

DCP 227 Working Group Minutes

Meeting Name	DCP 227 Working Group
Meeting Number	01
Date	27 February 2015
Time	10:00
Venue	Web-conference

Attendee	Company
George Moran [GM] (Chair)	British Gas
Chris Ong [CO]	UK Power Networks
Dave Wornell [DW]	Western Power Distribution
Gregory Edwards [GE]	British Gas
Deirdre Bell [DB]	Ofgem
Andrew Enzor [AE]	Northern Powergrid
Rosalind Timperley [RT] (Secretariat)	ElectraLink

1 ADMINISTRATION

- 1.1 Apologies were received from Wendy Mantle (Scottish Power) and 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 227 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 GM was appointed as the Chair of the Working Group.

5 BACKGROUND AND INTENT OF THE DCP 227 CHANGE PROPOSAL

- 5.1 GM explained that there is an inconsistency in the CDCM whereby the same £/kW/yr network level cost is allocated to some tariffs on the assumption that all assets at all levels peak at the time of system peak, but allocated to other tariffs in a way which reflects the peaking probabilities of each network level.
- 5.2 The intent of DCP 227 is to remove this inconsistency by ensuring costs are allocated in a way which utilises peaking probabilities for all demand tariffs.
- 5.3 It was suggested that with the introduction of DCP 179¹, under which aggregated Half Hourly tariffs will be created, now is a good time to ensure that the base tariffs that the DCP 179 aggregated tariffs will be derived from, are calculated using a consistent approach.

¹ DCP 179 - Amending the CDCM tariff structure

- 5.4 The proposed solution is to change the cost allocation rules contained in paragraph 72 of DCUSA Schedule 16 such that the same set of rules are applied to both single unit rate and multiple unit rate tariffs.

6 DISCUSSION ON PROGRESSION OF DCP 227

- 6.1 The Ofgem represented queried why a different approach between tariffs was taken when the CDCM was developed. The proposer explained that his understanding is that when the CDCM was developed, the opinion was that the co-incidence factor was key and that costs should be allocated using the co-incidence factor. The initial view was that all tariffs would be calculated using the co-incidence factor, however, in practice it was found that this does not work for allocating costs to multiple unit rates. For instance, for two rate tariffs the peak demand occurs during the day, therefore, if you followed a co-incidence factor approach then no costs would be allocated to the night time rate as that rate would not contribute to the system maximum demand. This is why peaking probabilities were brought in, so that costs could be allocated to multi-rate tariffs.
- 6.2 Attendees were asked whether they agreed that there is a discrepancy in the tariff calculation approach and whether they agreed that this discrepancy should be addressed. In response, attendees noted their agreement and it was stated that the proposed solution appears to be a logical approach.
- 6.3 The group reviewed the proposed DCP 227 legal text as set out in the CP form (Attachment 1). It was noted that within the legal text, DCUSA Schedule 16 paragraph 72 had been moved to earlier in the legal text and inserted as new paragraph 69A. This has the effect of making the calculation described in the paragraph apply to all tariffs, rather than just multi-rate tariffs.
- 6.4 The group discussed whether an industry consultation on DCP 227 should be issued prior to requesting modelling support. The proposer noted that the CP seeks not to introduce a new calculation method for allocating costs in the CDCM, but rather to reduce the current two approaches down to one approach. The group agreed that they were happy with the proposed approach and that a consultation prior to the model being developed was not required.
- 6.5 GM took an action to prepare a specification document defining the modelling support requirements.

Action 01/01: GM

- 6.6 The Group considered whether the proposed change would impact upon the EDCM. The view was that the EDCM would not be impacted. Attendees took an action to check that this was the case.

Action 01/02: All

- 6.7 It was noted that the Annual Review Pack will need to be updated once the DCP 227 proposed solution has been finalised.

Action 01/03: All

- 6.8 It was highlighted that the proposed implementation date for DCP 227 is 1 April 2016. The group noted that if the impact assessment shows a significant impact on tariffs then this may need to be revised to give greater notice.

7 NEXT STEPS

- 7.1 The DCP Working Group agreed that the next steps as follows:

- GM to prepare modelling support specification document and circulate to Working Group by 5 March;
- Working Group to review the specification document for a period of one week follow receipt;
- Following the close of the review period, ElectraLink to seek approval for modelling support; and
- 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 Tuesday, 14 April 2015 via web conference.

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	
01/02	Consider whether DCP 227 will impact upon the EDCM	All	
01/03	Seek an updated ARP once the DCP 227 solution has been finalised	All	