

DCP 284 Working Group Meeting

28 November 2016 at 10:00am

Web-Conference

Attendee	Company
Working Group Members	
Andrew Enzor [AE]	Northern Powergrid
Andy Pace [AP]	Cornwall Insight
Chris Ong [CO]	UK Power Networks
Claire Campbell [CC]	Scottish Power
Edda Dirks [ED]	Ofgem
Keith Burwell [KB] (Part Meeting)	Ofgem
Julia Haughey (JH)	EDF Energy
Urmi Mistry [UM]	National Grid
Code Administrator	
John Lawton [JL] (Chair)	ElectraLink
Claire Hynes [CH]	ElectraLink
Dylan Townsend [DT] (technical secretariat)	ElectraLink

Apologies	Company
George Moran	British Gas
Chris Barker	ENWL
Simon Yeo	Western Power
William Caldwell	The Association for Decentralised Energy

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 reviewed the DCP 284 Terms of Reference (ToR). All Working Group members agreed to the terms and agreed a revised work plan.

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 (CP) and to discuss what should be included within the consultation document.

4. Background and Intent of DCP 284

- 4.1 The proposer presented the background and intent of DCP 284. It was noted that the intent of the change is to amend the calculation of credits for embedded generation to more closely reflect the benefits they bring to Distribution Network Operators (DNOs) by including an element of scaling.
- 4.2 DCP 284 suggests that the application of scaling when determining credits under the CDCM could improve the cost reflectivity of generation credits for embedded generators. More cost reflective credits for generators will place incentives on embedded generation that reflect the benefits they bring to network operators.
- 4.3 The proposed solution is to apply [50%] of scaling when calculating credits for embedded generators in the CDCM

5. Working Group Analysis of DCP 284

- 5.1 The Working Group discussed whether scaling or some element of scaling should be applied to credits for embedded generation within the CDCM taking in to consideration the approaches taken in two previous CPs, DCP 123 and DCP 228.
- 5.2 One member advised that the approach to DCP 228 ‘*Revenue Matching in the CDCM*’ was to use the scaled tariffs as a tool to get the CDCM to match the DNOs allowed revenue and that the CDCM model was not a total cost model so the approach set out in DCP 228 would not necessarily be applicable for this CP. It was also noted that DCP 123 ‘*Revenue Matching Methodology Change*’ had

been rejected by Ofgem as it was attempting to allocate costs that were previously being allocated elsewhere.

- 5.3 The Working Group discussed DCP 284 along with the comments by George Moran and Mike Harding in their e-mails that were circulated prior to the meeting. The Working Group considered any reasons behind why generation is excluded and demand included for scaling purposes. Members suggested that the yardstick costs are underlying cost signals and scaling was preserving those cost signals and as such there would be no impact on the network if generators were responding to those scaling elements.
- 5.4 The Working Group identified that a key question to explore is the difference between the hypothetical 500MW model and actual capital expenditure.
- 5.5 The Working Group sought to clarify how scaling and the CDCM interact and defined the relationship as the CDCM being a cost model that is designed to recover revenue and scaling tops up or reduces that revenue depending upon and aligning to the DNOs allowed revenue target. The Working Group agreed that it is necessary to gain visibility into what is recovered in each of the cost categories. It was suggested by the Working Group that it would be necessary to locate the direct and in-direct cost inputs in the CDCM and compare these values against the allowed revenue targets. It was noted that this information can be found within the MREV work sheet.

ACTION 01/01: Andy Pace agreed to review the CDCM model by taking out the costs recovered, indirect costs and direct costs and comparing it to the allowed revenue. M-rev work sheet has relevant information. This will define the approach taken to indirect costs in the model and whether it is appropriate to apply scaling in the context of this change.

- 5.6 A member of the Working Group asked why some DNOs have positive scaling and others sometimes have negative scaling. The members of the Working Group considered what the driver behind the difference may be. It was suggested by a member of the Working Group that the 500MW model causes this difference as scaling reconciles the figures calculated in the CDCM. Each DNO builds and uses their own 500MW model and the data from that model feeds into the CDCM.

ACTION 01/02: ElectraLink top request DNOs to respond with their views on the findings from an Ofgem investigation in November 2009 prior to the CDCM methodology incorporation in to DCUSA endorsing a specific approach to scaling in the consultation.

- 5.7 The Chair asked the Working Group if DCP 284 should go straight out for consultation or if a RFI was needed prior. The members agreed that DCP 284 can proceed to consultation phase. The Working Group then agreed on the information and questions that are to be included in the consultation and these are set out below:
- Reference DCP 228 '*Revenue Matching in the CDCM*' Ofgem decision letter in the consultation;
 - Reference findings from an Ofgem investigation in 2010 prior to the CDCM methodology incorporation in to DCUSA endorsing a specific approach to scaling in the consultation;

- The Working Group and the proposer to provide a paragraph on how scaling should be applied to generation. If it is applied on what basis should it be applied (positive or negative). Add the question do you support the view of the proposer or the Working Group on how scaling is applied to the consultation;
- This consultation proposes to allocate an element of the scaling to generation by applying 50% of scaling as generation credits. Do you believe that 50% of scaling should be applied as generation credits? If scaling is to be applied to generation, what should that value be? ;
- This change will impact the Annual Review Pack (ARP) and the legal text will be updated to reflect the changes to the ARP version number; and
- ElectraLink to add the standard questions to the consultation.

ACTION 01/03: ElectraLink to change [x] value in draft legal text to the value decided by working group after completed investigation in Action 01/01.

ACTION 01/04: ElectraLink to include questions formulated in meeting in the draft consultation document.

6. Work Plan

- 6.1 The DCP 284 Working Group agreed the next steps as set out in Attachment 3.

7. Agenda Items for the next meeting

- 7.1 The Working Group agreed to add the following items to the agenda for the next meeting;
- Review of the Consultation responses

8. Any Other Business

- 8.1 There were no items of any other business.

9. Date of Next Meeting: 23 January 2017

- 9.1 The Working Group agreed to have the next meeting on 23 January 2017 and for the meeting to be face to face for the purpose of reviewing consultation responses.

Attachments

Attachment 1 – DCP 284 Change Proposal

Attachment 2 – Pre-meeting Comment E-mails

Attachment 3 – DCP 284 Work Plan

Attachment 4 – DCP 228 Authority Decision Letter

Attachment 5 – Draft Legal Text

New and open actions

Action Ref.	Action	Owner	Update
01/01	Review the CDCM model by taking out the costs recovered, indirect costs and direct costs and comparing it to the allowed revenue. M-rev work sheet has relevant information. This will define the approach taken to indirect costs in the model and whether it is appropriate to apply scaling in the context of this change.	Andy Pace	
01/02	Request DNOs to respond with their views on the findings from an Ofgem investigation in November 2009 prior to the CDCM methodology incorporation in to DCUSA endorsing a specific approach to scaling in the consultation.	ElectraLink	
01/03	Change [x] value in draft legal text to the value decided by working group after completed investigation in Action 01/01.	ElectraLink	
01/04	Include questions formulated in meeting in the draft consultation document.	ElectraLink	
