

DCP 230 Working Group Minutes

Meeting Name	DCP 230 Working Group
Meeting Number	01
Date	23 March 2015
Time	10:00
Venue	Web-conference

Attendee	Company
Chris Ong [CO] (Chair)	ENWL
Paul Duffus [PD]	WPD
Andrew Enzor [AE]	Northern Powergrid
Wilma Leyton [WL]	SSEPD
Gregory Edwards [GE]	British Gas
Rosalind Timperley [RT] (Secretariat)	ElectraLink

1 ADMINISTRATION

- 1.1 Apologies were received from Emma Clark (SSEPD), Keith Burwell (Ofgem).
- 1.2 CO was appointed as temporary Chair of the Working Group.

2 COMPETITION LAWS DO'S AND DON'TS

- 2.1 The Working Group reviewed the "Competition Law Dos and Don'ts". All Working Group members agreed to the terms set out in the document.

3 DCP 230 WORKING GROUP TERMS OF REFERENCE

- 3.1 The Working Group reviewed the Terms of Reference (ToRs). All Working Group members agreed to the terms set out in the document.

4 BACKGROUND AND INTENT OF DCP 230

- 4.1 PD provided the Working Group with an overview of the Change Proposal (CP) explaining that it seeks to revise the legal text within DCUSA for the 'Annuity Rate of Return' to equal the pre-tax real weighted average cost of capital set for each DNO.
- 4.2 The DCUSA Annuity Rate of Return previously referenced DPCR5 but this is no longer applicable under RIIO ED1. To enable the calculation of April 2015 tariffs, DCP 217¹ was raised to fix the Annuity Rate of Return at the currently used value of 5.6%.
- 4.3 DCP 224² was subsequently raised to introduce an enduring solution. However, this CP was withdrawn and replaced by DCP 230, as the intent of DCP 224 contained the word "fixed" which it was determined was not appropriate.

5 PROGRESSION OF DCP 230

¹ DCP 217 – Rate of Return

² DCP 224 – Rate of Return Enduring Solution

- 5.1 AE explained to attendees that, based on the proposed solution, he had calculated the Annuity Rate of Return for Northern Powergrid to be 4.3%, which is lower than the value being used at present. It was cautioned that if there is quite a difference in the percentage then this could have a significant impact on tariffs.
- 5.2 The Working Group reviewed analysis prepared by AE on the impact of DCP 230 on tariffs in Northern Powergrid's areas (Attachment 1). It was observed that the effect of the CP was to increase the volume recovered through scaling.
- 5.3 It was noted that if DCP 230 were to be implemented simultaneously with DCP 228³, which seeks to amend the CDCM approach to scaling, then the impact of DCP 230 may be quite different than if it were to be implemented alone.
- 5.4 AE agreed to update the impact analysis to cover all DNO areas and to circulate to Working Group members for review.

Action 01/01: AE

- 5.5 ElectraLink took an action to check that this data is received by all DNOs.

Action 01/02: ElectraLink

- 5.6 Attendees were asked to confirm whether they were comfortable with the Annuity Rate of Return formulas in the CP form. In response, attendees noted that they did not have any specific concerns. An action was taken for Working Group members to discuss the CP formulas internally and confirm whether they are comfortable with them by the next Working Group meeting.

Action 01/03: All

- 5.7 In addition, CO took an action to contact Keith Burwell to ask for an Ofgem steer on the formulas.

Action 01/04: CO

- 5.8 The group agreed to aim to progress the CP in time for incorporation in April 2016 tariffs.

6 NEXT STEPS

- 6.1 The DCP Working Group agreed that the next steps for the CP as follows:
- AE to calculate impact on all DNO areas and circulate to Working Group members for review by 25 March 2015;
 - DNO Working Group members to review data prepared by AE and confirm that they are comfortable with it by 8 April;
 - ElectraLink to prepare strawman consultation document by 30 March and circulate it to Working Group members for review; and
 - Working Group to meet on Thursday 9 April to review the consultation document.

7 ANY OTHER BUSINESS

- 7.1 An attendee queried whether the Working Group needs to take any actions regarding the EDCM. In response, it was suggested that the rate of return is not an input into the EDCM but it is mentioned a couple of times in the EDCM legal text as a carry-over from the EDCM. It was

³ DCP 228 – Revenue Matching in the CDCM

highlighted that if there is an impact then consideration will need to be given as to how the Working Group present this, as EDCM tariffs are confidential and cannot be published.

- 7.2 DNO Working Group members took an action to consider the impact of DCP 230 on EDCM tariffs and how this impact could be shown given the issues around confidentiality.

Action 01/04: DNOs

8 NEXT MEETING

- 8.1 The next meeting is scheduled for Thursday, 9 April 2015 at 10am via web-conference.

ATTACHMENTS

- Attachment 1 – Illustrative Tariffs for Northern Powergrid

APPENDIX A: SUMMARY OF ACTIONS

NEW AND OPEN ACTIONS

Action Ref.	Action	Owner	Update
01/01	Update the impact analysis to cover all DNO areas and to circulate to Working Group members for review.	AE	
01/02	Check that the impact analysis is received by all DNOs	ElectraLink	
01/03	Discuss the CP formulas internally and confirm whether your organisation is comfortable with them by the next Working Group meeting.	All	
01/04	Contact Keith Burwell to ask for an Ofgem steer on the Annuity Rate of Return formulas.	CO	
01/05	Consider the impact of DCP 230 on EDCM tariffs and how this impact could be shown given the issues around confidentiality.	DNOs	