

DCP 287 Working Group Meeting 10

23 January at 10:00am

Skype Meeting

Attendee	Company
Working Group Members	
Alessandra DeZottis [AD]	UK Power Reserve
Andrew Enzor [AE]	Northern Powergrid
Andy Pace [AP]	Cornwall Insight
Chris Barker [CB]	ENWL
Chris Ong [CO]	UK Power Networks
Code Administrator	
John Lawton [JL] (Chair)	ElectraLink
Dan Fittock [DF] (technical secretariat)	ElectraLink
Observers	
Edda Dirks [ED]	Ofgem

Apologies	Company
Claire Campbell	Scottish Power

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 approved the minutes from the last meeting as an accurate depiction of the discussions held.

3. Purpose of the Meeting

- 3.1 The Chair set out that the purpose of the meeting is to review the draft DCP 287 Second Consultation document, however noted that decisions regarding how to progress on the four areas of Transmission Exit Charges, Direct Costs, Indirect Costs, and Network Rates were required before the consultation document, legal text and the FCP and LRIC models could progress further.
- 3.2 The Chair raised a concern over the lack of progress being made and indicated that as a consequence of the approval of DCP193 “Charging Methodology cut off date” the end date by which a change needed to be approved was the 30 September and in order to achieve this the change would have to be submitted to the July Panel at the latest. Decisions now need to be made and a plan reviewed in order to meet such a deadline.

4. Review of Transmission Exit Costs, Direct Costs, Indirect Costs, and Network Rates Analysis

Transmission Exit Charges

- 4.1 The Ofgem representative questioned whether new contractual agreements between DNOs and Generators could be a potential solution which would not need to progress through the DCUSA. Working Group members stated that if a demand side management contract existed in this way, the calculation of the credits may not be uniform across DNOs and that there would be a significant amount of work and engagement with Generators to put such agreements in place. Additionally, where this has been discussed previously, concerns were raised regarding the potential application of double credits. The Working Group agreed that a DCUSA related solution would be preferable to ensure that consistency and eligibility is guaranteed, and that by nature Generators are benefitting the network and so should not require a demand side management contract in order to be eligible for Transmission Exit Charge credits.
- 4.2 The Working Group reviewed data provided for the two Northern Powergrid DNO areas and noted that where some GSPs benefit little from both intermittent and non-intermittent generation being present, others saw a noticeable benefit – with one GSP in particular seeing a difference of almost 50% reduction in peak demand as a result of Generators. This analysis can be found as Attachment 1.
- 4.3 The Working Group agreed not to develop the change at GSP level indicating that if we use the credit to be applied to only the super red time, the current model methodology and the type of generator installed will have a limiting factor on how much credit is received based on the power flow analysis undertaken and the F Factor of the generator.

- 4.4 It was agreed to progress the Transmission Exit Charge aspect of DCP 287, by only allowing “eligible” generators exporting at the super-red timeband receiving a credit. Note that “eligible” is defined in DCUSA, and is subject to a separate change proposal DCP313. By retaining this link, there is no impact on DCP313 and both can be developed independently.

Consultation 1 responses

- 4.5 The Chair reminded Working Group members that the consultation response document left open a Working Group view on Direct costs, indirect costs and network rates until the actions associated with the “pilot exercise” on seeing what impact the removal of non intermittent and intermittent generation had on system peak and a review what constituted direct costs, indirect costs and network rates.
- 4.6 The Working Group reviewed the responses to the first consultation in determining the next steps..

Direct Costs

- 4.7 The Working Group agreed that the issue of direct costs when relating them to this change is complex and that the argument being put forward is one of avoiding reinforcement and as such no need to install additional plant thereby reducing direct costs. Based on the pilot analysis this was inconclusive.
- 4.8 However, based on an earlier decision on which option to adopt (amending the calculation for charge 1 or Network Use Factor), the use of credits only applying during the super red time period (charge 1) provided some level of protection on the amount of credit being provided as indicated in paragraph 4.3 above. It was also further clarified that this approach rather than the NUF approach as detailed in the first consultation would be more cost reflective, as using the NUF approach would result in generators receiving a large credit even if generating at times outside of the super-red timeband.
- 4.9 The Working Group agreed that Generators would be awarded a credit proportional to Charge 1 for Direct Costs, the value of which is determined based on the likely need for network reinforcement. This would be a more cost reflective approach.

Indirect Costs

- 4.10 The Working Group were reminded of the work undertaken at the last meeting regarding what percentage of indirect costs should be used. A simple analysis was undertaken by the Working Group on all DNOs ‘closely associated’ indirect costs as a percentage of ‘total’ indirect costs since this was believed to be closely linked to any deferred costs that generators may contribute to this part of the DNO indirect costs.
- 4.11 The average was 59.6% across the DNOs, with a minimum of 53.4% and a maximum of 63.3%. The average closely aligns with that of the 60% value used within the CDCM although the method adopted is different and perhaps such a value therefore may also be appropriate for use in the EDCM. This is a simple pragmatic approach to progress this change.

- 4.12 The Working Group agreed to use the 60% average value to progress this aspect of the change proposal.

Network Rates

- 4.13 The Working Group reviewed the responses to the first consultation. Issues were raised over whether network rates would actually be re-calculated as a consequence of the network operator acting more efficiently.
- 4.14 Prior to progressing this part of the change, it was suggested that clarification on this should be sought from the Government's Valuation Office. An alternative approach was to seek guidance internally within a network operator business. CB agreed to take an action to discuss this with subject matter experts within his company and report back to the Working Group.

ACTION: 10/01 - CB

5. Next Steps

- 5.1 Upon discussion of next steps, a Working Group member suggested that we should consider adopting a three consultation approach i.e. seek opinion on the decisions made on Transmission Exit Charges, Direct, Costs, Indirect Costs and Network Rates. There was concern raised that this may not result in any different responses or alternative proposals being suggested and there is a high risk of delaying the implementation date based on earlier discussions on the timeline. The Working Group agreed to develop the legal text and the model based on the decisions made and send out a final consultation.
- 5.2 The Working Group deferred the review of the consultation document but agreed input to it from members of the Working Group.
- 5.3 The Working Group agreed to the following next steps:
- AE took an action to review the Direct Costs section of the draft Consultation Document and update this as a result of today's discussions by 05 February 2018;
 - AP took an action to review the Transmission Exit Charges sections of the draft Consultation Document and update this as a result of today's discussions by 05 February 2018;
 - ElectraLink agreed to an action to review and update the legal text to reflect the required changes in Schedule 18; and
 - All Working Group members agreed to an action to review the legal text provided by AP.

ACTION: 10/02 - AE

ACTION: 10/03 - AP
ACTION: 10/04 - ElectraLink
ACTION: 10/05 – All Working Group Members

6. Work Plan

- 6.1 The Working Group reviewed the DCP 287 Work Plan, and the Chair noted that the current progression of this change would need to pick up pace if 01 April 2020 implementation date is to be achieved.
- 6.2 The Working Group reviewed and refined the Work Plan, an updated version of which can be found as Attachment 2.

7. Any Other Business

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

8. Date of Next Meeting: 07 February 2018

- 8.1 The Working Group agreed that the next Working Group meeting will be held on 7th February 2018 via Skype meeting.

Attachments

- Attachment 1 – Pilot exercise undertaken by Npg
- Attachment 2 - DCP 287 Updated Work Plan
- Attachment 3 – Updated DCP 287 Consultation Responses with Working Group Comments

Appendix 1: New and open actions

Action Ref.	Action	Owner	Update
09/01	To contact the Active Network Schemes and request analysis data on any work they are undertaking on Direct Costs.	Chris Ong	Initial contact has been made and it is confirmed that some data is available, however this is subject to further development and has not yet been published. Further updates will be provided. Ongoing.
10/01	To discuss the Network Rates process with subject matter experts relating to the Government's Valuation Office figures and report back to the Working Group.	Chris Barker	
10/02	To review the Direct Costs section of the draft Consultation Document and update this as a result of today's discussions by 05 February 2018.	Andrew Enzor	
10/03	To review the Transmission Exit Charges sections of the draft Consultation Document and update this as a result of today's discussions by 05 February 2018.	Andy Pace	
10/04	To review and update the legal text to reflect the required changes in Schedule 18.	ElectraLink	
10/05	To review the legal text provided by AP.	All WG Members	

Closed actions

Action Ref.	Action	Owner	Update
08/01	To create a model to ascertain whether a credit put in place for transmission exit charges would actually be given, and whether the size of the credit would be based on the size of the benefit to the GSP.	Andrew Enzor	Completed – agenda item.
08/03	To clarify UKPR's rationale for choosing Option 2 when responding to Question 8: Which of the two options do you support? Option 1 – amending the calculation for Charge 1, or Option 2 – NUF. Please provide your rationale.	Alessandra DeZottis	It was confirmed that with the Working Group progressing with Option 1 into the second consultation, UKPR are happy to support this approach. Completed.
09/02	To start drafting the second Consultation Document.	ElectraLink	Completed – agenda item.