

# DCP 243 Working Group Minutes

<b>Meeting Name</b>	DCP 243 Working Group
<b>Meeting Number</b>	11
<b>Date</b>	7 October 2016
<b>Time</b>	10:00
<b>Venue</b>	ElectraLink, The Bloomsbury Building, 10 Bloomsbury Way, Holborn, London, WC1A 2SL

Attendee	Company
Claire Hynes [CH] (Chair)	ElectraLink
Chris Ong [CO]	UK Power Networks
Andrew Enzor [AE]	Northern Powergrid
Robert Fairbairn [RF]	Northern Powergrid
Claire Campbell [CC] (teleconference)	SP Energy Networks
Dominic Green [DG]	Ofgem
Simon Yeo [SY]	WPD
Fungai Madzivadondo [FM] (Secretariat)	ElectraLink

Apologies	Company
Chris Barker [CB]	ENWL
Herdial Dosanjh [HD]	npower

## 1 ADMINISTRATION

- 1.1 The minutes of the previous meeting were approved without amendment.
- 1.2 The Working Group reviewed and updated the actions list which acts as Appendix A.

## 2 COMPETITION LAWS DO'S AND DON'TS

- 2.1 The Working Group agreed to be bound by the Competition Laws Do's and Don'ts for the duration of the meeting.

## 3 DEFINE A CLEAR METHODOLOGY FOR OPTION A AND OPTION B

- 3.1 The Working Group considered the preferred data sources and specific areas for calculating Customer Contributions. The group has previously agreed on Option A and Option B, but a clear methodology needs to be defined on the sources of data to be used before consulting on the preferred solution. In regard to Option A and B the group noted the following:
  - Option A takes a similar approach to the current method used to calculate Customer Contributions but under this approach the data would take an average of either 3 or 5 years of data which would reflect the last complete reported years available and the data would be refreshed annually on a rolling basis in June/ July of the regulatory year and would be DNO specific.

- Option B is a simpler approach and looks to determine a national set of percentages which would be used by all DNOs. Option B would use the five years' worth of data from 2010/11 to 2014/15 (covered by DCPR5). As a result, each DNO would calculate a set of percentages for their five years for each licence, these fourteen sets of percentages would be averaged (either by a DNO or the NCA) to create a single set of values which would be used by all DNOs going forward. It would also be that the values which would be proposed to be used by all DNOs would not change year on year. If taken forward these values would be used for an enduring period of time and not revised until a further change was proposed.

#### **Areas Considered for Option A and B**

- 3.2 **Splits** – The group noted that historically Customer Contributions calculation have been based on 50/50 split. CO explained that the calculations used, relied on spend being allocated to a specific network level, and hence this spend needs to be partly allocated to LV and partly to HV. Similarly spend on HV jobs involving EHV work needs to be split between HV and EHV. Although a 'deemed' split could be used to assign spend between LV and HV for 'LV jobs involving HV work' and between HV and EHV for 'HV jobs involving EHV work', this could never be a defined value.
- 3.3 Attendees considered whether splits could be removed and noted that this could link to the removal of the GRUF<sup>1</sup> calculation. It was highlighted that the removal of splits and GRUF would result in a change being made to the CDCM. A member pointed out that CDCM only does up to HV network as a result LV customers connecting to the HV network would be lost. The group agreed that for splits to be used in the Customer Contributions it is proposed that all costs be treated as being at the Point of Connection (PoC).
- 3.4 **The use of the CN2 / CR5 data** – It was highlighted that CN2 data is broken down into several categories and includes the same information for DNOs. The Customer Contribution percentage would be derived by taking the customer funded portion as a percentage of the sum of the customer funded and DUoS funded portions. The group agreed that this is a logical and simple approach.
- 3.5 **DG<sup>2</sup>, UMS<sup>3</sup> and ICP<sup>4</sup> data** – It was noted that currently Customer Contributions does not include DG data. ICP connection data is not reported to Ofgem as they are not licenced by Ofgem so there is no equivalent reporting available for this. The DG tariff already has the Customer Contribution applied so there is no need to include it. It was agreed that as part of the consultation the group will propose that DG and ICP data be excluded as part of the Customer Contributions calculation. The group agreed to include UMS data as these are connections to the network and have (at least in part) been contributed to by the customer.
- 3.6 **Timeframe / Frequency** - Attendees discussed the reporting frequency for Option A and noted that this option would follow the existing approach using large volumes of reported data, revised annually using a rolling period of time (either three to five years). It was highlighted that

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<sup>1</sup> General Reinforcement Uplift Factor

<sup>2</sup> Distributed Generation

<sup>3</sup> UMS - Unmetered Supply

<sup>4</sup> ICP - Independent Connections Provider

Option A uses live data therefore introduces potential volatility. There is a lot of work and DNOs will have to try and find a way to add data to the template.

The group agreed that with Option A data would be updated annually rolling every five years and not three years. It was highlighted that if there is an unusual scheme in a period of three years there would be a large impact on Customer Contribution calculations, therefore five years is the preferred option as this would smooth out volatility issues.

It was noted that Option B would use five years of data (DCPR5) and would be left unchanged until a further DCP was proposed to revise the numbers used. The group noted that Option B is less cost reflective.

- 3.7 **GRUF Calculation** – The group discussed the impact of removing the GRUF calculation from Customer Contributions. It was highlighted that the GRUF is based on fixed data from ED1 submissions from DCPR5 data and that removing the GRUF would simplify the model. If the GRUF calculation was to be included in Customer Contributions, it could not be used with the proposed Option A.

#### **Option C - Common Connections Charging Methodology (CCCM)**

- 3.8 The group considered whether CCCM data could be used to calculate Customer Contributions. It was noted that this option moves away from reported data and there are no data sources available from the CCCM to calculate Customer Contributions, therefore it is not cost reflective. The group agreed not to use CCCM to calculate Customer Contributions.

#### **Removing Customer Contributions**

- 3.9 The Working Group considered whether to remove the Customer Contributions from the CDCM and what impact this would have on tariffs. It was noted that removing Customer Contributions would save a domestic unrestricted customer at least £1 a year but shift the balance between the fixed and units charge. However, removing Customer Contributions would have an impact on the HV tariffs and changes the values quite significantly. It was agreed that Parties would be provided with the impact assessment once the group finalise their preferred solution. The Group agreed to consult on whether the customer Contributions should be removed from the CDCM and for this to be Option C.

#### **Way Forward**

- 3.10 The group agreed to consult on the following options:

- Option A – using reported data
- Option B – using fixed data
- Option C – proposing to set all customer contributions to zero.

Option A	Option B	Option C
Split – using the CCCM Examples to determine the Split	Split - using the CCCM Examples to determine the Split	Remove Customer Contributions by setting these values in the CDCM table 1060 to 0.

Use of CN2 /CR5 Data	Use of CN2 /CR5 Data	
UMS Only	UMS Only	
3-5 years – with rolling annual update	5 years	
No GRUF Calculation	No GRUF Calculation	
Positives/ Negatives	Positives/ Negatives	Positives/ Negatives

- 3.11 With regards to the consultation it was noted that the benefits and drawbacks of all Options should be clearly explained. AE took an action to update the Consultation document with more information on Option A and C.

**ACTION: 11/01- ELECTRALINK & AE**

- 3.12 The group agreed to consult on all the charging objectives asking Parties which of the five charging objectives are facilitated by DCP 243. ElectraLink took an action to update the consultation document and circulate to the Working Group for review.

**ACTION: 11/02 - ELECTRALINK**

#### **4 CUSTOMER CONTRIBUTIONS TEMPLATE**

- 4.1 The Working Group discussed whether the Customer Contributions Template should be part of the DCUSA or maintained outside of the DCUSA. It was noted that if in the next five years a Change is required to the template a Change Proposal may be required to address the change.
- 4.2 It was noted that if the final solution requires a template this should be flexible for Parties to use. In addition, the calculation method could be detailed in the legal text and ensure that Parties comply with the legal text. It was noted that a modelling update will not be required from Reckon for the proposed change to be made.

#### **5 WORKING GROUP NEXT STEPS**

- 5.1 The DCP 243 Working Group agreed the following next steps:
- ElectraLink to update the consultation document and circulate to the Working Group for further updates.
  - AE to update the consultation document with information on Option A and C.
  - The Working Group to review the consultation document and provide comments by 14 November 2016.

**ACTION: 11/03 - ALL**

- Consultation three to be issued in the week commencing 17 October 2016 for a period of three weeks.

**ACTION: 11/04 - ELCTRALINK**

It was noted that the DCP 243 Work Plan would be updated to reflect the Working Group's next steps. The updated Work Plan has been provided as Attachment 1.

**ACTION: 11/05 - ELECTRALINK**

## **6 ANY OTHER BUSINESS**

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- 6.1 There were no items of any other business.

## **7 NEXT MEETING**

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- 7.1 The next Working Group meeting is scheduled for 21 November 2016 at 10am to review the consultation responses. This will be a teleconference meeting.

## **8 ATTACHMENTS**

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- Attachment 1 – DCP 243 Work Plan

**APPENDIX A: SUMMARY OF ACTIONS****NEW AND OPEN ACTIONS**

Action Ref.	Action	Owner	Update
11/01	Update the Consultation document with more information on Option A and C.	Andrew Enzor	
11/02	Update the consultation document and circulate to the Working Group for review.	ElectraLink	
11/03	Working Group to review the consultation documents and provide comments by 14 November 2016.	All	
11/04	Issue Consultation w/c 17 November 2016 for a period of three weeks	ElectraLink	
11/05	Update DCP 243 Work Plan	ElectraLink	

**CLOSED ACTIONS**

Action Ref.	Action	Owner	Update
08/02	Confirm the data referred to by Power Data Associates in their response	ElectraLink	Closed - No response received
09/01	<u>Option B progression</u> <ul style="list-style-type: none"> <li>Look at whether data from the Common Connection Methodology Model could be used in the Customer Contributions template</li> </ul>	All	Completed

10/01	<u>Option C</u> <ul style="list-style-type: none"> <li>• Prior to the meeting the Working Group is to look into examples of Domestic, LV5 and HV6 customers where there is breakdown of what the customer pays and what is contributed by DNOs.</li> <li>• Understand data sources used in the Common Connections Charging Methodology (CCCM) and decide on the sources of data that could be used.</li> <li>• Look at what data sources could be used for Option C and be clear on the type of data available.</li> </ul>	All	Completed
10/02	Put together a strawman clarifying what should be discussed at the next meeting and for the Working Group members to provide further information on the issues to be considered.	CO /All	Completed
10/03	Review the legal text and provide feedback.	All	Completed
10/04	Update the DCP 243 Work Plan and organise the next Working Group meeting.	ElectraLink	Completed

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<sup>5</sup> Low Voltage

<sup>6</sup> High Voltage