

DCP 266 Working Group Meeting 16

28 August 2018 at 10:00am

Third Floor, Northumberland House, 303-306 High Holborn, London, WC1V 7JZ / Skype Meeting

Attendee	Company
Working Group Members	
George Moran [GM]	British Gas
Anika Brandt [AB]	SSEN
Andrew Enzor [AE]	Northern Powergrid
Mike Harding [MH]	BU-UK Infrastructure
Matt Johnson [MJ]	ESP Electricity
Modelling Support Consultants	
Paget Fulcher [PF]	CEPA
Oliver Bubb-Humfryes [OBH]	CEPA
Fiona Townsend [FT] (Teleconference)	TNEI
Alex Ikonic [AI] (Teleconference)	TNEI
Code Administrator	
John Lawton [JL] (Chair)	ElectraLink
Dylan Townsend [DT] (Technical Secretariat)	ElectraLink
Angelo Fitzhenry [AF] (Observer)	ElectraLink

Apologies	Company
Chris Ong	UK Power Networks
Chris Barker	ENWL
Simon Yeo	WPD
Neil Brinkley	BU-UK Infrastructure

1. Administration

- 1.1 The Secretariat noted the welcome and apologies for this meeting.
- 1.2 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.
- 1.3 The Working Group reviewed the minutes from the last meeting and agreed the minutes were an accurate reflection of the discussions held.
- 1.4 The Working Group noted the items on the actions list from the last meeting. Updates on all actions are provided in Appendix A.

2. Discussion with CEPA/TNEI on Draft Modelling Support Specification:

- 2.1 It was noted that a discussion paper was issued to the Working Group prior to the meeting which set out some initial thoughts of CEPA/TNEI on the documents that the Working Group submitted to CEPA/TNEI with respect to a proposed request for modelling. The following details the discussions had against the items in the discussion paper.

General Questions

- 2.2 The modelling support consultants had some general questions which they wished to cover off with the Working Group and in the first instance sought clarity around the purpose of the change proposal.
- 2.3 GM provided the modelling support consultants with a summary of the CP noting that at its core, the CP amends the PCDM output from a percentage value to a p/kwh value. Members of the group highlighted that currently the revenue that an IDNO and DNO achieves in respect of an end customer will be affected proportionally, by a CDCM change. If for example there was a methodology change that caused a large percentage change in the ATW tariff, both the IDNO and DNO revenue would change proportionally. DCP 266 changes this so that the absolute margin obtained by the IDNO would be maintained.
- 2.4 The modelling support consultants confirmed that they were comfortable with the summary provided.

Circularities

- 2.5 The discussion paper set out that the modelling support consultants were of the understanding that a circularity already exists between the PCDM and CDCM, and that DNOs currently resolve this by passing “LDNO discounts” and “notional EHV asset values” back and forth until differences are rounded away. The Working Group were asked to confirm if the modelling support consultants understanding of the circularity was correct to which members of the group confirmed that it was. Further to this, the modelling support consultants sought to understand

if the circularity and method used to resolve would remain after DCP266 is implemented to which members of the group suggested that it probably would.

- 2.6 The discussion then moved on to whether the Working Group have previously discussed the interaction between the abovementioned circularity and the new circularity between “LDNO discounts” and “ATW p/kWh” introduced by DCP266. Members of the Working Group explained that from memory, they hadn’t discussed this interaction previously.
- 2.7 The modelling support consultants sought views from the Working Group on the question of whether the PCDM model needs to make special provision to resolve a new circularity given there is already a circularity involving the models for the PCDM and CDCM which is resolved by DNOs passing data between the models.
- 2.8 The Working Group discussed their views as to the materiality of the new circularity, with members agreeing that if the number of iterations required to resolve the circularity falls within the realms of that which is required to resolve the existing circularity then they would not consider it to be material. It was noted that to resolve current circularities the number of iterations required ranges between three and fifteen. The modelling support consultants alongside the Working Group discussed potential ways to resolve the new circularity including doing so within the revenue matching step or within the CDCM and not the PCDM as was previously attempted. One member questioned if the circularity could be resolved in a separate sheet in the model instead of introducing a model within a model which had been the most recent solution. The modelling support consultants noted that the new models that they have produced for DCUSA include a separate sheet in the models that details any outputs to other models and this should assist DNOs when needing to resolve a circularity using an iterative process.
- 2.9 The modelling support consultants sought to confirm whether the Working Group had tested how many loops are normally needed to solve the circularity, to which members of the group confirmed that they had not. The Working Group were also asked to confirm if it was correct to assume that there is no additional circularity introduced between the PCDM and the EDCM, to which members of the group confirmed that they believe this to be the case.
- 2.10 The modelling support consultants provided their view that the materiality of a new circularity should be considered by the group prior to adding a provision to the PCDM model that has the possibility of resulting in the model becoming much larger, more complex and less transparent.
- 2.11 The Working Group considered the view that it may be better to first develop a version of the model without measures to help solve the circularity and then decide what should be done once the materiality/nature of the circularity is better understood. The Working Group agreed that this approach seems the best way forward and agreed that this is to be made clear in the modelling specification cover sheet. Members agreed to request amended models for the CDCM, EDCM and PCDM and to wait to request for an amended model for the ARP.

Post consultation changes

- 2.12 The modelling support consultants sought to confirm what changes to the solution have been proposed since the February consultation. The Working Group noted that key change from the first consultation is the move to using scalers to uplift the results of the calculations that use 07/08 data to current year levels to resolve the issue of cost data relating to DPCR4/5 being used in conjunction with revenue and volumes data relating to the charging year. The input data used to calculate an initial p/kWh is to be left as is to preserve the consistency of all data relating to DPCR4/5, with a 'revenue scaler' and 'unit scaler' applied as a separate step to uplift the avoided p/kWh calculated relative to 2007/08 revenue per unit data to be reflective of charging year revenue per unit data.

DCP 266 Draft Legal Text (Attachment B)

- 2.13 The modelling support consultants sought clarity from the Working Group with respect to various aspects of the draft legal text as in their view the version that had been provided to date was not sufficiently clear in what it was seeking to achieve. Specifically, the Working Group were asked for additional clarity around the application of the 'revenue scaler' and 'unit scaler' as there were a number of options for how this could be done.
- 2.14 The Working Group, with the assistance of the modelling support consultants reviewed and amended the draft legal text, including the calculation step needed to implement the 'revenue scaler' and 'unit scaler' solution. The draft legal text document that captures the amendments made during the Working Group meeting acts as Attachment 1 to the minutes.

DCP 266 Draft Model Specification Document v0.3 (Attachment C)

- 2.15 The modelling support consultants provided their view that the 'model specification' section contains contextual information that may be better under 'notes'. It was noted that their expectation is that the 'model specification' section should explicitly reference the legal text version and set out any other information required that is not in the legal text. It was noted that the 'deliverables' section currently includes items which in the view of the modelling support consultants might fit better under 'notes' or 'model specification'. The Working Group agreed that the Model Specification Cover Sheet should be updated in line with the view of the modelling support consultants.
- 2.16 It was noted that the discussion paper contained some additional items related to the contents of the Model Specification Cover Sheet to be discussed with the modelling support consultants. This discussion took place and a number of amendments were made to the document during the meeting. The document that captures the amendments made during the Working Group meeting acts as Attachment 2 to the minutes.
- 2.17 The modelling support consultants sought to confirm their assumption around the wording in the 'deliverables' section that states "amendments if required following one round of feedback from the Working Group" is not included in the 20 working day allowance. The Working Group

confirmed that the assumption is correct and that it is only the initial updated models are to be provided in the 20 working day allowance.

DCP 266 Input Data Spreadsheet v5.0 (Attachment D)

- 2.18 It was noted that the most recent data for units distributed, by network level has not been provided by UKPN and the Secretariat confirmed that this will be followed up as set out in action 13/01.

3. Review of Actions/Issues Log & Output of Completed Actions

- 3.1 It was noted that the following the Working Groups review of the consultation responses, an action/issues log was created to detail and keep track of a variety of issues/actions. The Working Group reviewed and updated the actions/issues log, considering the discussions held during the previous agenda item. The updated actions/issues log acts as Attachment 3 to the minutes.

4. Next steps and Work Plan

- 4.1 The Working Group reviewed and updated the Work Plan and in doing so agreed that the next steps should cover off the following:

ElectraLink to circulate draft legal text and modelling documentation to Working Group for review/sign-off.	04 September 2018
Working Group to have one week to review and comment on draft legal text and modelling documentation	11 September 2018
ElectraLink to issue modelling request to CEPA/TNEI	12 September 2018
ElectraLink to draft strawman consultation document ready for discussion at the next meeting.	W/C 10 September 2018
Working Group to meet to review draft consultation document	26 September 2018

- 4.2 The updated the Work Plan acts as Attachment 4 to the minutes.

5. Date of Next Meeting – 26 September 2018 at 10am

- 5.1 The Working Group agreed for the next meeting to be arranged for Wednesday, 26 September 2018 at 10am and for it to be held via teleconference. The meeting will be used to 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. List of Attachments

- Attachment 1 – DCP 266 Draft Legal Text
 - Attachment 2 – DCP 266 Modelling Specification Cover Sheet
 - Attachment 3 – DCP 266 Actions and Issues Log
 - Attachment 4 – DCP 266 Work Plan
-

Appendix A – Actions

New and open actions

Action Ref.	Action	Owner	Update
13/01	<p>Complete the following:</p> <ol style="list-style-type: none"> 1) Legal text is to be issued with the minutes 2) Confirm internally or with the Panel how the Working Group is to deal with the modelling support transition period as there needs to be some direction with regards to in-flight changes that have already had modelling completed 3) Separate out the actions into an Action/Log of issues. 4) Align the themes from the consultation responses to the above log. 5) Chase DNOs regarding the EHV boundary definition action. 6) Pull together a before and after of the modelling being clear to explain how the group got from the old to the new and how this relates to the issues highlighted by Parties. 	ElectraLink	<p>18/05/18</p> <ol style="list-style-type: none"> 1) Completed 2) Completed: Provided the Panel's view which is that inflight modelling requests should be issued to CEPA/TNEI 3) Completed 4) Completed 5) Ongoing: 6 responses received 6) Ongoing
14/04	Ensure that the legal text for paragraphs 24 and 25 of Schedule 29 is explicit in its instruction to use 2007/08 data. The Working Group is to ensure that this instruction is clearly explained within the next consultation document.	Working Group	03/07/2018 - Ongoing
15/01	Find the relevant definitions for EHV and designated EHV and provide to the Working Group so that a comparison be done.	ElectraLink	
15/02	Ensure that it is made clear in the consultation document which definition (EHV or designated EHV) is to be used for paragraphs 24 and 25 of Schedule 29. This should entail the provision of clear supporting text.	Working Group	

Closed actions

Action Ref.	Action	Owner	Update
14/03	Issue RFI for DNOs to confirm if for paragraphs 24 and 25 of Schedule 29, they are using 2007/08 data.	ElectraLink	03/07/2018 – Ongoing