

DCP 274 Working Group Meeting

22 May 2017 at 10:00am

Web-Conference

Attendee	Company
John Lawton [JL] (Chair)	ElectraLink
Andrew Enzor [AE]	Northern Powergrid
Andy Pace [AP]	Cornwall Energy
Dan Hickman [DH]	NPower
Dave Wornell [DW]	Western Power Distribution
Deidre Bell [DB]	Ofgem
Mark James [MJ]	UK Power Networks
Pat Wormald [PW]	Northern Powergrid
Urmi Mistry [UM]	National Grid
Dan Fittock [DF] (Secretariat)	ElectraLink

Apologies	Company
Anika Brandt	SSE
Chris Barker	ENWL
Chris Ong	UK Power Networks
Claire Campbell	Scottish Power
Peter Waymont	UK Power Networks

1. Administration

- 1.1 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.
- 1.2 The Working Group reviewed the minutes of the last meeting and agreed that these were a fair and accurate representation of the discussions held.

2. Review of Documentation Supporting the Intent of DCP 274

- 2.1 The Working Group reviewed the email documentation and Ofgem decision letter on Electricity Distribution charging¹ as provided to the Group by Northern Powergrid, noting the following points:

- The ~~£0.2p/kW~~£0.2/kW included within the O&M Charges originate from a calculated average from the £0 to ~~£0.67p~~£0.67/kW for the expected CAPEX spend on Distributed Generation as provided by the DNOs as part of their ~~SECQ~~FBPQ submission to Ofgem relating to the cost of network reinforcement; (Applying a 1 per cent O&M rate to this would give a range of £0 to £0.67/kW);
- The FBPQ submissions were prepared by the DNOs and sent to Ofgem as part of the fifth distribution price control review (DPCR5) process in 2009. Sheet LR2 of this submission contains each DNO’s forecasts of new generation capacity and the qualifying capital expenditure that would need to be incurred to connect these;
- An analysis of the FBPQ submissions suggest that the average forecast capital expenditure per unit of new generation capacity (in £/kW) in each DNO area over the DPCR5 period ranges from £0 to £67/kW. The simple average of these numbers is £20.02/kW and a weighted average (weighted by new capacity) is £19.74/kW. The median is £15.66/kW;
- Applying a 1 per cent O&M rate to these estimates would suggest an O&M contribution (OM in the DG revenue target formula) of approximately £0.20/kW; and
- ~~This £0.2p/kW originated from demand customers as Distributed Generation was in its infancy at this time and data was not available; and~~

¹ <https://www.ofgem.gov.uk/publications-and-updates/electricity-distribution-charging-direction-authority-approve-charging-methodology-higher-voltage-distributed-generation-notice-intention-impose-condition-approval-pursuant-part-d-electricity-distribution-licence>

- When the EDCM model was approved there were two models: one for demand and one for generation. When these were pulled together into the combined EDCM model, the ~~£0.2p/kW~~£0.2/kW was applied only to export and it only applies for assets used in excess of demand.

~~2.2 Some Working Group members noted that although the £0.2p/kW covers the cost of network reinforcement for generation sites, if a site was paying an additional fee for additional export capacity, but used it solely for import then double charging is still taking place.~~

2.32.2 To address this, the Working Group reviewed the late paper (Attachment 1) submitted by Cornwall, noting:

- The examples provided some possible scenarios, including the ‘worst case scenario’ where the generator is generating fully and the demand customer is not consuming at all and double charging is taking place; and
- In a scenario where a generator is introduced, you need to reinforce to allow for the import of the example 20 megawatts and reinforcement isn’t required on the export, only the import and thus the importer should be charged for this.

2.42.3 It was noted that an increase in capacity would be charged via the export capacity charge and that this is an average across all sites rather than site specific as detailed in the provided diagrams, ~~so this cost is already covered in the~~ £0.2p/kW~~£0.2/kW is already included in the capacity~~ charge as previously discussed. Other Working Group members questioned that if all generators are paying for the export capacity charge, then they should not need to pay ~~for the import for~~ for the O&M on the same asset if it is a generation-only site.

2.52.4 In order to relay this information for use in the second consultation, AP agreed to take an action to continue to develop the provided paper and also to provide some draft legal text for use as an attachment to the consultation document.

ACTION: 07/01 - AP

Based on the information provided to the Working Group, it was unanimously agreed that the alternative solution to DCP 274 should be progressed rather than the original.

3. Review of Working Group Comments on the Consultation Responses

- 3.1 The Chair requested that the Working Group review the Working Group responses to the first Consultation responses to enable the Working Group to formulate a clear direction and close off any outstanding queries as posed by respondents.
- 3.2 The key points from these discussions were:

- That the Working Group agreed to progress with the alternative solution to DCP 274;
- That if the ~~£0.2p/kW~~ £0.2/kW is not deemed to be reflective of the actual costs of reinforcement, an impact assessment would need to be carried out as part of a review of this charge; and
- NUFs are considered to be out of scope of this proposal.

3.3 A revised DCP 274 Consultation Responses with Working Group comment can be found as Attachment 2.

4. Work Plan

4.1 The DCP 274 Working Group reviewed the Work Plan and made a number of updates based on today's discussions.

4.2 It was noted that it may not be possible to achieve the intended implementation date of this proposal as the provision for a second consultation was not included originally. ElectraLink agreed to take an action to review whether it would be possible to reduce the timescales of the modelling support and update the Work Plan once this has been confirmed.

ACTION: 07/02 - ElectraLink

5. Next Steps

5.1 The DCP 274 Working Group agreed the next steps as follows:

- AP to provide the draft legal text to Working Group members for review by 31 May 2017.
- Working Group to reconvene on 19 June 2017 at 10:00 to review the draft legal text and review the draft consultation document.

6. Any Other Business

6.1 There were no items of any other business and the Chair closed the meeting.

7. Next Meeting

7.1 The Working Group will reconvene on 19 June 2017 via web conference.

Attachments

Attachment 1 – Illustration of Double Charging

Attachment 2 – DCP 274 Updated Consultation Response Document

New and open actions

Action Ref.	Action	Owner	Update
07/01	To continue to develop the examples paper and provide some draft legal text for use as an attachment to the consultation document.	AP	
07/02	To review whether it would be possible to reduce the timescales of the modelling support and update the Work Plan once this has been confirmed.	ElectraLink	

Closed actions

Action Ref.	Action	Owner	Update
06/01	To review of the rationale behind the £0.2p/kW <u>£0.2/kW</u> is required and what this charge covers – specifically whether this charge is simply to cover the costs of adding export capacity to the network	CB	Complete – Agenda item
06/02	To review the industry documentation at the time of the inception of the EDCM to aid the Working Group's investigations	PW	Completed post-meeting.

	as to the rationale of the £0.2p/kW <u>£0.2/kW</u> charge.		
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