

DCP 359 (CMP 334) DCUSA Working Group Meeting 01

04 February 2020 (10:00am to 3:00pm)

Skype/Teleconference

Attendee	Company	Attendee	Company
Working Group Members		Working Group Members	
Alessandra De Zottis [ADZ]	Sembcorp	Lee Wells [LW]	Northern Powergrid
Ben Tucker [BT]	Good Energy	Lina Apostoli [LA]	Ofgem
Dave Wornell [DW]	Western Power Distribution	Mark Jones [MJ1]	SSE Business Energy
Donald Preston [DP]	SSE Networks	Nicholas Rubin [NR]	Exelon
Elizabeth Allkins [EA]	OVO Energy	Paul Duffus [PD]	Western Power Distribution
Garth Graham [GG]	SSE Generation	Paul Farmer [PF]	Shell Energy
Grahame Neale [GN]	National Grid ESO	Rob Johnson [RJ]	Waters Wye Associates
Helen Tsang [HT]	EDF Energy	Shiny Samson [SS]	Northern Powergrid
Josephine Lord [JL]	Cornwall Insight	Thomas Cadge [TC]	BUUK Infrastructure
Julia Haughey [JH]	EDF Energy	Richard Brooks [RB]	Shell Energy
Kara Burke [KB]	Northern Powergrid	Tom Chevalier [TC]	Power Data Associates
Kathryn Evans [KE]	Scottish Power Energy Networks	Thomas Cahill [TC1]	Veolia UK
Code Administrator			
John Lawton (JL1) (Chair)	ElectraLink	Dylan Townsend [DT] (Technical Secretary)	ElectraLink

Apologies

Apologies	Company	Apologies	Company
Chris Ong	Centrica	Karl Maryon	Haven Power
Helen Inwood	Npower	Tony Collings	ecotricity

1. Administration

- 1.1 The Chair welcomed the members to the meeting.
- 1.2 The Working Group reviewed the “Competition Law Guidance”. All Working Group members agreed to be bound by the Competition Law Guidance for the duration of the meeting.
- 1.3 The Terms of Reference for the meeting were reviewed and the Working Group agreed that these were a fair and accurate representation of the Working Group’s objectives and agreed to be bound by them for the duration of the Working Group. It was noted that there are no additional items for the Working Group to consider.

2. Purpose of the Meeting

- 2.1 The Chair set out that the purpose of the meeting was to review and analyse the Change Proposals (CPs) and to start to develop potential solutions, alongside agreeing any next steps.

3. Overview of DCP 359 ‘Ofgem Targeted Charging Review Implementation: Customers – who should pay?’

- 3.1 LW provided an overview of the content of DCP 359. It was noted that the purpose the CP is to implement certain areas of Ofgem’s TCR Decision; specifically relating to the identification of which ‘customers’ are eligible for a residual fixed charge. This CP seeks to address paragraphs 12-16, and paragraph 30, whilst having regard for paragraphs 34 and 36-39, of the TCR Direction. For ease of reference the aforementioned paragraphs are set below:

12. The Proposal(s) must set out:

Final demand

13. that applicable residual charges must be applied to final demand consumers only.

14. the definition of ‘final demand’ is as follows “Final Demand means electricity which is consumed other than for the purposes of generation or export onto the electricity network”. Therefore, generation only and storage only sites will not pay residual charges.

Single site

15. that the residual fixed charge is to be levied on a single site basis.

16. the definition of ‘site’, having regard to paragraph 3.54 (10) of the TCR Decision.

30. appropriate arrangements to develop the following:

- a. the frequency and relevant units of the fixed charge, considering a proposal of a pence/site/day structure;*
- b. the mechanism to identify which sites should be classified as final demand for the purposes of determining residual charges. In doing so, the DNOs must have regard to paragraph 3.55(2) of the TCR Decision;*
- c. any consequential changes that may be required in relation to residual charges for Independent Distribution Network Operators (IDNOs), consumers connected to private wire and complex sites, noting that the Authority expects that the IDNO charging regime (which operates via a Relative Price Control) to continue to function as it does today; and*

the systems and processes to implement the Proposal(s). In doing, so the DNOs must have regard to paragraph 3.55(4) of the TCR Decision.

4. Overview of CMP 334 ‘Transmission Demand Residual – consequential definition changes (TCR)’

- 4.1 GN, as the Proposer of CMP 334, provided an overview of the content of the Modification Proposal, noting that the purpose of CMP 334 is as follows:

The Authority published on 21 November 2019 a Direction to NGESO to raise such modifications as are necessary to give effect to their Decision(s) under the Targeted Charging Review (TCR) SCR. CMP332 is developing a methodology for the Residual to be applied only to ‘Final Demand’ on a ‘Site’ basis (as per the Direction); however CMP332 is not defining these terms and they are not currently defined in CUSC. This proposal seeks to define these terms in a manner which is consistent with DCUSA Change Proposal 359

- 4.2 GN noted that, it had been recommended that the modification should be assessed by a joint CUSC/DCUSA Workgroup and be treated as urgent and should proceed as such under a timetable agreed with the Authority. CMP 334 was presented by the Proposer to the CUSC Panel on 31 January 2020 and their Panel agreed with the recommended progression route, which for the requested urgency, requires submission to Ofgem, who will ultimately decide whether the Modification should be treated as Urgent.

5. Proposed way forward: Cross Code Arrangements

- 5.1 The Chair sought confirmation from the member of the CUSC Code Admin team as to their timelines now that their Panel have agreed to progress CMP 334. GN, noted that the CUSC requires a 3 week workgroup nomination period which has been opened and closes 5pm on 24 February 2020. It was therefore suggested that any official cross-code Working Group with CMP would likely fall in the week commencing 02 March 2020.
- 5.2 The Chair noted that the current DCUSA Work Plan, has a further meeting planned for the week commencing 17 February 2020, and the next one after that is pencilled in for the week commencing 02 March 2020, which aligns to the expected first meeting date
- 5.3 The Chair explained that the respective Code Admin teams have had an initial discussion as to how best facilitate a cross-code work group, but which is yet to be fully agreed. It was noted that each code administrator would be required to attend to take their own notes for their respective codes but there hasn’t been a decision on whether one should provide the Chair for a complete cross-code group, or whether a back-to-back meeting arrangement could be used, where members would sit in on both meetings.

6. Review and Discussion around Potential Solutions

- 6.1 The Chair noted that a number of emails and documents had been issued by members of the Working Group prior to the meeting, which sought to provide background in the following areas:
- The ‘Baseline solution’ (as set out in the joint DNO-NGESO ‘detailed plan’);
 - Considerations for how to define a ‘site’ using existing examples from industry codes or legislation; and
 - Whether the National Terms of Connection provide a platform on which to base the definition of a ‘site’.

- 6.2 With respect to the first two bullet points above, the Secretariat took an action to ensure that all the relevant documents and or emails reviewed and discussed during the meeting are collated into a single document for ease of reference. Please note that this collated document can be found as Attachment 1 to these minutes.

Definition of 'Final Demand'

- 6.3 It was generally agreed that the definition of 'Final Demand' is to align to that which was specified in the TCR Decision, being "electricity which is consumed other than for the purposes of generation or export onto the electricity network".
- 6.4 The Proposer noted that the baseline solution proposes that all metered import data shall be considered Final Demand unless the customer can demonstrate that they should not be considered Final Demand which is in line with the solution developed under DCP341 *'Removal of residual charging for storage facilities in the CDCM'* and DCP 342 *'Removal of residual charging for storage facilities in the EDCM'*. This means that only imports measured by MPANs which are eligible to not have the residual element of their charges apply, shall not be considered not to be Final Demand. Therefore, standalone generators, including eligible storage facilities (as per DCP 341/342), would be exempt from residual charges; noting that there would be no requirement on the generator to hold a generation licence in order to benefit from such an exemption.
- 6.5 With respect to the definition of 'Final Demand' and paragraph 3.57 (1)¹ of the TCR Decision and the subsequent applicability of a residual fixed charge, it was noted that some members of the Working Group had derived a different interpretation. Specifically regarding the reference to a "proportionate approach" in the third sentence, it was suggested that this could mean that a suitable process for identifying Final Demand must take into account the proportion of non-Final Demand electricity consumed at the site, and that the 'proportion' calculated is directly used to determine a level of 'discount' applied; thus, does total demand at the site less non-Final Demand (electricity consumed for the purpose of generation or export onto the network) equal Final Demand (which pays the residual fixed charge)
- 6.6 One Working Group member considered an example scenario where, in the context of a 'site' that has consumption of 10,000kWh/annum, of which 1,000kWh is for the purpose of generation (or export onto the network) and so deemed to not be Final Demand. Thus the question is whether, (i) does 'proportionate' Final Demand take account (net) of non-Final Demand electricity consumed at the site, measured or estimated (both being a forecast for charging purposes), or (ii) is the relative demand used as a basis to determine whether a residual fixed charge should be applied at all.
- 6.7 It was noted that depending on the answer the site may be 'banded' based on the 9,000kWh or 10,000kWh (or associated Final Demand agreed capacity), therefore may receive a lower charge.

¹ "Final demand: This must be defined as electricity which is consumed other than for the purposes of generation or export onto the electricity network. Generation only and storage only sites will therefore be exempt from residual charges. An appropriate process must be established to assess and identify or, where a practical and proportionate approach cannot be identified, to robustly estimate final demand for the purposes of residual charging."

- 6.8 Given the differing interpretations, the Working Group agreed that it would be beneficial to seek guidance from Ofgem as to what the intended meaning of ‘practical and proportionate’ was in relation to Final Demand and the subsequent applicability of a residual fixed charge. LW and GG agreed to take an action to draft a suitable question and then seek feedback from Ofgem on this matter.

ACTION 01/01: LW and GG to draft a suitable question and then seek feedback from Ofgem on the differing interpretations as to what the intended meaning of ‘practical and proportionate’ was in relation to Final Demand and the subsequent applicability of a residual fixed charge.

- 6.9 One Working Group member questioned how the definition of ‘Final Demand’ would apply in respect of the construction and/or de-commissioning of a power station, with their view being that it should fall within the scope of ‘for the purposes of generation’. Other members, disagreed with this view, suggesting that construction of a power station (for however many years that is) should be treated as final demand until the power station is operational as a generator. It was noted that this scenario may require Ofgem guidance, however the group agreed to give this further consideration, specifically, whether timescale limitations could be introduced as mechanism to deal with such scenarios.

Definition of ‘Site’

- 6.10 It was noted that detailed plan sets out a ‘baseline solution’ (section 4.4), which proposes that each Meter Point Administration Number (MPAN) shall be considered a ‘Single Site’ except where a DNO knows that the MPAN is an additional MPAN (for example an off-peak supply). The Proposer noted that DNOs already ensure a ‘site’ is not charged multiple fixed/capacity charges, where a ‘lead’ MPAN is identified and which is charged the sum of consumption/capacity across all Metering Systems but a single fixed charge is levied and that customers will need to demonstrate that all Metering Systems are part of a Single Site.
- 6.11 In order to properly define a single ‘site’, the Working Group group wished to understand how each DNO implements the current arrangements where a location has multiple MPANs associated with it but should be charged only a single fixed charge. It was noted that the DNO Working Group members on the call, could not provide an exact answer to this question but were happy to seek out the answers internally and report back to the Working Group
- 6.12 For context, the Secretariat highlighted that paragraph 137 of Schedule 16 states *“Generally the p/MPAN/day charge relates to one MPAN. However, where a site is a group of MPANs as identified in the connection agreement, billing systems should be able to group the MPANs where appropriate for charging purposes.”*
- 6.13 Secretariat highlighted that further context can be found in Note 7 under Tables 4 and 5 of paragraph 141 of Schedule 16: *“Note 7: Fixed charges are generally levied on a pence per MPAN basis. However, there are some instances in the half-hourly market where more than one MPAN exists on a customer’s connection and only one fixed charge is appropriate. Where a group of MPANs is classed as a site as identified in the connection agreement, billing systems should be able to group the MPANs, where appropriate, for charging purposes.”*
- 6.14 Further to this the Working Group agreed that it would be beneficial to understand the order of magnitude to which such a process is applicable, and therefore, questioned whether the DNO Working Group members could also report back on the number of instances of such locations, separately identifying those charged under the CDCM and those charged under the EDCM.

- 6.15 Finally, the Working Group discussed the potential implications of tying a definition of a single site by reference to a connection agreement, noting that such an arrangement may lead to end users undertaking some form of commercial assessment as to whether there would be a benefit in seeking to split a site where the current set up of the site would mean the entire site would fall within the definition of 'Final Demand'. It was noted that this could be the case where an existing 'site' has generation co-located with final demand, then it is plausible that an end user with such an arrangement may seek to change the connection such that it would be two connections (and separate connection agreements), one final demand to which residual charges would apply and one generation, which would be exempt from residual charges. It was noted that the costs may not stack up in favour of undertaking such a split, given there would be costs attached to obtaining the requisite metering as well as modifying the current connection agreement, as compared to the benefits of off-setting their forward-looking element of charges by utilising on-site generation.
- 6.16 The Working Group agreed that it would be beneficial to understand whether the DNOs have seen instances where an entity has requested and/or actually modified their connection agreement either by seeking to split or amalgamate a specific location in order to amend the way in which their charges are calculated. Further to this, and if such instances are known, the Working Group would also be interested in the number of occurrences split out between those charged under the CDCM and those charged under the EDCM.
- 6.17 The Secretariat took an action to draft up a series of questions and issue this as a request to the DNO Working Group members, who agreed to make the necessary enquiries within their respective businesses.

ACTION 01/02: ElectraLink to draft up a series of questions based on the discussions during the meeting (captured in paragraphs 6.10 to 6.15 of the minutes) and issue this as a request to the DNO Working Group members.

ACTION 01/03: DNO Working Group members to make the necessary enquiries within their respective businesses in order to respond to the set of questions issued to them by ElectraLink.

- 6.18 The majority of the remaining discussed centred around two key concepts, how to define a 'site' in the context of real world examples and how to ensure that the definition of 'site' for the purposes of residual charges is, as far as is possible, not vague or open to interpretation such that it could be open to gaming or misuse.
- 6.19 Members discussed various points of view with respect to whether residual charges should be applicable or not to all manner of arrangements that exist now or are likely to exist in the future. Some of the arrangements discussed included the following:
- Customer with final demand and some microgeneration (PV)
 - Customer with final demand and V2G EV
 - Customer with final demand and diesel generator for back-up or triad avoidance
 - Customer with final demand and battery storage – residual charges
 - Any form of generation with minimal demand required for activities that are directly related to (or ancillary to) such generation (e.g. CCTV, telemetry, rest room, site lighting, etc.)

- Any form of generation, which is co-located with battery storage with minimal demand required for activities that are directly related to (or ancillary to) such generation (e.g. CCTV, telemetry, rest room, site lighting, etc.)

6.20 It was agreed by the Working Group that they would give consideration as to whether there is a need to add limitations, caveats or examples alongside the definition itself so as to aid in the interpretation of the defined term.

ACTION 01/04: Working Group members to give consideration as to whether there is a need to add limitations, caveats or examples alongside the definition of a 'site' itself so as to aid in the interpretation of the defined term.

7. Work Plan

7.1 Following the earlier discussion on the proposed way forward for the development of the cross-code Working Group, the Chair sought to confirm dates on which the group should meet, noting that the second meeting would still be focussed on DCP 359 whilst the CMP working group nomination period remains open. The Working Group discussed their availabilities and agreed to hold the next meeting on Thursday, 20 February 2019 between 10am and 3pm.

Further Considerations

- 7.1 The Working Group agreed that the Interdependencies between DCPs 358, 359 and 360 should be included within the consultation document(s) and resultant Change Reports.
- 7.2 The Secretariat took an action to provide a first draft of the consultation document and updated Work Plan.

ACTION 01/05: ElectraLink to provide a first draft of the consultation document and updated Work Plan.

8. Items for the Next Meetings

8.1 At the next meetings of the various Working Groups, there will be a need to further define the proposed solutions based on the outcomes of the actions from this meeting and review any draft legal text and/or consultation documents.

9. Any Other Business

9.1 There were no further items of AOB, and the Chair closed the meeting.

Appendix 1 - New and Open Actions

Ref.	Action	Owner	Update
01/01	LW and GG to draft a suitable question and then seek feedback from Ofgem on the differing interpretations as to what the intended meaning of 'practical and proportionate' was in relation to Final Demand and the subsequent applicability of a residual fixed charge.	Lee Wells & Garth Graham	
01/02	ElectraLink to draft up a series of questions based on the discussions during the meeting (captured in paragraphs 6.10 to 6.15 of the minutes) and issue this as a request to the DNO Working Group members.	ElectraLink	
01/03	DNO Working Group members to make the necessary enquiries within their respective businesses in order to respond to the set of questions issued to them by ElectraLink.	DNO Working Group members	
01/04	Working Group members to give consideration as to whether there is a need to add limitations, caveats or examples alongside the definition of a 'site' itself so as to aid in the interpretation of the defined term.	Working Group	
01/05	ElectraLink to provide a first draft of the consultation document and updated Work Plan.	ElectraLink	