

DCP 328 Working Group Meeting 32

11 November 2021 at 10:00 - Web-Conference

Attendee	Company
Working Group Members	
Chris Ong [CO]	UKPN
Tom Chevalier [TC]	Power Data Associates
Tom Cadge [TC]	BUUK
Edda Dirks [ED]	SSE Generation
Kara Burke [KB]	NPG
Will Ellis [WE]	Leep Utilities
Brandon Rodrigues [BR]	ESP
David Fewings [DF]	Inenco
Shannon Murray [SM]	Ofgem
Donald Preston [DP]	SSEN
Code Administrator	
John Lawton [JL] (Chair)	ElectraLink
Richard Colwill [RC] (Technical Secretariat)	ElectraLink

1. Administration

- 1.1 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.
- 1.2 The Working Group reviewed the minutes from the last meeting. ED noted a couple of minor amendments that were needed, and an updated version of the minutes can be found in Attachment 1.
- 1.3 The Working Group noted the items on the actions list from the last meeting. Updates on all actions are provided in Appendix A.

2. Purpose of the Meeting

- 2.1 The Chair set out that the purpose of the meeting was to review the outstanding issues and determine whether we can progress to the Change Report stage. A draft Change Report was issued prior to the meeting.

3. Discount tariffs for Licence Exempt Systems connected to LDNOs.

- 3.1 The Working Group discussed whether new tariffs needed to be created to discount tariffs for Licence Exempt Systems connected to LDNOs.
- 3.2 It was previously considered by the proposer that these tariffs were not needed as it was considered not relevant to a DNO that the customer is embedded on a private network within the IDNO network rather than connected directly to the IDNO network. The rationale for this thinking was provided prior to the meeting and can be found in the below bullet points. The wording in red is a response received from TC:

- The DNO is providing the same service to the IDNO whether an MPAN is connected directly to the IDNO or embedded in a private network within the IDNO – Agreed, however the tariff charged by the DNO to the IDNO is not based solely on the service provided to the IDNO. It is set at a level which would allow a notional downstream DNO business with equal efficiency to cover its costs and make an equivalent return. Such an approach is required by competition law.
- The IDNO discount is designed to discount for the “last mile” of the network – Agree with the added caveat as per above.
- The Private Network is within that last mile so it has already been discounted for by the DNO – I think this is too simplistic as the discounts are not considered or calculated on an equivalent basis. Where an IDNO charges a PNO the same tariff as an IDNO would charge them then this issue becomes more apparent as the IDNO and LES discounts are not properly considered together and in comparison.
- Also the IDNO discount removes the levels of the network that the DNO is not supplying, which is the same thing that the reduction to the fixed charge element of the LES tariff does, so applying an IDNO discount to a LES tariff is effectively doing the same reduction twice – The IDNO discount does not ‘remove levels’ in the same way as the LES tariff. It disaggregates price control revenues into network tiers and then accounts for the revenues which the IDNO would be entitled to earn in respect of those

- Therefore, the DNO should charge the same to the IDNO whether the MPAN is connected directly to the IDNO network or to a private network within that IDNO network – I believe that this approach is likely to be open to competition law complaints under Chapter II of the Competition Act 1998 as it results in tariffs which mean an As Efficient Competitor make a loss in operating networks.
- The IDNO should charge the embedded customer the LES tariffs – Where an IDNO would make a loss on owning network and providing connections to LES (before any of its costs incurred are taken into account) then this solution cannot be possible.
- The IDNO will get a reduced margin for these customers but it is the same as the reduced margin that the DNO is getting for an equivalent embedded customer on a private network connected to the DNO network – Given that some of the scenarios result in negative margins I cannot see how this statement can be true. The DNO is unlikely to pay a private network for being connected to its network?

3.3 After discussion, it was concluded that it would be beneficial to create discount tariffs for Licence Exempt Systems connected to LDNOs. To do this the following tariffs would need to be added to the CDCM and EDCM:

- In the CDCM
 - LDNO LV: LES LV
 - LDNO HV: LES HV
 - LDNO HV: LES LV
- In the EDCM
 - LDNO HVplus: LES LV
 - LDNO HVplus: LES HV
 - LDNO EHV: LES LV
 - LDNO EHV: LES HV
 - LDNO 132kV/EHV: LES LV
 - LDNO 132kV/EHV: LES HV
 - LDNO 132kV: LES LV
 - LDNO 132kV: LES HV
 - LDNO 0000: LES LV
 - LDNO 0000: LES HV

- 3.4 For both the EDCM and CDCM these tariffs should be calculated by applying the LDNO discount percentages from the PCDM to the LES tariffs in the same way as they are applied to the all-the-way tariffs. All other calculations/functionality introduced in the Solution B models should remain as they currently are.
- 3.5 It was determined that an impact assessment would be needed in relation to these new tariffs and the Secretariat took an action to create a new modelling specification document.
- 3.6 An action was also taken to update the legal text in relation to the new tariffs.

Post Meeting Note:

- 3.7 An updated version of the legal text, along with the modelling specification document was emailed to the DCP 328 Working Group for review on Friday, 12 November, with a deadline for responses set at Friday, 19 November. These documents can also be found in Attachment 2 and Attachment 3 of these minutes.

ACTION 32/01: Working Group to provide comments/ suggested amendments to updated legal text and modelling specification document by Friday, 19 November.

4. Review Change Report

- 4.1 With the new tariffs being created as agreed above, the Working Group concluded that it would be beneficial to issue a third consultation to industry and therefore the Working Group are not at the Change Report stage at this time.
- 4.2 The content of the draft Change Report will be used as a basis for the consultation document.

5. Next Steps

- 5.1 The next steps for the DCP 328 Working Group are as follows:
 - 1. Working Group to provide comments/ suggested amendments to updated legal text and modelling specification document by Friday, 19 November.
 - 2. Secretariat to issue the modelling specification documentation to the service provider once finalised.
 - 3. Produce draft consultation document.

6. Any Other Business

- 6.1 There were no other items raised.

7. Date of Next Meeting

- 7.1 The date of the next meeting is to be confirmed.

8. Attachments

- Attachment 1: Updated minutes from meeting held on 14 October
- Attachment 2: Updated Legal Text
- Attachment 3: Modelling Specification Document

APPENDIX A

Open Actions

Action Ref.	Action	Owner	Update
31/02	Working Group to provide comments/ suggested amendments to updated legal text and modelling specification document by Friday, 19 November.	All	

Closed Actions

Action Ref.	Action	Owner	Update
31/01	Agree appropriate wording in relation to HV and LV customers connected to private networks which are themselves connected at EHV.	All	<p>Closed. Text added to 1A of CDCM as below in red:</p> <p>The CDCM is applicable to “Designated Properties”, as defined in Standard Condition 13A (Common Distribution Charging Methodology) of the DNO Party’s Distribution Licences and, if not already catered for, properties connected to Licence Exempt Systems at Low Voltage (LV), Low Voltage substation (LVS) and High Voltage (HV).</p>

31/02	KB and TC to discuss issues raised within section 4.2 and 4.3 of these minutes and provide feedback on outcomes.	KB and TC	Closed
31/03	Secretariat to produce a draft Change Report for review at next meeting	ElectraLink	Closed