

DCP 228 Working Group Minutes

Meeting Name	DCP 228 Working Group
Meeting Number	01
Date	27 February 2015
Time	14:00
Venue	Web-conference

Attendee	Company
Chris Ong [CO] (Chair)	UK Power Networks
George Moran [GM]	British Gas
Paul Duffus [PD]	Western Power Distribution
Bethany Hannah [BH]	Ofgem
Gregory Edwards [GE]	British Gas
Andrew Enzor [AE]	Northern Powergrid
Claire Campbell [CC]	Scottish Power
Rosalind Timperley [RT] (Secretariat)	ElectraLink

1 ADMINISTRATION

- 1.1 Apologies were received from Julia Haughey (EDF Energy).

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 228 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 APPOINTMENT OF CHAIR

- 4.1 CO was appointed as the Chair of the Working Group.

5 BACKGROUND AND INTENT OF THE DCP 228 CHANGE PROPOSAL

- 5.1 GM explained that the intent of this proposal is to change the way revenue matching (scaling) is achieved within the CDCM to accurately reflect the price differentials produced by the cost-reflective incremental 500MW. It was highlighted that the CDCM is an incremental cost model, intended to provide incremental cost signals. The method of scaling must maintain the incremental cost signals and this is what DCP 228 seeks to do.
- 5.2 It was noted that this area had previously been considered under rejected proposal DCP 123¹. In its decision to reject DCP 123, the Authority stated that they were not satisfied that it had been demonstrated that DCP 123 applied scaling in a more cost reflective way.

¹ DCP 123 – Revenue Matching Methodology Change

- 5.3 The proposer of DCP 228 explained that this CP is not seeking to allocate costs but rather, as best as possible, maintain the pre-scaled price signals. For this reason, it is not necessary to demonstrate the DCP 228 allocates costs in a more reflective way than the baseline.
- 5.4 It was highlighted that previous work under DCP 123 had concluded that scaling should not be applied to generator p/kWh charges and that for demand charges there should be a floor price. There had been discussions about whether this floor price should be £0p/kWh. It is proposed that DCP 228 continue with this approach, rather than re-opening these discussions.
- 5.5 The Working Group noted that the work carried out by the DCP 123 Working Group could be used as a basis for DCP 288.
- 5.6 It was queried what the rationale for applying scaling as a fixed adder was. In response, the proposer explained that once the pre-scaled tariffs have been calculated the aim is to maintain this differential. For example, if the red time band is calculated as being 3p/kWh more expensive than the amber time band, then you want to maintain this absolute differential of 3p/kWh.

6 PROGRESSION OF DCP 228

- 6.1 It was noted that the proposed legal drafting, set out in the CP form, addresses all of the reasons for the rejection of DCP 123. The Ofgem representative noted that at this stage Ofgem has no comments on the proposal.
- 6.2 The group agreed that the next step for the CP should be to request an updated CDCM model that implements the proposed solution. This can be used to calculate the impact of the proposal. GM took an action to prepare a modelling support specification document.

Action 01/01: GM

- 6.3 It was observed that the impact on tariffs will influence whether DCP 228 can be implemented in time for April 2016 tariffs.

7 NEXT STEPS

- 7.1 The Working Group agreed that the next steps as follows:
- GM to prepare modelling support specification document and circulate to Working Group by 5 March 2015;
 - Working Group to review the specification document for a period of one week;
 - Following the close of the review period, ElectraLink to seek approval for modelling support;
 - ElectraLink to prepare a draft consultation document for inclusion in the agenda for the next Working Group meeting.

8 ANY OTHER BUSINESS

- 8.1 There were no items of any other business.

9 NEXT MEETING

- 9.1 The next meeting is scheduled for 10:00 on Friday, 27 March 2015 via webinar.

APPENDIX A: SUMMARY OF ACTIONS

NEW AND OPEN ACTIONS

Action Ref.	Action	Owner	Update
01/01	Prepare a modelling support specification document and circulate to Working Group for Review	GM	