

# Minutes

<b>Meeting Name</b>	DCP 012 Working Group	<b>Meeting Number</b>	002
<b>Meeting Date</b>	17 January 2008	<b>Meeting Time</b>	10.00
<b>Meeting Venue</b>	ELEXON, 350 Euston Road, London, NW1 3AW		

## In Attendance

### Attendee

Glenn Sheern (Chair)  
Donna Townsend  
Gemma Coles  
Gus Wood  
John Lawton  
Matthew Hayes-Stimson  
Mike Harding  
Nick Rubin  
Nigel Birchley  
Peter Waymont  
Elizabeth Lawlor (Secretary)

### Representing

E.ON UK  
Laing O'Rourke  
Independent Power Networks Limited  
Wragge & Co  
Electricity North West Ltd  
EDF Energy Networks  
The Electricity Network Company  
Ofgem  
Central Networks  
EDF Energy Networks  
DCUSA Limited

## 1 ADMINISTRATION

- 1.1 The group received apologies from Craig Neill, Gary Marshall and Tim Hughes.
- 1.2 The minutes of the previous meeting were approved without amendment.

## 2 REVIEW OF CONSULTATION RESPONSES

- 2.1 Question 1 - Does the proposed CP better facilitate the DCUSA Objectives?  
The Working Group noted that 100% of the 9 responding parties or groups of parties had indicated that DCP 012 better facilitated one or more of the DCUSA objectives and that the results were broken down as follows:

Objective	Respondents supporting the Objective <sup>1</sup>
3.1.1 - The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	100%
3.1.2 - The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity	78%
3.1.3 - The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences	89%
3.1.4 - The promotion of efficiency in the implementation and administration of this Agreement	22%

- 2.2 The Working Group agreed with the majority view of respondents that Objectives 1, 2 and 3 were better facilitated.
- 2.3 Objective 3.1.1: Parties agreed that DCP 012 better facilitates Objective 3.1.1 through the creation of a multilateral agreement for the payment of UoS. The common industry agreement and standardising the bulk of the contractual arrangements and procedures as between the two parties will support the development, maintenance and operation by both DNO and IDNO parties of their networks. By clearly defining the roles and responsibilities of distributor parties with regard operation of Distributor networks, particularly at the interface and by agreeing principles for managing power factor, phase balance and maximum capacity will better facilitate "the development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks".
- 2.4 Objective 3.1.2: Parties agreed that the proposal better facilitates further competition in distribution by establishing a transparent, contractual framework covering inter-distributor relationships that is likely to be easier to manage than high volumes of bi-lateral agreements thus reducing the contractual administration for parties. Parties agreed that the creation a common industry agreement that offers an efficient and economic process for managing the contractual relationships between distributors for use of system will better facilitate Objective 3.1.2.
- 2.5 Objective 3.1.3: Parties agreed that moving away from multiple bilateral agreement to a single multi-party mechanism will support the efficient discharge by the IDNO's and DNO's parties of obligations imposed upon them in their Distribution Licences by improving transparency and allow

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<sup>1</sup> The percentage of respondents who indicated that DCP 012 would better facilitate the DCUSA objective than the current drafting.

easier tracking of licence obligations. Parties agreed that placing the terms for use of system and connection in the public domain increasing the transparency of the processes to industry participants and allowing distributors to administer them more efficiently will aid the efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences and will allow changes to be more easily negotiated using a prescribed process.

- 2.6 The Working Group agreed that the DCUSA governance framework provides a robust platform for the debate of change and the opportunity for making collective changes to collective issues. The Working Group considered that this will allow the agreements to be developed and that change can be more easily negotiated and allowing increasing efficiency within the process.
- 2.7 The group noted that IPNL's response to question one related specifically to the proposed Clause 52.9.
- 2.8 Question 2 - Are there any other alternative solutions you would like to be considered by the DCP 009 Working Group? The Working Group noted that EDF Energy Networks had proposed an alternative solution and agreed to discuss the proposal further in the agenda (see section 4). No further alternatives were put forward.
- 2.9 Question 3 - Please indicate if you expect to incur any costs to support the CP. The Working Group noted that CE Electric had indicated that it may incur costs supporting the 'Alternative Solution' referenced in Section 2B. The Working Group noted that as the detailed workings of the Alternative Solution was not yet developed any potential associated costs were unknown but that any solution would be agreed between parties on an individual basis.
- 2.10 Members agreed that the introduction of Section 2B would not itself introduce costs although some parties may incur some costs associated with the migration from CUOSAs to BCAs. However, the Working Group agreed that such costs would be outweighed by the costs of maintaining CUOSAs in the long term. Members agreed that party responses to question 6 (Transition Arrangements) indicated that the costs of migration were not prohibitive and members agreed that the short terms costs of implementing the change would be outweighed by the long term benefits.
- 2.11 Question 4 - Do you support the proposed implementation date of 25 March 2008? The Working Group noted that 100% of responding party groups supported the proposed implementation date outside the standard release calendar. JL informed members that ENW believed that it may be more pragmatic to implement that change on 01 April, the start of the new Financial Year. Working Group members were supportive of the proposal and agreed that the proposed implementation date should be amended to 01 April 2008, or 10WD after Authority Consent. The Working Group noted that this would allow Ofgem to carry out a wider consultation if it wished to do so.
- 2.12 Working Group members agreed that a fully changed marked copy of the entire DCUSA, incorporating Section 2B and the consequential changes should be issued to parties with the Change Report. Members noted that there are 3 outstanding CPs (DCP 009, DCP 013 and DCP 014) currently

going through the Assessment Process that are targeting the February Release. Members agreed that the Change Report should highlight the potential further amendments to parties that may be introduced as a consequence of those CPs, but that the change marked DCUSA should be made against the existing baseline, v1.2a.

- 2.13 Question 5 - Do you agree with the proposed assignment of Part One / Part Two matters? The Working Group noted that 100% of respondents supported the categorisation of Part One and Part Two matters in the drafting in accordance with the comments raised by CE Electric.
- 2.14 Question 6 - If the CP is implemented do you intend to migrate existing agreements to the DCUSA? If yes, in what time period? If not, why not? The Working Group noted that 100% of respondents had indicated that they would migrate existing agreements to the DCUSA but that the timescales for completing the exercise varied and that respondents felt the process should be agreed on a bilateral arrangement between parties. The Working Group agreed that given the responses the DCUSA should not mandate the requirement to migrate, nor stipulate a timetable for doing so, but agreed that Ofgem may choose to put forward a recommendation in its determination letter.
- 2.15 Question 7 - Do you have any comments on the other drafting changes made since the previous consultation? The Working Group considered each of the comments in turn (see section 3).
- 2.16 Question 8 - Please state any other comments or views on the Change Proposal. The Working Group noted that the comments made by EDF Energy Networks had been picked up under Question 7 (see section 3) and the comments made by ENW had been addressed under Question (see section 2.9).
- 2.17 The group noted that ENC had highlighted that if DCP 012 is approved an additional clause would be required into section 2B regarding the communication of the Rota Load Alpha identifier from DNOs to IDNOs. Members noted that the obligation already exists outside DCUSA but should be formalised through section 2B for relating to each IDNO / embedded connection point. EL took an action to capture the point on the Housekeeping Log for future changes.

### 3 DRAFTING COMMENTS

- 3.1 The Working Group considered each of the comments provided in the Consultation Responses.

Clause Reference	Action
39.5 (SP Distribution)	The Working Group confirmed that 'invitees' was an appropriate legal term that referred to any person authorised or given access by the Company. The group agreed that the term was intentionally broad.
39.15 (SP Distribution)	The Working Group agreed that the Clause was introduced by IPNL in specific reference to Clause 39.14. The Clause is designed to ensure that the obligations on IDNO customers were no more onerous than those on DNO customers.

39.6 (EDF Energy Networks)	The Working Group confirmed that the drafting was appropriate as it refers to the relevant BCA.
41.1 (EDF Energy Networks)	The Working Group agreed to re-draft the Clause to move 41.8 to the top of Clause 41.4
41.2 (ENW)	The Working Group agreed to re-word the Clause to remove repetition.
41.18 & 41.19 (SP Distribution & EDF Energy Networks)	The Working Group agreed that the recovery of economic and consequential costs should be capped at £1 million, as set out in Section 2A.
42.3 (SP Distribution and ENW)	<p>The Clause is designed to ensure that the 'Alternative Solution' includes the requirement for the provision of accurate data. It was recognised that the definition of accuracy will need to be determined as the AS is developed by the ENA Work Group.</p> <p>The Working Group agreed to amend the order sentences as proposed by ENW.</p>
42.7 & 42.8 (SP Distribution)	<p>The Working Group agreed that these requirements were equally well placed in Section 42 as Section 39 and determined not to move them.</p> <p>Members agreed that the drafting should be amended to add further clarity to the requirement but noted that an absolute guarantee that interconnection would not occur could not be achieved.</p>
52.9 (ENW)	The Working Group agreed to make a typographical amendment in line with ENW's suggestion.
Clause 1.7 - Consequential Changes (SP Distribution)	Correct numbering will be picked up in the final drafting.
Cross references to the new Distribution Licence (SP Distribution)	GW confirmed that there is no legal issue and members agreed that a separate CP will be taken forward.

#### 4 ALTERNATIVE SOLUTIONS

- 4.1 The Working Group noted that EDF Energy Networks had submitted an alternative proposal for Section 52.9. Members noted that EDF Energy Networks had supported the intention of the group to find a compromise solution but that the 'polluter pays' model was not consistent with other industry practices. PW clarified that EDF Energy Networks believes that no payment should be made by the company to the user as a result of a modification by the company unless it is the result of a third-party connection and the company can recover the costs from that third party as part of the connection charge. Members noted that this arrangement mirrors that in the CUSC, existing large power connection agreements and existing connection agreements with inset networks, where the owner of the asset pays for the costs of any works required on his assets.
- 4.2 PW noted that the proposed model helps to keep the providing distributor's costs and hence prices down and that objective one of DCUSA, regarding efficient co-ordinated and economic networks, would be better achieved than by current drafting of Clause 52.9. PW noted that the objective of the work under DCUSA should be to rationalise the volume of agreements

between distributors with little change to the base content of those agreements, and certainly no change to fundamental industry-wide principles. PW noted that the supplier agreements were brought into section 2A of DCUSA on that basis PW noted that EDF Energy Networks felt that Section 2B should reflect the current status quo in the CUOSAs and not introduce a new model. MHS proposed that the current model should be included in the first draft of the DCUSA and that a separate CP could be raised once a wider industry debate, possibly under the Price Control Review, had been carried out.

- 4.3 MH informed the group that he was not supportive of the view put forward by EDF Energy Networks. He noted that whilst the model was not the 'industry norm', the relationship between IDNO and DNO parties is a new relationship in the market and that processes should be developed specifically for not. MH noted that Ofgem has stated that IDNOs should not be treated in the same manner as other customers.
- 4.4 NR noted that point made by EDF Energy Networks and agreed that the issue touches on wider issues around Distributor relationships and costs which could be considered in a wider environment. However, NR noted that Ofgem retained the right to take the work forward as part of a wider consultation if it deemed it appropriate. NR informed the group that Ofgem would consider the issues around Clause 52.9 but that its overall decision would be on the balance of whole proposal not just that issue.
- 4.5 NR suggested that parties consider the scale and relativity of the issue and asked whether there were any other outstanding issues. Parties confirmed that agreement had been reached on all other points. Members recognised that there are only a narrow set of circumstances in which upstream Distributors will seek to change the technical characteristics as specified in the BCA and that it was only a minor issue but with a significant residual risk. PW noted that Clause 52.9 as drafted may set a precedent for other customers, although GW clarified that the current drafting of Clause 52.9 would not set a precedent that could be used by other DNO customers.
- 4.6 NR reminded parties that if both proposals were put forward for voting parties must provide a good rationale for any alternatives and that the weight of evidence presented to Ofgem when voting would be very important.
- 4.7 GS advised the Working Group that it needed to determine how it wished to take the proposed drafting and proposed variation forward. MH recommended that the compromise position should be put forward to maximise the chance of the CP being progressed. MH suggested that EDF Energy Networks raise a subsequent CP if it was not satisfied with the consensus view. Members noted in accordance with Clause 11.18 any member of the Working Group may put forward an alternative variation for consideration if it believes the Working Group drafting to be insufficient. PW confirmed that EDF Energy Networks would put forward the alternative set out in this section and the group recognised its decision.
- 4.8 The majority of Working Group members agreed that the 'compromise' version of DCP 012 (including the drafting amendments set out in Section 3) should be put forward in the recommendation to the Panel. The group considered that the CP delivers a consensus position and that the majority of impacted Parties had been fully involved in the process and indicated

support for the CP via the consultation. The majority of member agreed that the original proposal better facilitated the DCUSA Objectives than the proposed variation. GS noted that EDF Energy would need to set out its rationale for its variation in the Change Report.

## **5 CONTENT OF THE CHANGE REPORT**

- 5.1 Members asked the Secretariat to draft the Change Report in accordance with Clause 11.20 of the DCUSA. The group asked that the report include:
- All DCP Working Group meeting papers and minutes;
  - The legal drafting of DCP 012 change marked against the baseline agreement;
  - The legal drafting of the Clause 52.9 Variation; and
  - Consultation Responses.
- 5.2 The Working Group agreed that the Change Report should be submitted to the Panel for approval on 24 January and issued to Parties for voting following approval. Members agreed that the Change Report should be issued to all Parties for a period of 12 Working Days. Members agreed that whilst Section 2B impacts only Distributor parties, consequential changes to Section 2A may impact Suppliers and that they are entitled to vote on the CP.
- 5.3 EL took an action to draft the Change Report and issue it to members for approval prior to submission to the Panel.

**Action:** EL

## **5.4 ANY OTHER BUSINESS**

- 5.5 There were no additional items of business.

## **6 DATE OF NEXT MEETING**

- 6.1 No future meetings have been scheduled.