution. It was questioned if this takes into account the provisions set out in Engineering Recommendation P2/6 (ER P2/6).

4.5.2 It was noted that the Working Group agreed to include a new term and subsequent step in the ATECC calculation which they called 'Generation Losses Factor'. The addition to the legal text as drafted during the Working Group meeting is captured in Attachment 1.

4.6 Issue E 'We have made no attempt at preventing the double payment of transmission exit credits to generators that may support the distribution system through a contract to provide distribution system support in GSP outage scenarios'. The Working Group had previously discussed the fact that the DCP 287 RFI has shown that bilateral contracts between embedded generators and DNOs that would allow for Transmission Exit Charge credits do not appear to currently be in place and so it is unlikely that a double credit would be awarded. However, it was also noted that there are two differing requirements, one for providing support during a SGT outage via a contract and the second for the perceived benefit the generator is providing via this Change Proposal. It was agreed that this should be discussed further.

4.6.1 The Working Group discussed that the inclusion of transmission exit credits under paragraph 6B 'Generation Credits' in the legal text and considered that this is in addition to and not in replacement of transmission exit credits set out in paragraph 10 'Transmission Connection (Exit) Credits For Generators'. The credits set out in paragraph 10 are paid to generators that have an agreement with the DNO, the terms of which require the generator, for the purposes of P2/6 compliance, to export power during supergrid transformer (SGT) outage conditions. It was noted

that this is due to the fact that it is actually two credits for two services and therefore the model should reflect two separate services.

## 5. Review of DCP 287 Draft Legal Text

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- 5.1 The Working Group noted that they had amended the legal text as part of the previous agenda item (Attachment 1) and that there was no need for a further review as part of this agenda item.

## 6. Next Steps

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- 6.1 The Working Group agreed to the following next steps:

- Legal text issued to Working Group for a week to review and any updates provided. This will then be issued to CEPA/TNEI as part of the modelling specification pack.
- Agenda item for next meeting to discuss/review the access and forward looking charges task force consultation. Issued on w/c 23 July 2018.
- Consideration should be given to generation dominated areas and further justification of the change including the how generators reduce the need for reinforcement and at which point this happens.
- The DCP 287 Draft Consultation Document, should be cleaned up (tracked changes accepted) ensuring that the points raised by Ofgem remain in the document and then it is to be issued to the Working Group.

## 7. Work Plan

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- 7.1 The Working Group reviewed and refined the Work Plan, the updated version of which can be found as Attachment 2.

## 8. Any Other Business

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- 8.1 There were no items of any other business discussed.

## 9. Date of Next Meeting: TBC

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- 9.1 The Working Group agreed that the next Working Group meeting will be arranged via Doodle Poll.

## Attachments

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- Attachment 1 - DCP 287 Draft Legal Text
- Attachment 2 – DCP 287 Work Plan
- Attachment 3 - DCP 287 Draft Consultation Document - Clean Version

## Appendix 1: New and open actions

Action Ref.	Action	Owner	Update
<b>12/05</b>	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
<b>14/01</b>	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	
<b>14/02</b>	Review new calculation to confirm the appropriateness for application in the FCP EDCM model.	Claire Campbell	
<b>14/03</b>	Include the approach for Indirect costs of using a hard coded value of 0.6 within the consultation document	ElectraLink	
<b>14/04</b>	Include a question 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	

## Closed actions

Action Ref.	Action	Owner	Update
<b>13/01</b>	To arrange a face-to-face Working Group meeting with Reckon and the DCP 287 Working Group members as a matter of priority.	ElectraLink	Completed