DCP 328 Working Group Meeting 24

20 April 2021 at 10:00 - Web-Conference

Attendee	Company
Working Group Members	
Edda Dirks [ED]	SSE plc
Kathryn Evans [KE]	SPEN
Derek McGlashan [DM]	Forth Ports
Julia Haughey [JH]	EDF
Martyn Bentley [MB]	Greenspan Energy
Pamela Howe [PH]	NPg
Thomas Cadge [TC]	BUUK
Lee Wells [LW]	NPg
Kara Burke [KB]	NPg
Donal Preston [DP]	SSEN
Will Ellis [WE]	Leep Utilities
David Fewings [DF]	Inenco
Chris Ong [CO]	UKPN
Shannon Murray [SM]	Ofgem
Code Administrator	
John Lawton [JL] (Chair)	ElectraLink
Richard Colwill [RJC] (Technical Secretariat)	ElectraLink
Apologies	
Peter Waymont [PW]	UKPN
Tom Chevalier [TC]	Power Data Associates

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 Laws Guidance for the duration of the meeting.

1.3 The Working Group approved the minutes of the previous meeting as an accurate record.

1.4 An update on the actions can be found in Appendix 1.

2. Purpose of the Meeting

2.1 The Chair set out that the purpose of the meeting was to review and respond to the modelling service provider questions, review the latest consultation document, and update the work plan.

3. Competition Act Guidance

3.1 The Chair confirmed that a request for a legal review on the competition act relating to Private Networks Operators (PNO) was requested from the DCUSA Lawyers. A meeting was held on Monday 19 April. The initial view was that it is less obvious, but it could possibly apply under certain circumstances and likely that an AEC (as efficient competitor) test may need to be undertaken by the distributors and the response is likely to be similar to that contained within DCP266.

3.2 It was recognised that the change improves the current situation on the tariffs applied to fully settled sites and unlikely to affect the PNO where difference metering is used since you are applying the tariff at the boundary.

3.3 The chair stated that these where his notes of the meeting and a legal response was expected by the end of the week/early next week. The chair agreed to circulate the response once received and confirmed that this would also be included in the second consultation.

ACTION 24/01: Circulate the legal advice regarding Competition Act once received.

4. Modelling Questions

4.1 The modelling service providers posed some additional questions to the Working Group and these were discussed. The questions are detailed below, and the Working Group responses can be found in red text.

1. **Pre- vs post-matching average volumes**. The draft text uses the terms *"for an equivalent customer"* or *"for the equivalent half-hourly metered tariff"* (e.g. Schedule 16, paragraphs 88C and 88D; Schedules 17/18, paragraphs 28.5A and 28.5B) and *"for each customer group"* (e.g. Schedule 16,

paragraphs 88E and 95A). These paragraphs tell us to convert between charge components based on average rather than individual volumes, but it is not clear whether these conversions should use average volumes for the pre-matching or the post-matching (banded) customer group. The distinction is important because average volumes can look quite different between bands. For example, customers in Band 1 might have an average agreed capacity of 10kVA per MPAN, but customers in Band 4 might have 100kVA per MPAN. This would be problematic because LES charges / rebates would favour customers in higher bands relative to lower bands – even causing rebates for some lower bands to become negative! We assume that the correct interpretation should be to base these conversions on average volumes for each post-matching (banded) customer group. *Do you agree with our interpretation?*
Post-matching is correct, as this will apply the average for each band, rather than the average for the customer group as a whole, giving a more representative average to be used for each tariff.

2. **Which average volumes?** There are several sets of average volumes we could use to convert charge components to a fixed charge (e.g. ATW volumes; ATW + LDNO volumes; ATW + discounted LDNO volumes). We use average volumes at two stages – first to calculate the ratio of pre-matching revenue from LES charges versus ATW charges, and secondly to convert charge components to a fixed charge. It seems appropriate to use the same average volumes for both, so we suggest using LDNO-discounted volumes as they appear on the Revenue Matching sheet. The only reason that this might not be the desired approach is that LDNO discounts can change average volumes in some strange ways. For example, LDNO discounts of 100% are applied to the fixed charge for generation customers, so if all generation customers were LDNO-connected we would have no MPANs against which to calculate average generation volumes! In practice this only affects a small proportion of total volumes. *Do you agree that we should use LDNO-discounted volumes?*
It is correct to use the same volumes for both steps. The LDNO-discounted MPANs are used to convert the capacity charge to a fixed charge for NHH customers so it is reasonable to use the LDNO-discounted volumes for similar steps.

3. **Unmetered Supplies tariff**. The Unmetered Supplies tariff only has unit rates. It has no fixed charge. We understand that this tariff covers things like street lighting for which a fixed charge would not be appropriate. The draft text for Option A states that *"NHH settled or HH Aggregate"* tariffs should be converted to a fixed charge based on average volumes, such that actual volumes do not affect the size of the rebate paid. We assume that this is not the intention for the Unmetered Supplies tariff. Instead, we would expect to treat this tariff like Site Specific tariffs for the purposes of Option A, such that rebates are calculated based on actual usage. *Do you agree with our interpretation?*
The WG agree with using the actual consumption data associated with the MPAN for the unmetered supply.

4. **132kV/HV LES boundary**. Paragraph 28.5 of the draft text does not mention the possibility of a LES system connected to a 132kV/HV substation. We assume that this was an omission. *Do you agree with our interpretation?*
Yes, all boundaries should have been included. We will update the legal text.

5. **Adder for allocated pass-through costs**. An adder is normally applied to the fixed charge at the rounding stage to recover allocated pass-through costs. We assume that LES customers should also contribute to these costs. We have therefore included these pass-through costs in LES charges

under Option A, and for the calculation of the rebate in Option B. *Does you agree with our interpretation?*
Yes. LES customers should contribute to these costs.

6. **Structure of rebates.** Schedule 16, paragraphs 88E and 88F state that rebates should be calculated in £/customer/year. This is not possible within the model for Site Specific customers, which require usage data for each individual customer. We therefore assume that this step should be carried out independently off-model by each DNO. As such, we have presented rebates in the same structure as charges – i.e. a table of seven charge components for each banded tariff. So an Aggregated customer will have a p/MPAN/day charge which the DNO would convert into a £ value at the same time as calculating a £ value rebate for each Site Specific customer. *Does you agree with our interpretation?*
Yes, the intention is for the models to produce a set of tariffs which will be applied to the customer usage independently to calculate the actual rebates.

7. **Possibility of negative rebates for Site Specific customers.** We wanted to draw your attention to the possibility that some LES suppliers will receive a negative rebate for certain Site Specific (demand) customers. This can occur when the individual customer has a very low bill as a result of low agreed capacity or reactive power usage, which is even lower than the LES-discounted charge based on average volumes for that tariff type. The same thing can occur in Option B, where the bill for a LES-connected customer can be higher than for an equivalent non-LES customer. *If this is not what you had intended, would you like to discuss?*
The Working Group note the comment above. We will evaluate the impact once the model has been received.

4.2 It was agreed that the above responses should be forwarded to the modelling service providers.

4.3 Regarding point 4 above, JL took an action to update the legal text to include the possibility of a LES system connected to a 132kV/HV substation.

ACTION 24/02: Secretariat to respond to the modelling questions posed.

Post meeting note:

4.4 The modelling work recommenced on 20 April and is due for completion by end of 29 April.

4.5 An update to the legal text has been provided in Attachment 1 and 2 regarding inclusion of the possibility of a LES system connected to a 132kV/HV substation. The Working Group is requested to review the legal text and provide any comments.

ACTION 24/03: Working Group to review legal text and provide any comments by 30 April.

5. Review of Second Consultation Document

5.1 The Working Group stepped through the current draft consultation document. Key points to the discussion can be found below:

- Date for release of the consultation to be agreed at the next meeting.
- Clarity that DCP 328 is only looking at complex sites connect to PNOs. A note in Section 1 currently reads as follows - Note: In the context of this CP, difference metering describes a complex site and is considered to be the same as a private network. The existing TCR definitions of Final Demand Sites and Non -Final Demand sites remain unaltered as those currently held in DCUSA introduced by DCP359[1].
- An action was taken to review the above paragraph to ensure it appropriately articulates what this CP is trying to achieve.
- The solution for fully settled and shared metering states that the first step will be to use the settlement metering data of each embedded customer within the relevant PNO network to determine the power flow data at the boundary for both import and export charges. It was noted that under shared metering, the individual customers' meters are non-settlement and therefore the solution for shared metering may be better aligned with differencing metering with fully settled as a solution on its own. **Post meeting note:** An action was taken to investigate this further and an email was issued to the Working Group on 20 April, with suggested alternative text and a request for any comments by 27 April.
- The Working Groups view on customers that have export MPANs was clarified as below:

  "The Working Group have considered customers that have export MPANs. The view at this stage is that there will be no negative rebate (i.e charge) to PNOs for any export MPANs, because the likelihood is that the charge will be very small".
- It was agreed that the above would be reviewed once the impact assessments have been received to see if such a scenario exists.
- Commentary regarding the Competition Act considerations will be added once legal view has been received.
- Various tracked changes that were circulated prior to the meeting were accepted at the meeting and the latest version of the consultation document can be found in Attachment 3.

Post meeting note:

5.2 The action above related to complex sites has been completed and it is recommended that the note should now read as follows:

Note: The BSC define both difference metering and shared metering arrangements as a Complex Site including those where such an arrangement exist within a Private Network. However, a Fully Settled site on a Private Network is classed as an Associated Distribution System i.e. treated in the same way as a direct connection to the distribution network. Complex sites are therefore catered for within this

[1] Ofgem Targeted Charging Review Implementation: Customers – who should pay?

CP. In addition, the Working Group agreed that there is no reason to change the definitions of Single Site or Final Demand Site for complex sites within a private network and for those classed as Associated Distribution System. The national terms of connection is at the boundary and not with each customer within the boundary, so the definition of Single Site covers all of them together and as such the decision on whether the Single site is a Final Demand Site or Non-Final Demand Site needs to be made collectively and not individually.

ACTION 24/04: Working Group to review the email sent on 20 April regarding shared metering and complex sites and provide feedback.

6. DCP 328 Work Plan

6.1 An updated work plan can be found in Attachment 4.

7. Any Other Business

7.1 There were no other items raised.

8. Date of Next Meeting

8.1 The date of the next meeting was confirmed for **Monday**, **10 May 2021, starting at 10am.**

9. Attachments

- Attachment 1: DCP 328 Draft Legal Text Solution A
- Attachment 2: DCP 328 Draft Legal Text Solution B
- Attachment 3: DCP 328 Draft Second Consultation
- Attachment 4: DCP 328 Work Plan

New and open actions

Action Ref.	Action	Owner	Update
01/01	ElectraLink to consider approaches to ensure appropriate engagement with private network operators.	ElectraLink	Ongoing and considered at each meeting or consultation circulation
22/01	DNOs to determine the approach to EDCM customers for the impact assessment to ensure a consistent approach across all DNOs.	DNOs	Ongoing
24/01	Circulate the legal advice regarding Competition Act once received.	ElectraLink	
24/02	Secretariat to respond to the modelling questions posed.	ElectraLink	Completed
24/03	Working Group to review legal text and provide any comments by 30 April.	All	
24/04	Working Group to review the email sent on 20 April regarding shared metering and complex sites and provide feedback.	All	

Closed actions

Action Ref.	Action	Owner	Update
23/01	Review the legal text in Attachment 1 and 2 and provide any comments by Friday, 9th April.	All	Completed
23/02	Review the latest consultation document in Attachment 5 and provide any comments by Friday, 9th April.	All	Completed
23/03	Seek legal advice on whether competition law should be considered when determining charges for unlicensed networks.	ElectraLink	Completed