

## Distribution Charging Methodologies Development Group (DCMDG) - Meeting 31

02 September 2020 at 10:00  
Teleconference via Microsoft Teams

Attendees	Company
Andrew Neves [AN]	Engage Consulting Ltd
Chris Barker [CB]	ENWL
Chris Ong [CO]	UKPN
Claire Campbell [CC]	SPEN
Dave Wornell [DW]	WPD
David Fewings [DF]	Inenco
Donald Preston [DP]	SSE Networks
George Moran [GM]	British Gas
Grant Elder [GE]	SSE Energy Supply Ltd
Julia Haughey [JH]	EDF Energy
Karl Maryon [KM]	Haven Power Ltd
Kyran Hanks [KH]	Waters Wye Associates
Lee Wells [LW]	NPg
Mark James [MJ]	UK Power Networks
Robert Davies [RD]	E.ON

Tom Faulkner [TF]	Cornwall Insight Ltd
Tony Collings [TC]	Ecotricity
Vicki Holland [VH]	St Clements Services Ltd
<b>Apologies</b>	
Kayt Button [KB]	Ofgem
Rustam Majainah [RM]	SSE-OVO
<b>Secretariat</b>	
Angelo Fitzhenry [AF] (Chair)	ElectraLink
Elliot Firth [EF] (Technical Secretariat)	ElectraLink

## 1. Administration

- 1.1 The Chair welcomed the DCMDG attendees to the meeting. There were apologies received from Kayt Button and Rustam Majainah.
- 1.2 The Group reviewed the DCUSA “Competition Law Guidance” and agreed to be bound by this for the duration of the meeting.
- 1.3 Attendees reviewed the draft minutes from the last meeting, held on 06 August 2020 and agreed that they were an accurate representation of the discussions held. A version of these minutes can be found in the post-meeting paper pack.
- 1.4 Attendees reviewed the Actions Log and an updated version can be found as Attachment 1.
- 1.5 Members discussed Action 019/01, it was noted that this was currently not considered a priority at NPg due to resource constraints and NPg would be looking to focus resource onto the private networks and supply changes (DCP 328) as their next priority. It was also noted whilst some work has commenced on drafting the Change Proposal it would be preferable if another DNO could pick this up. Members discussed the possibility of referring this issue to the DCUSA Standing Issues Group (SIG), which would make this issue more visible to DCUSA Contract Managers. Another member noted that it may be best to park this action for the foreseeable future, as any work on the Change Proposal may be wasted effort once the Access SCR Changes are implemented. The Chair commented that if there is a counterview that this is considered important enough not to be delayed it may also be an option to raise the matter with the Energy Networks Association.

**Action 031/01: LW agreed to raise this as a formal issue to the SIG. The Chair agreed to assist with the drafting of this issue.**

**Post Meeting Note:** Following the meeting the Chair, in discussion with JH (as Chair of the DCUSA Panel) and LW as the action owner, agreed that this would not be appropriate business for SIG and that a preferred option would be to formally request the feasibility of another DNO picking up this action by writing to all DCUSA DNO Contract Managers. The communication was issued on 3<sup>rd</sup> September.

## 2. Introduction

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- 2.1 The Chair set out the main topics for discussion during the meeting and the associated agenda items for each.

## 3. DCMDG Forward Work Plan and Issues Log

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- 3.1 The group reviewed the DCMDG Forward Work Plan and Issues Log and an updated version can be found as Attachment 2.
- 3.2 There were no new issues raised and it was noted that the document was up to date.

## 4. Ofgem Update

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- 4.1 The Ofgem representative was unable to attend the meeting, however Ofgem did provide an update via email to the Chair in advance of the meeting, which was shared with the Group as follows:

### Change Proposals

- 4.2 DCPs 358 'Ofgem Targeted Charging Review Implementation: Determination of Banding Boundaries'<sup>1</sup>, 359 'Ofgem Targeted Charging Review Implementation: Customers – who should pay?'<sup>2</sup>, 360 'Ofgem Targeted Charging Review Implementation: Allocation to Bands and Interventions'<sup>3</sup>, and 361 'Ofgem Targeted Charging Review Implementation: Calculation of Charges'<sup>4</sup>, are now with Ofgem, and Ofgem are currently working to publish a decision by the end of September, with the understanding that they will still require their own legal team to confirm the decisions, as they would need confidence that such decisions would be consistent with the related CUSC Modifications that are running about 4 weeks behind that of the DCUSA decisions. Ofgem have explained the timings of the decisions to the August DCUSA Panel and will let them know if anything changes. Ofgem understand the importance of publishing a

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<sup>1</sup> <https://www.dcusa.co.uk/change/ofgem-targeted-charging-review-implementation-determination-of-banding-boundaries/>

<sup>2</sup> <https://www.dcusa.co.uk/change/ofgem-targeted-charging-review-implementation-customers-who-should-pay/>

<sup>3</sup> <https://www.dcusa.co.uk/change/ofgem-targeted-charging-review-implementation-allocation-to-bands-and-interventions/>

<sup>4</sup> <https://www.dcusa.co.uk/change/ofgem-targeted-charging-review-implementation-calculation-of-charges/>

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decision by the end of September to be in line with the DCUSA process (15- and 18-month notice periods, for setting charges applicable from April 2022.

- 4.3 Ofgem is aiming to publish decisions on DCP 266 'The calculation and application of IDNO discounts'<sup>5</sup> and DCP 313 'Eligibility Criteria for EDCM Generation Credits'<sup>6</sup> by the end of September.
- 4.4 There is some work being undertaken on DCP 343 'Use of a nominated calculation agent for the calculation of the LV mains split'<sup>7</sup>, however this is currently de-prioritised.
- 4.5 No further update was available on DCP 314 'Appropriate treatment of Bad Debt following appointment of Supplier Last Resort'.<sup>8</sup>
- 4.6 The Chair advised the group that at the October meeting there would be an update from Ofgem on the Market-Wide Half Hourly Settlements process. Materials will be circulated prior to the next meeting for members to review and prepare for the discussion.

## 5. BSUoS Task Force Update

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- 5.1 The BSUoS Task Force representative highlighted that the BSUoS interim report was recently out for consultation and was closed the week prior to this meeting. It was noted that the Task Force had received 35 responses from industry and that work is now being undertaken to process these responses before submitting the final report to Ofgem.
- 5.2 The BSUoS Task Force representative indicated some of the findings gathered from the initial responses:
  - There was industry agreement that BSUoS should become a final demand charge.
  - A clear majority agreed on a requirement for two-years' notice period before a change is implemented.
  - The charge should be fixed based on forecasts rather than actual results, although the amount of notice required, and the length of the fix is still being discussed.
  - A majority of respondents favoured a £ per MWh approach over the existing approach which utilises the bandings from TCR, although it was noted that this is not the Task Force view, meaning that this matter is due to be discussed further
- 5.3 The Task Force representative commented that it is now a case of processing this information and finalising recommendations to send to Ofgem. The Task Force is not planning to hold any further webinars or industry engagement before this submission unless there is a significant change in the meantime.

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<sup>5</sup> <https://www.dcusa.co.uk/change/the-calculation-and-application-of-idno-discounts/>

<sup>6</sup> <https://www.dcusa.co.uk/change/eligibility-criteria-for-edcm-generation-credits/>

<sup>7</sup> <https://www.dcusa.co.uk/change/use-of-a-nominated-calculation-agent-for-the-calculation-of-the-lv-mains-split/>

<sup>8</sup> <https://www.dcusa.co.uk/change/appropriate-treatment-of-bad-debt-following-appointment-of-supplier-of-last-resort/>

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## 6. Targeted Charging Review Change Proposals Update

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- 6.1 A member asked for confirmation from the DNOs of when they are expecting to publish customer banding information. It was noted that this is still being discussed with a process being established to provide this information to Suppliers. This work is currently underway, but it is not unanimous amongst the DNOs how and when exactly this will be achieved. It is the expectation that the information will all be provided by the end of November, although there is no set date. The legal text within the TCR mods states that the banding agent has until the end of October to allocate customers to the respective charging bands, but it is not expected that it will take the agent a whole month. There is also no expected delay in getting data back from ESO by end of November at latest.
- 6.2 Another member queried the publishing rates for December, and whether all the LLFCs will be provided so that they can be mapped appropriately. Elexon has suggested that there will be large MDD updates coming soon and that the intention is to share both the customer list is shared in November and how this is to be mapped to the LLFCs.

## 7. Ofgem's COVID-19 Open Letter Update

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- 7.1 The Ofgem representative was not in attendance, and the Chair noted that there was no update on this item.

## 8. Agenda Items for the next meeting

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- 8.1 Ofgem would like to present a review on the Market-Wide Half Hourly Settlement processes. As part of the SCR, all MPANs would be settled on a half-hourly basis, and Ofgem's minded-to position is for settlement systems to have access to individual MPAN level data. Ofgem is now in a phase of the detailed target operating model design work, which includes looking at what data needs to be exchange between parties as part of the settlement process. Industry members have mentioned that it would be useful to make DCMDG aware of the proposed MHHS changes. Ofgem would like to use this item to seek DCMDG member views on what should be considered to future-proof the design, in terms of the data requirements for network charging. Ofgem would like members to consider this whilst thinking beyond simply what is required for the TCR and Access & Forward-Looking Charges SCRs.

## 9. Any Other Business

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- 9.1 The BSUoS Task Force representative asked for DNO views on the fixed-charge approach, in line with TCR residual approach, which should ensure better revenue recovery due to better forecasting capability. It was questioned whether the DNOs believed that this would make forecasting easier or more difficult.
- 9.2 One member noted that it should be easier, because an LV site-specific customer is just that, despite the TCR bands. As such, it will be much easier to forecast where the DNO needs to account only for units. It was also noted that because there is quite a steady increase in customer numbers, it is much easier to forecast units over time. The member commented that

there will be a need to forecast which band customers are in but that they are expecting to cover this across all bands.

- 9.3 Another member noted that for non-half-hourly customers, there is only a very limited breakdown of the data available. Therefore, it will initially be quite difficult, alongside the data transfer to BSUOS systems which will be difficult as well. The member commented that it is not necessarily the number of sites that is the issue, but rather how customers will be allocated to different segments.

## 10. Date of Next Meeting

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- 10.1 The next DCMDG meeting will be held on 01 October 2020 via Microsoft Teams/Teleconference at 10am.

## 11. DNO Operational Matters

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- 11.1 There were no DNO Operational Matters raised at this meeting.

## 12. Attachments

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- Attachment 1 – Updated DCMDG Actions Log
- Attachment 2 – Updated DCMDG Forward Work Plan