

DCP 287 Working Group Meeting 09

11 December 2017 at 10:00am

Skype Meeting

| Attendee | Company |
|--|--------------------|
| Working Group Members | |
| Alessandra DeZottis [AD] | UK Power Reserve |
| Andrew Enzor [AE] | Northern Powergrid |
| Andy Pace [AP] (by telecon) | Cornwall Insight |
| Caroline Bragg [CB] | ADE |
| Chris Ong [CO] | UK Power Networks |
| Edda Dirks [ED] | Ofgem |
| Julia Haughey [JH] | EDF Energy |
| Code Administrator | |
| John Lawton [JL] (Chair) | ElectraLink |
| Dan Fittock [DF] (technical secretariat) | ElectraLink |

| Apologies | Company |
|-----------------|----------------|
| Anika Brandt | SSE |
| Chris Barker | ENWL |
| Claire Campbell | Scottish Power |
| Kathryn Evans | 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 Group approved the minutes from the last meeting as an accurate depiction of the discussions held with some minor typographical amendments.

3. Purpose of the Meeting

- 3.1 The secretariat set out that the purpose of the meeting is to review the responses to the DCP 287 Consultation.

4. Review of the DCP 287 RFI Responses

- 4.1 The Working Group reviewed the RFI responses, the details and Working Group comments of which can be found as Attachment 1.
- 4.2 It was noted that SSE’s RFI response had yet to be received, and ElectraLink took an action to contact SSE as their response is required to further the development of DCP 287.

ACTION: 09/01 - ElectraLink

- 4.3 The main points of discussion and key decisions have been highlighted below:
 - It was suggested that peak-demand would simply be pushed into a different time if generation was removed from transmission exit charges, however it was agreed to await AE’s initial analysis before investigating this further;
 - ED noted that the RFI Question 1 ‘How many generators do you have in each licence area to whom a capacity-based credit related to transmission exit charges is applied as per section 10 of schedule 17 and 18, i.e. for how many tariffs is the field ‘Capacity eligible for GSP generation credits (kW)’ in the 935 worksheet of the EDCM model (column V) populated with a non-zero value?’ and RFI Question 2 ‘Do you envisage an increase in the number of Generators who are eligible for a capacity-based credit related to transmission exit charges as per section 10 of schedule 17 and 18 in the short, medium and long term?’ results indicate that DNOs don’t require bilateral contracts with Generators and it does not support the case that Distributor Generators (DGs) do not help reduce Transmission Exit Charges –if they did then DNOs would contract with them for that purpose. Other Working Group members present noted that the
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lack of such contracts does not necessarily mean that DG are not offsetting any exit charges costs as the terms of any such contracts are quite specific in the requirement to export under SGT outage conditions. The Group agreed that further analysis was required to determine whether DG, in its normal operation (i.e. without a specific contract) is potentially offsetting exit charges costs;

- While discussing the responses to RFI Question 3 'Based on your week 24 submission, what proportion of GSPs in your area peaked in the super-red period in 2016/17?', AE agreed to identify the impacts on GSPs if intermittent and non-intermittent generation are removed as part of the pilot analysis exercise;
- It was agreed that the second consultation should include a section noting that the only way to become eligible for Transmission Exit Charge credits are via the use of bilateral DG/DNO contracts, and that these contracts may not be the best way to apply Transmission Exit Charge credits;
- Upon discussion of Direct Costs, CO agreed to an action to contact the Active Network Schemes and request analysis data on any work they are undertaking on Direct Costs.

ACTION: 09/01 - CO

5. Direct Costs, Indirect Costs and Network Rates Table Review

- 5.1 WG reviewed the table put together by CO and JL on the makeup of Direct Costs, Indirect Costs and Network Rates, noting that the latter was taken directly from the Government website detailing property classes rather than from Ofgem. This document can be found as Attachment 2.
- 5.2 On indirect costs AE undertook an analysis on all DNOs 'closely associated' indirect costs as a percentage of 'total' indirect costs. . 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 and perhaps such a value therefore may also be appropriate for use in the EDCM.
- 5.3 The analysis of Direct Costs and Network Rates will continue once the Pilot Analysis exercise has been completed.

6. Next Steps

- 6.1 The Working Group agreed to the following next steps:
 - AE to compile the pilot exercise for January 2018;
 - CO to provide feedback from the Active Network Schemes by 22 December 2017; and

- ElectraLink to start drafting the second Consultation ahead of the next Working Group meeting.

ACTION: 09/02 - ElectraLink

7. Any Other Business

- 7.1 ED queried whether DCP 313 would have impacts on DCP 287, and the Working Group agreed that this would be added to the agenda for the next Working Group meeting.
- 7.2 There were no items of any other business discussed.

8. Date of Next Meeting: 23 January 2018

- 8.1 The Working Group agreed that the next Working Group meeting will be held on 23rd January 2018 via Skype meeting.

Attachments

- Attachment 1 – DCP 287 RFI Responses
- Attachment 2 - DCP 287 Direct Costs, Indirect Costs and Network Rates Working Group Assessment
- Attachment 3 – DCP 287 Work Plan

Appendix 1: New and open 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 | Ongoing, expected in January 2018. |
| 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 | Ongoing. |
| 09/01 | To contact the Active Network Schemes and request analysis data on any work they are undertaking on Direct Costs. | Chris Ong | |
| 09/02 | To start drafting the second Consultation Document. | ElectraLink | |

Closed actions

| Action Ref. | Action | Owner | Update |
|-------------|---|-------------|------------|
| 08/02 | To contact DNOs directly with a series of questions regarding whether DNO to Generator contractual agreements are used for pricing signal purposes between DNOs and Generators. | ElectraLink | Completed. |
| 08/04 | To put together a table for inclusion in the second consultation to clarify what costs make up Direct Costs, Indirect Costs and Network Rates, and where the funds are pooled. | Chris Ong | Completed. |