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| Meeting Session | Panel Open Session |
| Paper Reference | DCUSA_2020_1021-xx_DCMDG Headline Report 32 |
| Action | For Information |

Distribution Charging Methodologies Development Group (DCMDG) Headline Report 32

1. Synopsis

- 1.1 This report sets out the headlines from the 32nd DCMDG held on 01 October 2020 via teleconference. The full minutes and associated papers are available on the DCUSA website.

2. Attendance

- 2.1 This meeting was chaired by Angelo Fitzhenry and technical secretariat support was provided by Elliot Firth.
- 2.2 A total of 29 industry participants dialled into the meeting.

3. Forward Work Plan

- 3.1 There were no new issues raised and the Change Proposals (CPs) tab was up to date.

4. Ofgem Update

Change Proposals

- 4.1 Ofgem is aiming to publish their decision on DCP 266 'The calculation and application of IDNO discounts' in October.
- 4.2 DCP 314 'Appropriate treatment of Bad Debt following appointment of Supplier Last Resort' has been sent back to the DCUSA Panel from Ofgem, with ESP as the proposer being asked how they want to progress, and that a response from ESP has been requested prior to the DCUSA Panel meeting in October.

- 4.3 Work is underway on DCP 313 'Eligibility Criteria for EDCM Generation Credits' and DCP 343 'Use of a nominated calculation agent for the calculation of the LV mains split', with Ofgem aiming to publish their decisions in November. Work had been deprioritised due to the TCR modifications, but now that those have been approved, DCPs 313 and 343 can be finalised.
- 4.4 The Ofgem representative provided an update on a number of Change Proposals. It was noted that DCP 358 'Ofgem Targeted Charging Review Implementation: Determination of Banding Boundaries', DCP 359 'Ofgem Targeted Charging Review Implementation: Customers – who should pay?', and DCP 360 'Ofgem Targeted Charging Review Implementation: Allocation to Bands and Interventions', have now been approved and are awaiting implementation. The Ofgem representative noted that the migration of LLFCs will need to be progressed in order for this to work by end of 2022. Ofgem would circulate a list of relevant publications, with a link to Elexon's website to draw attention to developments in the testing and migration of LLFCs in these systems. With potential changes downstream, this will need to be in place for successful implementation in 2022.
- 4.5 In response to a request from attendees, the Ofgem representative provided a high-level summary of the LLF process. It was noted that the LLF migration work was taken to the SGB Panel for discussion. The Panel did not wish to put this through as not enough testing had taken place, and it was felt that there be negative implications for main settlement process. The SGB Panel deferred to the BSC panel which approved two of the four possible changes. The Panel approved the MDD changes on LLFCs on business as usual and TCR activities for BUUK and ENW. The other requests were not approved as they related only to TCR MDD. The Ofgem representative highlighted that the BSC is trying to develop a plan to put these through, which is producing a knock-on effect for DNOs attempting to implement the changes in their systems.
- 4.6 A member commented that implementation by April is highly unlikely as the process requires a huge migration of LLFs, and the subsequent impact will be large. Another member noted that if Suppliers are not able to know the LLFCs, there will be a significant issue in determining pricing for their quotations.
- 4.7 One member suggested that Suppliers may need to manipulate systems manually in order to track the change in charges for MPANs from old to new LLFs. It was also noted that there would be a need to speak with Elexon directly to achieve a more complete view. ENW is planning to release a list of MPANs with the respective LLFCs which they will be submitted to, although it was also commented that this will be a big task and may not include the MDD. Moreover, if quoted with thousands of sites, it is no longer a practical option to do so manage the migration manually, and a method of building this into the systems would need to be explored.
- 4.8 Members also discussed the need for legal advice on providing data from customers MPANs when migrating between LLFCs. There is currently a difference of opinion between the DNOs on this matter.

5. BSUoS Task Force Update

- 5.1 The BSUoS Task Force representative provided a summary of the recommendations of the BSUoS interim report published on 30 September 2020. The final recommendations were as follows:
- The first deliverable was to explore who should be liable for BSUoS charges. The findings of the report concluded that a final demand would only be made subject to sufficient notice to industry. Sufficient notice would be a recommended two-years notice after Ofgem's response.
 - The second deliverable looked to identify how the charges should be structured, and the report concluded that a £/MWh charge would be maintained and fixed. This fixed charge would be set in advance, with a combined length of around 14 to 15 months.
 - It is expected that Ofgem will reply in November in an unofficial manner, but this has not been confirmed yet.
- 5.2 A member asked if BSUoS are looking at an implementation of the above recommendations for later than the original expected April 2022 date. The Task Force representative highlighted that this has been left in hands of Ofgem, and that they are expected to be pragmatic on the matter, meaning that implementation could be April 2023, to coincide with normal change of charges. If Ofgem do not respond until May 2021, it was noted that it might not be in place in two years. As such, and based on the recommendations from Task Force, April 2022 will not be the date for BSUoS reform.

6. Targeted Charging Review Change Proposals Update

- 6.1 The Chair commented that the models will follow as per the DCUSA process, meaning they will be published no later than mid-November.

7. Ofgem's COVID-19 Open Letter

- 7.1 It was noted that Suppliers have joined the scheme and values were quoted in the last communication. The Ofgem representative had no further information beyond what has been published on the Ofgem website (18 firms and £39m deferred). There is a commitment to publish final figures of take-up on Network Charge Deferral schemes which should come out in October.
- 7.2 The Chair asked if members wanted to retain this as a standing agenda item. A member noted that this could be something that will lead to changes in charges in April 2021, so it is important to keep it as on the agenda. Interest has been applied to deferred charges, but this scheme should be considered as a deterrent to avoid paying interest. Interest would be returned in 2021 and 2022, so charges will change in any case, subject first to upcoming licence changes. Repaying their interest back will reduce charges levied on Suppliers, and if a Supplier fails to do so, the risks will increase. It was noted that the interest rates will be unlikely to have a significant impact on the charges as the value of the interest will be relatively low.
- 7.3 This scheme represents a change to the input mechanism, not to the models themselves, and the licence changes will also introduce new terms. It was noted that DCP 333 'Appropriate treatment and allocation of eligible use of system bad debt costs' does not specify the term exactly, and the code

modifications will not be impacted significantly. Ultimately, this scheme should simply represent a change to the allowed revenue for Suppliers, and if a Supplier fails then the interest will be repaid. It was also noted that the value owed in interest could be put into a central pot. A member also commented that the licence change will require that repayment of interest owed is not optional, although the amounts will probably be very small.

8. Actions

8.1 The DCUSA Panel is invited to:

- **NOTE** the contents of this Paper.

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