

## DCP 284 Working Group Meeting 03

23 January 2017 at 10:00am

ElectraLink Ltd 2-3 Golden Square, Soho, London W1F 9HR / Skype Meeting

Attendee	Company
<b>Working Group Members</b>	
Andrew Enzor [AE]	Northern Powergrid
Andy Pace [AP]	Cornwall Insight
Edda Dirks [ED]	Ofgem
George Moran [GM]	British Gas
William Caldwell [WC]	The Association for Decentralised Energy
<b>Code Administrator</b>	
John Lawton [JL] (Chair)	ElectraLink
Dylan Townsend [DT] (technical secretariat)	ElectraLink

Apologies	Company
Emma Clark	Scottish and Southern Electricity Networks
Claire Campbell	Scottish Power
Chris Ong	UK Power Networks
Chris Barker	ENWL
Simon Brooke	ENWL
Simon Yeo	Western Power Distribution
Julia Haughey	EDF Energy
Urmi Mistry	National Grid

## 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 minutes of the last meeting were approved as an accurate record of proceedings pending the following amendment:

- Include the below wording as stated by the Proposer:
  - *‘If should the change report result in decreased credits the proposer would consider withdrawing the CP’*

**ACTION 03/01: ElectraLink to include the below text into the minutes from the last meeting:**

- **‘If should the change report result in decreased credits the proposer would consider withdrawing the CP’**

2.3 The Working Group reviewed the actions in Appendix 1 noting the actions that have been closed since the last meeting. The Working Group had the following comments on the actions:

- Action 02/06: The Ofgem observer suggested that the intent of the referenced Ofgem documents needs to be made clear.
- Action 02/05: The Chair requested for the DNOs who have yet to review the tables included in the Consultation Document to review and respond. All responses should be sent directly to the Secretariat.

**ACTION 03/02: ElectraLink to request for the DNOs who have yet to review the tables included in the Consultation Document to review and respond. All responses should be sent directly to the Secretariat.**

**RE: Action 02/05**

## 3. Purpose of the Meeting

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3.1 The secretariat advised that the purpose of the meeting is to review and finalise the DCP 284 consultation document.

## 4. Working Group review of DCP 284 Draft Consultation

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4.1 The Working Group reviewed and amended the DCP 284 draft consultation document. The consultation document capturing these amendments acts as Attachment 1.

4.2 The following actions were captured during the review of the consultation document:

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**ACTION 03/03:** Andrew Enzor to provide a paragraph for inclusion in the consultation document giving the three options for scaling under the '*alternative*' point of view. ElectraLink to include the text provided in between the questions set out below paragraph 5.6 of the consultation document.

**ACTION 03/04:** ElectraLink to re-number the remaining tables in the consultation document due to some tables being deleted during the review conducted by the Working Group.

**ACTION 03/05:** ElectraLink to create a merged row above the columns labelled '*Operating costs*' and '*Transmission Exit charge*' which is to be titled '*Non-capital*'. In the same new row, a title is to be added above the column labelled '*Asset Costs*' which will be labelled '*Capital*'.

**ACTION 03/06:** Andy Pace to construct a paragraph for inclusion into the consultation document relating to replacement. This text is to be included under the heading '*Scaling Components*' within the Scaling Overview section of the document. ElectraLink to include the text provided as described above.

**ACTION 03/07:** Working Group to review Ofgem document and confirm main reason for rejection.

**ACTION 03/08:** Andy Pace to provide some text on the rationale associated to indirect costs in paragraph 5.16 of the draft consultation. Working Group to add question related to this information.

**ACTION 03/09:** Andy Pace to provide new graph updating DNO label from SSEPD to SSEN name. The graph heading will also need to be updated.

**ACTION 03/10:** ElectraLink to move the questions under paragraph 5.20 to the relevant sections throughout the consultation document.

**ACTION 03/11:** ElectraLink to complete a general tidy up of the consultation document including the following:

- Checking that the references to table numbers and paragraphs align to the correct items; and
- ensure section 10 contains the correct questions from throughout the document.

- 4.3 One Working Group member questioned why there is a separation of forward looking costs and incremental costs as their view is that both costs are in fact incremental costs. The Working Group discussed their views on how DNOs cost their networks and how they achieve their allowed revenue targets.
- 4.4 ED questioned if the rationale had changed and whether the Working Group is considering if the costs of network reinforcement and/or replacement are offset by generation. One Working Group member suggested that the cost of asset replacement is less than asset reinforcement and noted their view is that reinforcement costs are cost signals not actual costs. The Proposer provided his view that scaling is recovering something and noted his question is what is scaling recovering.
- 4.5 ED noted the assumptions within the 500MW model and questioned the different proportion of scaling allocated to each of the DNOs. ED suggested that the Working Group should address the '*one*

*size fit all'* approach and in doing so answer the question of why there are different proportions of scaling allocated to each of the DNOs.

- 4.6 The Working Group discussed the topic of asset depreciation and how the CDCM model assumes a 40-year depreciation period compared to the realities seen by DNOs. Members also discussed the question of whether the differing assumptions used by DNOs when costing their networks could be the reason behind the difference between actual capital expenditure and the hypothetical capital expenditure derived from the 500MW model.
- 4.7 Members of the Working Group discussed the question of whether a DG is already connected then should they be rewarded. Members also discussed the assumption within the CDCM of a demand dominated network and considered implications of DGs operating in a generation dominated network.
- 4.8 ED questioned at what point does a saving reflect in the price control and suggested that once one becomes an input into the price control it can no longer be considered a saving.

## 5. Work Plan

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- 5.1 The DCP 284 Working Group agreed that the Secretariat should amend the Work Plan and circulate prior to the next meeting. The updated Work Plan is set out in Attachment 2.

**ACTION 03/12: ElectraLink to update DCP 284 Work Plan and circulate prior to next meeting.**

## 6. Agenda Items for the next meeting

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

## 7. Any Other Business

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

## 8. Date of Next Meeting: TBC

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- 8.1 The Working Group agreed to have the next meeting in March 2017 and for the meeting to be face to face for the purpose of reviewing the consultation responses.
- 8.2 The Chair requested for the Secretariat to send out a doodle poll to Working Group members for the following dates in March:
  - Friday, 10 March 2017 at 10:00am
  - Monday, 13 March 2017 at 10:00am

- Thursday, 16 March 2017 at 10:00am

**ACTION 03/13: ElectraLink to send out a doodle poll to Working Group members for the following dates.**

- **Friday, 10 March 2017 at 10:00**
- **Monday, 13 March 2017 at 10:00**
- **Thursday, 16 March 2017 at 10:00**

## Attachments

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Attachment 1 – DCP 284 Consultation\_Working Group Edit

Attachment 2 – DCP 284 Work Plan

## Appendix 1: New and open actions

Action Ref.	Action	Owner	Update
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	
02/05	Review the tables provided by Andy Pace that have been included in the Consultation Document. Confirm the information within the tables is accurate and if so if confirm if comfortable with the tables remaining in the Consultation Document. To be completed by 11 January 2017.	DNO members within the Working Group	
02/06	Review the text from the Ofgem Consultation in September 2009 and the subsequent decision in November 2009 that has been included in the Consultation document. Respond with views on the text by 11 January 2017	Working Group Members	
03/01	Include the below text into the minutes from the last meeting: 'If should the change report result in decreased credits the proposer would consider withdrawing the CP'	ElectraLink	
03/02	Request for the DNOs who have yet to review the tables included in the Consultation Document to review and respond. All responses should be sent directly to the Secretariat. RE: Action 02/05	ElectraLink	
03/03	Provide paragraph for inclusion in the consultation document giving the three options for scaling under the 'alternative' point of view. ElectraLink to include the text provided in between the	Andrew Enzor + ElectraLink	

	questions set out below paragraph 5.6 of the consultation document.		
<b>03/04</b>	Re-number the remaining tables in the consultation document due to some tables being deleted during the review conducted by the Working Group.	ElectraLink	
<b>03/05</b>	Create merged row above the columns labelled 'Operating costs' and 'Transmission Exit' charge which is to be titles 'Non-capital'. In the same new row, a title is to be added above the column labelled 'Asset Costs' which will be labelled 'Capital'.	ElectraLink	
<b>03/06</b>	Construct a paragraph for inclusion into the consultation document relating to replacement. This text is to be included under the heading 'Scaling Components' with the Scaling Overview section of the document. ElectraLink to include the text provided as described above.	Andy Pace + ElectraLink	
<b>03/07</b>	Review Ofgem document and confirm main reason for rejection.	Working Group	
<b>03/08</b>	Provide some text on the rationale associated to indirect costs in paragraph 5.16 of the draft consultation. Working Group to add question related to this information.	Andy Pace	
<b>03/09</b>	Provide new graph updating DNO label from SSEPD to SSEN name. The graph heading will also need to be updated.	Andy Pace	
<b>03/10</b>	Move the questions under paragraph 5.20 to the relevant sections throughout the consultation document.	ElectraLink	
<b>03/11</b>	Complete a general tidy up of the consultation document including the following: checking the references to table numbers and paragraphs align to the correct items ensure section 10 contains the correct questions from throughout the document.	ElectraLink	

<b>03/12</b>	Update DCP 284 Work Plan and circulate prior to next meeting.	ElectraLink	
<b>03/13</b>	Send out a doodle poll to Working Group members for the following dates. <ul style="list-style-type: none"> <li>• Friday, 10 March 2017 at 10:00</li> <li>• Monday, 13 March 2017 at 10:00</li> <li>• Thursday, 16 March 2017 at 10:00</li> </ul>	ElectraLink	

## Closed actions

Action Ref.	Action	Owner	Update
<b>01/01</b>	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	23/01/2017 - Completed
<b>01/04</b>	Include questions formulated in meeting in the draft consultation document.	ElectraLink	23/01/2017 - Completed
<b>02/01</b>	Provide comments on previous meeting minute. The Working Group discussed possible discrepancy between consultation document and meeting minutes. To be provided by 11 January 2016.	Andrew Enzor	23/01/2017 - Completed
<b>02/02</b>	Tidy contents of paragraphs 5.2 to 5.4 to ensure first use of DCP number includes the title of the DCP.	ElectraLink	23/01/2017 - Completed
<b>02/03</b>	Include links and footnotes for referenced documents throughout the Consultation Document. (DCP 228, Ofgem's Consultation and Conclusions)	ElectraLink	23/01/2017 - Completed

<b>02/04</b>	Provide an alternate view than that of the proposer of how scaling is applied within the CDCM and the conclusions drawn from DCP 228. To be provided by 13 January 2017.	Andrew Enzor	23/01/2017 - Completed
<b>02/07</b>	Include ARP legal text in Legal Text attachment and reference within Consultation Document. Specifically, version number in para 1.1 of schedule 20 of the ARP.	ElectraLink	23/01/2017 - Completed
<b>02/08</b>	Find relevant information on Ofgems' views on Scaling at the time of CDCM development. Circulate the found relevant information to Working Group.	George Moran	23/01/2017 - Completed
<b>02/09</b>	Update DCP 284 work plan and circulate prior to next meeting.	ElectraLink	23/01/2017 - Completed
<b>02/10</b>	Updated consultation document to be circulated to Working Group members by 16 January 2017.	ElectraLink	23/01/2017 - Completed
<b>02/11</b>	Review updated consultation document and provide feedback by 23 January 2017.	Working Group Members	23/01/2017 - Completed
<b>02/12</b>	Locate first use of 'scaling' and make reference to revenue matching. Then note that in place of revenue matching, scaling is being used within this Change Proposal.	ElectraLink	23/01/2017 - Completed