

DCP 266 Working Group Meeting 05

30 November 2016 at 10:00am

Royal Institute of British Architects, 66 Portland Place,

London W1B 1AD

Teleconference

Attendee	Company
Working Group Members	
Anika Brandt [AB]	SSEPD
Chris Ong [CO] (teleconference)	UK Power Networks
Frank Welsh [FW] (teleconference)	UK Power distribution
George Moran [GM]	British Gas
Keith Burwell [KB] (teleconference)	Ofgem
Neil Brinkley [NB]	BUUK Infrastructure
Pat Wormald [PW]	Northern Powergrid
Robert Fairbairn [RF]	Northern Powergrid
Code Administrator	
Rosalind Timperley [RT]	ElectraLink
Dylan Townsend [DT]	ElectraLink
Other Parties	
Shankar Rajagopalan [SR] (part meeting)	Reckon

Apologies	Company
Dave Wornell	Western Power Distribution
Simon Yeo	Western Power Distribution
Chris Barker	ENWL
Mike Harding	BUUK Infrastructure

Michael Walls	ESP
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1. Administration

- 1.1 The Chairman 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 meeting. No changes were made to the minutes.
- 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 on the modelling documents

- 2.1 Modelling Documents were previously provided by Reckon to the Working Group and the members of the Working Group discussed the following points with the Reckon Consultant.

Creation of a New Model to Carry Out Iteration Process

- 2.2 Members of the Working Group voiced concerns that another model has been built in addition to the existing models which will continue to be used. The Working Group questioned the need for a new model and wondered if updates could be made to the existing CDCM instead of building a new model.
- 2.3 The modelling consultant responded to the Working Group’s question and advised that to calculate the new discounts, we first need to calculate the CDCM all the way tariffs. The way that scaling works relies on revenue from IDNO tariffs to match the revenue that you want to recover. This creates a circularity problem. The new model was built to address this problem by creating a set of un-scaled all the way tariffs that can be used as a denominator in the new tariff calculations. It uses the DNOs allowed revenue and the p/KWh discount provided to IDNOs and it is calculated at each of the voltage level outputs which the model has been updated to display. It was noted that it may take several iterations to calculate the results.
- 2.4 A member of the Working Group questioned if it is possible to remove the circularity issue. The modelling consultant explained that removing the denominator would lead to circularity being resolved, however, the denominator is a central part of the proposed solution.
- 2.5 It was questioned whether testing had been undertaken to confirm if the base iteration is different to the second iteration. The member expanded on the question and provided their reasoning which was if there is no real material difference between the iterations then is there really a need for the

second iteration at all. The modelling consultant confirmed the difference usually extends into the hundreds of thousands of pounds.

- 2.6 A Working Group member suggested that a manual iteration process could be introduced and that this process would work by using the All The Way tariffs to calculate LDNO tariffs, using these as inputs into the CDCM and manually completing iterations of the calculation to get the net residual amounts to an acceptable level.
- 2.7 The Working Group raised concerns about the amount of iterations that may have to be calculated prior to finding a figure that works. The Chair asked the Working Group for their thoughts on if they consider a manual iteration process is better for DNOs than inputting data into multiple models. The Working Group agreed that a manual iteration process is better for DNOs as the models are complex in nature and raised time as their main consideration when coming to their conclusion.
- 2.8 A Working Group member asked if LDNO inputs should be kept in the CDCM when calculating All The Way tariffs for discounts and pointed to the EDCM as an example. **A member of the Working Group suggested** creating a separate work book which is linked to the existing models and to use the “Goal Seek” function to pull data from the two existing models into the new work book.
- 2.9 The members of the Working Group discussed options for linking the three models together so that data flows between each model however some members had concerns around breakage. A scenario was described where if an error was to occur there is a potential to effect all models if they were linked instead of only one model where the error first occurred.
- 2.10 Members of the Working Group also commented on their concerns around the practicality of a third model. A member of the Working Group questioned if there an option within the “Goal Seek” function in Excel that could remove the “bolt-ons” with the idea that it may help to reduce practicality issues. It was suggested that one way forward would be to only input their data into the CDCM once and to combine the CDCM with Method M to create one model.
- 2.11 Working Group members discussed that the circularity issue is due to the limits with a p/kwh discount figure and a member of the Working Group noted that this limitation has the potential to produce negative discount figures. The Working Group discussed their concerns that the new model could lead to iterations diverging rather than converging and asked the Modelling Consultant to address this concern. The Modelling Consultant agreed that divergence is a possibility, however, it is also a possibility with the scaling calculations in the CDCM model which has yet to produce this result. A member questioned what the solution would be if divergence did occur and the Modelling Consultant suggested that any solution would require a manual fix.
- 2.12 The Modelling Consultant agreed to produce a note for the Working Group setting out what options there are to simplify the iteration process and reduce the risk of divergence, with the pros and cons of these options detailed.

ACTION: 05/01: Reckon to come back to group with further modelling options.

Impact Assessment

2.13 The Working Group noted that the concept behind DCP 266 is to calculate a genuine p/KWh discount, with the KWh based on the forecast volumes for the current year. As such the impact assessment for the CP should be produced using the latest available data. It was agreed that DNOs should provide the Modelling Consultant with data to facilitate this, however, before such data can be provided, the following points need to be agreed by the group:

- How should incentives be treated (i.e. are they rewards or part of underlying costs?)
- How Transmission Exit charges should be treated.

2.14 It was also suggested that the impact analysis could be produced using 2017/18 and 2018/19 data, as this would indicate whether the solution may cause volatility between years.

3. Legal Text Update

3.1 The Chair proposed to wait until the April 2018 DCUSA legal text has been prepared before making any changes to the legal text.

4. Review Consultation Documents

4.1 The Working Group agreed to review the Consultation Document at the next Working Group Meeting.

5. Next Steps

5.1 The Working Group reviewed and updated the DCP 266 work plan; the latest version of the plan is provided as Attachment 1. The initial next steps are as follows:

- Modelling Consultant to provide options for consideration of Working Group.
- Working Group to meet on Tuesday, 24 January to review options and agree how to populate the input sheet; and Based on agreed approach, to DNOs to populate existing model input sheets with data for use by the Modelling Support consultant by 7 February.

Any Other Business

There was no other business to discuss.

Date of Next Meeting – 24 January 2017

The Working Group agreed for the next meeting to be conducted via web-conference on 24 January 2017.

List of Attachments

Attachment 1 – DCP 266 Work Plan

Appendix A – Actions

New and open actions

Action Ref.	Action	Owner	Update
01/03	<p>Points for consideration during the consultation</p> <ul style="list-style-type: none"> Clarify why the new proposed calculation method is better and demonstrate that the CP meets the DCUSA objectives. Impact Analysis to be carried out as part of the CP development process. Consider issues with the existing PCDM, calculation method within the model <p>Clarify that the CP does not intend to change what the IDNOs charge to their customers, there is no intent to change the end user tariff.</p>	All	<p>Ongoing</p> <p>Ongoing 30 November</p>
03/01	Update the consultation with a high level explanation of the PCDM costs calculations.	George Moran	Ongoing -
04/04	Review of the legal text and update it to ensure that it is in line with the DCP 234 legal text and model.	ElectraLink	Ongoing – Due to be updated in January 2017
05/01	<p>Modelling Consultant to come back to group with further modelling options;</p> <ul style="list-style-type: none"> Combining models Removal of LDNO inputs in CDCM 	Reckon	

Closed actions

Action Ref.	Action	Owner	Update
04/02	Get approval for Reckon to attend the next Working Group meeting and provide further modelling documents from the DCUSA Charging Contract Manager (Julia Haughey).	ElectraLink	Completed
04/03	Update the consultation document with the suggested amendments and circulate to the group for further review.	ElectraLink	Completed
04/01	Request for Reckon to provide clarification of the updated models and attend the next Working Group meeting	ElectraLink	Completed - 30 November
04/05	Update the DCP 266 Work Plan and circulate to the Working Group for review.	ElectraLink	Completed
04/06	Add the agreed items to the next meeting agenda	ElectraLink	Completed

