

DCP 287 Working Group Meeting 02

04 April 2017 at 10:00am

Skype Meeting

Attendee	Company
Working Group Members	
Andrew Enzor [AE]	Northern Powergrid
Andy Pace [AP]	Cornwall Insight
Edda Dirks [ED]	Ofgem
Anika Brandt [AB]	Scottish and Southern Electricity Networks
Claire Campbell [CC]	Scottish Power
Dave Wornell [DW]	Western Power Distribution
Chris Ong [CO]	UK Power Networks
Code Administrator	
Dan Fittock [DF] (Chair)	ElectraLink
Dylan Townsend [DT] (technical secretariat)	ElectraLink

Apologies	Company
Julia Haughey	EDF

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.

3. Purpose of the Meeting

- 3.1 The secretariat set out that the purpose of the meeting is to review and analyse the Change Proposal in light of the analysis undertaken since the last meeting and to discuss what should be included within the consultation document.

4. Working Group discussion on DCP 287 Change Proposal

- 4.1 AE presented his analysis as agreed at the previous meeting which looked at the change over recent years in the levels of direct/indirect/network rates and embedded generation in the CDCM. The data presented to the Working Group showed the change from 2012/13 to 2018/19 for all DNOs based on data sourced from CDCM models. The Working Group discussed the data that was provided by AE and noted that the levels of direct/indirect/network rates and embedded generation have seen increases.
- 4.2 One Working Group member noted that networks rates and direct/indirect costs have risen above inflation. Another member noted their concerns that the data presented could be misleading as it is not indexed for inflation but is nominal so needs to be adjusted for inflation.
- 4.3 The Working Group noted that generation increases sharply from the 14/15 years and considered if the baseline should be re-set to those years. One member highlighted that savings would not be expected straight away but into the future, noting it could take a few years for the potential benefits of generation to be seen. Another member suggested consideration be given to how much the costs would if the current generation wasn't there and suggested that the chart lines may be much steeper if the generation wasn't there.
- 4.4 The Ofgem representative questioned if the Proposer had considered if any alternative analysis would be needed given the difference between the initial CP and the data provided by AE. The Proposer noted that specific examples could be used to strengthen the principals of the change instead of looking at the macro level detail. It was also noted that this means analysis at the micro level would need to be undertaken as there is too much noise at the macro level. The Ofgem representative asked for the Working Groups thoughts on using two or three specific examples to which the Working Group agreed that this would be a good way forward.
- 4.5 One member of the Working Group suggested that the costs aren't really indirect or direct but are "other" costs and questioned if the percentages set out in the CP form, do in reality, vary with demand. The Proposer noted that in his view the direct and indirect costs do vary with demand. The Working Group member suggested that at demand level direct/indirect costs could vary with customer numbers. AP agreed to provide analysis at a more micro level including specific examples. Both AE and AP agreed to determine the proportions of indirect costs that they believe vary with demand.

ACTION 02/01: Andy Pace to provide analysis at a more micro level of detail, including specific examples.

ACTION 02/02: Andrew Enzor and Andy Pace to determine the proportions of indirect costs that they believe vary with demand.

- 4.6 The Ofgem representative questioned if the data aligns with what would be expected from the EDCM as the analysis relates to the CDCM, to which it was noted that it is more difficult to complete analysis on EDCM data as the data is not published. The Working Group considered if issuing a RFI requesting the generated units for each of the years could assist the Working Group. It was noted that direct and indirect costs used in the EDCM are also used in the CDCM and it is just generated units missing from the analysis.
- 4.7 The Working Group considered if a comparison of two DNO areas should be used to confirm if an area where an increase in generation has been seen has also seen a reduction in costs compared to an area that has had less demand connected. The Working Group discussed the short and long term forward looking cost allocations during which one member questioned if these are really forward looking or if it could be attempting to allocate costs currently. It was noted that the current principal is that credits are allocated now for future avoided costs. The Proposer noted that this is a forward looking proposal which considers what costs will be avoided in the future and that challenging the forward looking nature of the EDCM is out of scope for this CP.
- 4.8 The Ofgem representative questioned if any members of the Working Group attend the CDCM/EDCM Review Group and if they can identify if the review group have covered any areas that relate to this CP. One Working Group member noted that they attend the Review Group meetings and that the Review Group haven't yet covered the areas that this CP is looking at. The Ofgem representative questioned if it is likely that the Review Group will analyse to the level of detail that the DCP 287 Working Group will cover off. It was noted that the Review Group will need to analyse at the same level of detail as the DCP 287 Working Group.
- 4.9 The Ofgem representative asked for the Working Groups thoughts on if now is the right time for this change to be progressed through the DCUSA Change Process. The Proposer outlined that the CP is a self-contained change and does not believe it should be put on hold until a known point in time when a more fundamental change is due to occur. One member noted their view is that this is not the best time as the CDCM/EDCM Review Group is likely to cover the same detail and propose changes that may alter any work completed as part of DCP 287. The Proposer noted that the work carried out during the DCP 287 Working Groups could feed into the any analysis that the CDCM/EDCM Review Group carries out. The Working Group considered including a Consultation Question on whether Parties believe that this change should be put on hold given the ongoing work of the CDCM/ECM Review Group. AE agreed to check with the CDCM/EDCM Review Group to confirm if there is a view as to whether DCP 287 should be put on hold or if/when they may cover the topics that are in scope of DCP 287.

ACTION 02/03: AE agreed to check with the CDCM/EDCM Review Group to confirm if there is a view as to whether DCP 287 should be put on hold or if/when they may cover the topics that are in scope of DCP 287

- 4.10 Members of the Working Group agreed that providing micro level examples in the consultation is important as Parties can decide on their views based on the information and data provided. The Ofgem representative questioned if the analysis already provided could be used alongside some additional detail. One Working Group member noted their view is that the volume of generation provided in the analysis could be misleading due to wind and solar generation connections not leading to network security. It was noted that the analysis provided shows 12TWh of total generation which is quite a small proportion of total demand.
- 4.11 DW provided an email with attached spreadsheet to the Working Group with some percentage analysis for the UKPN network areas. The Working Group considered a suggestion to normalise the figures to Pounds per MWh. The Proposer highlighted the fact that the CP is principal based and not based on actual figures currently, noting that when the EDCM was designed in 2008 it was an accepted principal that generation credits were seen as negative of demand. The Working Group noted that it may be worth finding the information from that time to use as a reference point.
- 4.12 The Working Group considered a question on the extent to which these costs vary with demand to which it was thought that if the costs don't vary with demand then generation won't impact these costs. Alternatively, if the costs do vary with demand then generation may have an impact on these costs. One Member of the Working Group suggested that the number of customers may be a better indicator of demand compared to seeing demand as a reflection energy flow. The member suggested that elements of the indirect costs e.g. call centre costs, could be being driven by customer numbers and this should be looked at in more detail. It was also noted that elements such as employee pensions will remain as a constant cost element that will vary with staffing levels. It was concluded that an increase in customers means potentially more staff required and that therefore could mean a double flow on effect is seen.
- 4.13 The Working Group considered that it would be beneficial to compare the change in costs against the change in demand and to include that analysis in the consultation. The Working Group agreed that gross demand volumes from the CDCM can be used, excluding generation that is considered behind the meter. It was noted that forecast data from CDCM is deemed to be fine for this analysis. AE agreed to take the above as an action.

ACTION 02/04: Andrew Enzor to provide comparison of the change in costs against the change in demand using gross demand volumes from the CDCM, excluding generation that is considered behind the meter.

- 4.14 The Working Group agreed that the draft consultation document should be circulated to the Working Group so that the inclusions can be added into the document. It was also noted that this means further review by Working Group members can be undertaken prior to the next meeting. ElectraLink to circulate the draft consultation document to the Working Group.

ACTION 02/05: ElectraLink to circulate the draft consultation document to the Working Group.

5. Work Plan

- 5.1 The DCP 287 Working Group agreed that the Secretariat should amend the Work Plan and circulate prior to the next meeting.

ACTION 02/06: ElectraLink to update DCP 287 Work Plan and circulate prior to next meeting.

6. Agenda Items for the next meeting

- 6.1 The Working Group agreed to add the following items to the agenda for the next meeting;
- Review of draft consultation document

7. Any Other Business

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

8. Date of Next Meeting: 12 May 2017

- 8.1 The Working Group agreed for the next meeting to be held on 12 May 2017 for the purpose of reviewing the DCP 287 draft consultation document.

Attachments

Attachment 1 – DCP 287 Work Plan

Attachment 2 – DCP 287 Draft Consultation

Appendix 1: New and open actions

Action Ref.	Action	Owner	Update
02/01	provide analysis at a more micro level of detail, including specific examples of costs.	Andy Pace	
02/02	determine the proportions of indirect costs are believed to vary with demand.	Andrew Enzor and Andy Pace	
02/03	check with the CDCM/EDCM Review Group to confirm if a there is a view as to whether DCP 287 should be put on hold or if/when they may cover the topics that are in scope of DCP 287	Andrew Enzor	
02/04	Andrew Enzor to provide comparison of the change in costs against the change in demand using gross demand volumes from the CDCM, excluding generation that is considered behind the meter.	Andrew Enzor	
02/05	ElectraLink to circulate the draft consultation document to the Working Group.	ElectraLink	
02/06	ElectraLink to update DCP 287 Work Plan and circulate prior to next meeting.	ElectraLink	
01/01	Include paragraph in the consultation document around discrepancies/differences between the CDCM and EDCM models.	Working Group	
01/03	Consider the principles for each of the aspects of the four components and confirm if from their businesses perspective each is applicable.	Working Group	
01/04	Draft the background on the principles of the CP in the consultation document.	Andy Pace	

Closed actions

Action Ref.	Action	Owner	Update
01/02	Undertake analysis on the increase in Embedded Generation on the network and its impact on direct, indirect and network costs.	Andrew Enzor	
01/05	Update DCP 287 Work Plan and circulate prior to next meeting.	ElectraLink	