DCP 361 Working Group Meetings 08&09

22 and 23 June 2020 at 10:00am
Teleconference

Attendee	Company
Working Group Members	
Alessandra De Zottis [ADZ]	Sembcorp
Chris Barker [CB]	ENWL
Chris Ong [CO]	UK Power Networks
Claire Campbell [CC]	Scottish Power Energy Networks
Dave Wornell [DW]	WPD
David Fewings [DF]	Inenco
George Moran [GM]	British Gas
Josephine Lord [JL]	Cornwall Insight
Julia Haughey [JH]	EDF Energy
Kara Burke [KB]	Northern Powergrid
Karl Maryon [KM]	Haven Power
Kayt Button [KB]	Ofgem
Kyran Hanks [KH	Waters Wye Associates
Mark Jones [MJ]	SSE Business Energy
Pamela Howe [PH]	Northern Powergrid
Paul farmer [PF]	Shell Energy
Thomas Cadge [TCa]	BUUK
Tony Collings [TCo]	Ecotricity
Apologies	
Alessandra De Zottis (2nd Meeting Only)	Sembcorp
Dave Wornell (2nd Meeting Only)	WPD
George Moran (2nd Meeting Only)	British Gas
Helen Inwood	npower
Tom Chevalier	Power Data Associates
Code Administrator	

John Lawton [JT] (Chair)	ElectraLink
Dylan Townsend [DT] (Technical Secretary)	ElectraLink
Hollie Nicholls [HN] (Administration Support)	ElectraLink
Observers	
Elliot Firth [EF]	ElectraLink
Natasha Voysey [NV]	ElectraLink

1. Administration

1.1 The Chair welcomed the members to the meeting.

1.2 The Working Group agreed to be bound by the Competition Law Guidance for the duration of the meeting.

2. Purpose of the Meeting

2.1 The Chair set out that the purpose of the meetings was to review the DCP 361 consultation responses, legal text, and draft Change Report.

3. Review of DCP 361 Consultation Responses

3.1 The Chair walked through the DCP 361 Consultation Responses document. It was noted that there were 17 respondents to the consultation ranging from DNOs, IDNOs, Suppliers and Consultancy businesses.

Question One

3.2 Sixteen of the seventeen respondents understood with the intent of the change, with the remaining respondent not stating that they didn't understand but that they disagreed with the TCR Decision in general and that the implementation date should be deferred twelve months to align with the Access and Forward-Looking Charging SCR.

Question Two

3.3 Again, sixteen of the seventeen respondents were supportive of the principles of the change. The one that didn't, reiterated that the implementation date should be deferred to align with the Access SCR.

3.4 There were also a concern over significant costs to consumer in Northern Scotland and London, however, the Working Group noted that the residual pot is just being re-allocated but the same amount will be recovered, therefore, any change to the allocation of network costs to users is aligned with the solution to address the issues identified in the SCR.

Question Three

3.5 The Working Group noted that all seventeen respondents to the consultation were comfortable with the Working Group's proposed approach to combine the residual fixed charge with the existing fixed charge.

3.6 The Working Group also noted that the residual element will be evident within the CDCM model, but not for the EDCM model because the EDCMs are site specific and are not published. The Working Group concluded that for EHV Connectees, the amount of residual charge applicable to their site can be identified but it would be up to the DNOs to make such information available. Therefore, it was

agreed that a recommendation will be included within the Change Report that the DNOs utilise the LC14 statement to include charging bands and level of charge for each band such that EHV Connectees can determine which charge would be applicable to them, given they should have an understanding of their agreed capacity.

Question Four

3.7 The Working Group noted that fifteen out of seventeen respondents agreed with the Working Group's approach of allocating costs to the existing tariff structure before revenue matching and then applying the relevant charging bands at the revenue matching step to create the all-the-way tariffs.

3.8 The two remaining respondents indicated tat they had either no comment or did not provide a view.

3.9 The Working Group agreed to maintain their original approach.

Question Five

3.10 The Working Group noted that fifteen of the seventeen respondents to the consultation were comfortable with the Working Group's proposed approach to the combining of bands when a minimum number of Final Demand Sites would be in a particular band.

3.11 One of the other respondents did not provide a response to the question and a final response did not agree with the Working Group's response.

3.12 The respondent who did not support the approach, suggested that EHV Connectees could remain in a band by themselves as merging into a band above may increase costs for that Connectee. However, the Working Group representative for this response noted that their stance had changed due to the level of charge for each band being published. It was also suggested that EHV Connectees could move down a band rather than up a band, with the rationale being that the merging to a band above might result in increased costs for that Connectee, however, the Working Group agreed that whilst that Connectee may see a decrease if merged with a lower band, it may result in an increase in the level of charge for Connectees in the lower band, if there were only a limited number in that band in the first instance.

3.13 There was also a concern raised related to whether the uncoupling of merged bandings (where a new site connects within a charging year), as well as the reverse situation where a site disconnects, had been properly considered by the Working Group and if it was expected to form part of the annual charge/tariff setting process, which will potentially result in the movement (or unpicking) of merged bands at that point in time.

Question Six

3.14 The Working Group noted that the majority of respondents to the consultation agreed with the Working Group's proposal of setting the minimum number of Final Demand Sites that would be allowable within a particular band to two, i.e. if less than this then the band would be merged.

3.15 The Working Group agreed to maintain the specific minimum number of Final Demand Sites within a charging band that would otherwise require the combining of bands process to applied at no less than two indicatively set out in the consultation. This was due to it being the favoured number among respondents to the consultation but also because it is consistent with the approach used in the original impact assessment, published alongside the TCR Decision on 21 November 2019, calculated a residual fixed charge per charging band, and where the minimum number of Final Demand Sites in a given charging band was two.

3.16 The Working Group believed that this, together with the broad range of MIC/annual consumption within a given charging band, as presented in the Ofgem impact assessment, means that two Final Demand Sites represents a sufficient minimum threshold in any charging band to protect identification of those sites.

Question Seven

3.17 The Working Group noted that all seventeen respondents were comfortable with the Working Group's interpretation of the way in which the allocation of the residual revenue to charging bands is applied; being that residual revenue is allocated proportional to sites which are classed as Final Demand Sites (plus unmetered supplies) only, and under the same charging methodology and based on the consumption in each band relative to the total consumption for all Final Demand Sites (plus unmetered supplies) under the same charging methodology and not the consumption from all sites connected to any given voltage level.

Question Eight

3.18 The Working Group noted that ten respondents to the consultation had a preference for the approach set out under Option 2 and seven had a preference for the approach set out under Option 1.

3.19 The Working Group agreed to process with Option 2, noting that the arguments made on both sides were valid and therefore, it was purely a matter of choice and as there was a small majority of respondents who favoured Option 2, the Working Group will abide by the majority.

Question Nine

3.20 The Working Group noted that sixteen respondents agreed with the Working Group's proposed solution. The one that did not, stated that the implementation date should be deferred twelve months to align with the Access and Forward-Looking Charges SCR. Due to the definition of "residual charge" being under review in that SCR.

Question Ten

3.21 The Working Group noted that fifteen of the seventeen respondents to the consultation did not have any comments on the proposed legal text. The other two respondents did provide comments and the following areas were identified:

- Further consideration needed to be given to the proposed change to paragraph 26.11 of Schedule 17 and 18 as the respondent was of the view that maintaining the 50% scaling down of the 20% share of residual revenue that is applied as a fixed adder should be amended such that the now 100% share of residual revenue that is applied as a fixed adder should be scaled down by 50%.
- Paragraph 92 of Schedule 16 references paragraph 2.4 of the new schedule – however this paragraph references paragraph 1.5 of that schedule, which also applies to Designated EHV Properties. It was believed that paragraph 92 of Schedule 16 would benefit from clarity that this is not the case, rather than by inference that Schedule 16 does not apply to Designated EHV properties.
- Paragraph 92C of Schedule 16 should be consistent with paragraph 92 of the same schedule and where reference to proportioning the residual relative to the net consumption for all Final Demand Sites, it should also reference "including the consumption of any Related MPANs where applicable".

3.22 The Working Group discussed all of these items and agreed to only move forward with the suggestion to add words "including the consumption of any Related MPANs where applicable" after the use of Final Demand Sites in paragraph 92C to align with paragraph 92.

3.23 In regard to the first point above, the Working Group stated that the modification to this text have been made in such a way as to have a cost neutral impact to IDNOs as was specified within the TCR decision document.

3.24 In regard to the second point above, the Working Group thought that the existing text should be sufficient. The Working Group member that provided the consultation response agreed that they were comfortable that paragraph 1A covers their point sufficiently.

Question Eleven

3.25 The Working Group noted that all respondents who provided a response to this questions agreed that DCUSA Charging Objectives would be better facilitated by the implementation of this change with thirteen of the respondents believing that DCUSA Charging Objectives 1 and 2 would be better facilitated.

3.26 The Working Group unanimously agree that DCUSA Charging Objectives 1 and 2 would be better facilitated by the implementation of the DCP 361 solution.

Question Twelve

3.27 The Working Group noted that twelve of the seventeen respondents were not aware of any wider industry developments that should be considered by the Working Group. The other five respondents suggested that the Access and Forward-Looking Charging SCR, the use of COVID-19 demand data and the other TCR changes needed to be considered by the Working Group.

3.28 The Working Group stated that they will pick up the points raised due to either or both COVID-19 and/or the Access and Forward-Looking Charging SCR in their comments regarding the implementation date.

3.29 With respect to the comment related to the entire package of TCR DCUSA Change Proposals needing to be considered together, the Working Group agreed to continue to highlight this point within their Change Report.

Question Thirteen

3.30 The Working noted that eleven of the seventeen respondents agreed with the implementation date for DCP 361 being 01 April 2022, subject to Authority approval of DCP 358. 359 and 360.

3.31 Respondent who did not support this implementation date cited a number of reasons, including the need to delay until 2023 due to the issued faced by industry with respect to the ongoing COVID-19 pandemic; to align with the expected implementation date of the Access and Forward-Looking Charging SCR; as well as to allow enough time for Suppliers to properly factor in the updated charges to their contract with consumers.

3.32 The Working Group stated that they had sympathy with the point raised, but believe that it is ultimately with Ofgem to decide whether there should be a delay to the implementation of this and the other CPs raised to implement the TCR Decision due to either or both COVID-19 and/or the Access and Forward-Looking Charging SCR.

3.33 However, given the others areas also raised, the Working Group agreed to include such areas raised by respondents within the Change Report as a general point for consideration by the Authority to ensure awareness of the many ongoing and interacting workstreams/SCRs such as the Switching Programme/Access and Forward-Looking Charges/Retail Energy Code Consolidation/Market-Wide Half-Hourly Settlements.

4. Review of the DCP 361 Legal Text

4.1 The Chair walked the Working Group through the legal text and the Working Group noted that the only amendment being made would be the one discussed in paragraph 3.22 above. The legal text will be sent to the DCUSA Legal Advisors for review.

ACTION 0809/01: The Secretariat to update the legal text and send to the DCUSA Legal Advisors for review

5. Review of the DCP 361 Draft Change Report

5.1 The Chair walked the Working Group through the draft Change Report, and it was noted that further amendments needed to be made following review of the consultation responses and the minor legal

text change that had been made. The Secretariat agreed to update the Change Report for final sign off at the next Working Group meeting.

ACTION 0809/02: The Secretariat to update the Change Report to reflect the discussions held.

6. Work Plan

6.1 The Working Group reviewed the DCP 361 Work Plan and agreed the following next steps for the CP. An updated version of the work plan can be found as Attachment 1.

- The Secretariat to update the legal text to include the suggestion provided by the consultation respondents.
- The Secretariat to send the legal text to the DCUSA Legal Advisors for review.
- The Secretariat to update the Change Report and circulate to Working Group members on 30 June 2020.
- A further Working Group meeting to be held on Thursday 02 July 2020 to review any comments received from the DCUSA Legal Advisors and to finalise the Change Report.
- The Change Report to be issued to the DCUSA Panel on Wednesday 08 July 2020.

7. Any Other Business

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

8. Date of Next Meeting – Thursday 02 July 2020

8.1 The Working Group agreed that the next meeting should be scheduled for Thursday 02 July 2020 and will be held via teleconference.

9. Attachments

- Attachment 1 – Updated DCP 361 Work Plan

New and Open Actions

Ref.	Action	Owner	Update
0809/01	The Secretariat to update the draft legal text and issue to the DCUSA Legal Advisors for review	ElectraLink	
0809/02	The Secretariat to update the draft Change Report to reflect the discussions held.	ElectraLink	

Closed Actions

Ref.	Action	Owner	Update
05/01	The Secretariat to update the DCUSA Housekeeping Log to include the amendments discussed (paragraphs 20.2 and 26.3 of Schedule 17)	ElectraLink	Action Completed
05/02	The Secretariat to include the missing step after paragraph 1.8 in both Schedule 17 and Schedule18 to the DCUSA Panel Housekeeping Log.	ElectraLink	Action Completed
06/01	The Secretariat to update the consultation document to reflect the discussions held.	ElectraLink	Action Completed
06/02	JH to produce the EDCM impact assessment table (including the percentage swing) and comparison for the LPN area for Option 2, for inclusion within the consultation document.	Julia Haughey	Action Completed
06/03	The Secretariat to obtain clarification from the DCUSA Modelling Providers to rectify the errors found within the modelling documentation.	ElectraLink	Action Completed