

Distribution Charging Methodologies Development Group (DCMDG) - Meeting 47

20 January 2022 at 10:00

Teleconference via Microsoft Teams

Attendees	Company
Ahna Taylor [AT]	SSE
Alan Fradley [AF]	SSE
Andrew Neves [AN]	Engage Consulting
Chris Barker [CB]	ENWL
Chris Ong [CO]	UK Power Networks
Claire Campbell [CC]	SPEN
Dave Wornell [DW]	WPD
David Fewings [DF]	Inenco
Donald Preston [DP]	SSEN
Donna Townsend [DT]	Energy Assets Networks
Edda Dirks [ED]	SSE Generation
George Moran [GM]	British Gas
Kara Burke [KB]	NPg
Kyran Hanks [KH]	Waters Wye Associates
Laura Waldron [LWa]	Engie
Lee Stone [LS]	EON
Lee Wells [LWe]	NPg
Mark Jones [MJ]	SSE
Matthew Patrick [MP]	Ofgem
Rustam Majainah [RM]	OVO
Ryan Roberts [RR]	Energy Potential
Shannon Murray [SM]	Ofgem
Tom Faulkner [TF]	Cornwall Insight
Tony Collings [TC]	Ecotricity
Tom Perryman [TP]	St Clements
Secretariat	
Angelo Fitzhenry [AF] (Chair)	ElectraLink
Dylan Townsend [DyT] (Technical Secretariat)	ElectraLink

Apologies	Company
Tom Chevalier	Power Data Associates
Peter Tubey [PT]	Scottish Power

1. Administration

- 1.1 The Chair welcomed the DCMDG attendees to the meeting.
- 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 16 December 2021 and agreed they were an accurate reflection of the discussions held.
- 1.4 Attendees were informed of the Actions Log progress and the group noted the updates. All updates can be found as **Attachment 1**.

2. DCMDG Forward Work Plan and Issues Log

- 2.1 The group reviewed the DCMDG Forward Work Plan and Issues Log - the current version can be found as **Attachment 2**.
- 2.2 The Chair confirmed that there were no new issues.
- 2.3 The Chair gave a brief overview on the DCUSA Charging Methodology Change Proposals and External Activities within the Forward Work Plan.

3. Ofgem Update

- 3.1 The Chair introduced SM as the Ofgem representative attending this meeting and SM provided the following update.
- 3.2 SM noted that the draft Change Proposal related to ‘residual charges applying to back-up supplies’ that was presented during the December 2021 DCMDG meeting is with Ofgem in order to decide whether to designate the Proposer of the Change Proposal as a person whose interests are materially affected by the change.
- 3.3 With respect to the Access and Forward Looking Charges SCR, SM reminded DCMDG members that following an Ofgem presentation to the Charging Futures Forum last year, they launched a procedural consultation which sets out their intent to take forward a wide-ranging review of DUoS under a separate SCR. This would enable changes relating to other areas of our Access SCR scope to be delivered via a Direction in Spring 2022, with DUoS reforms delivered in a subsequent phase of work.
- 3.4 For what will become ‘Phase 1: Connection boundary and access rights’, SM explained that Ofgem have now identified further detailed policy proposals that build on their previous positions, on which Ofgem intend to conduct further consultation. It was noted that the next steps are:
 - ***Publish a further consultation in the form of an “update to our minded-to proposals” before the end of January. This will include an overview of the feedback we received from the first consultation and how we have responded. It will provide additional details***

and clarification on some of the high-level proposals we originally set out in our June 2021 consultation. The consultation will run for 4 weeks.

- ***We intend to host a Challenge Group briefing session on 4th February (10am - 12pm).***
Given this session will be during the consultation window, the purpose is to brief Challenge Group members on our policy positions, answer clarifying questions, and provide opportunity for early verbal views.
- ***Following the consultation, we will seek to reaffirm any final policy positions with GEMA in March 2022.***
- ***We expect to issue final directions for code modifications to be raised on our ‘phase 1’ scope in Spring 2022, with the end of March being the earliest date (subject to consideration of consultation feedback).***
- ***We expect a statutory consultation on license change in early summer 2022 with code working group recommendations on modifications/change proposals being developed throughout summer 2022 as well.***
- ***We anticipate the relevant code changes to be brought before Ofgem for a decision by Autumn 2022.***
- ***Our reforms will go live from 1 April 2023.***

- 3.5 With respect to ‘Phase 2: Wide-ranging review of DUoS (post-2023 implementation)’ SM noted that further clarity on how DUoS reforms will be delivered should be included in the publication of Ofgem’s formal decision to split the SCR. As part of this process Ofgem anticipate re-engaging with the Challenge Group on DUoS following their decision.
- 3.6 One member queried whether there was any further indication on when the DUoS work is expected to start up again as this would be useful for industry to understand to ensure that the new proposed DUoS SCR does not overloaded industry resources and to ensure there is enough capability to deliver to planned timescales. It was noted that more should be known once the decision has been made with respect to the splitting of the current SCR.
- 3.7 One member queried about the membership of the ‘Challenge Group’ related to the DUoS work, to which SM noted that an answer could be provided towards the end of the meeting, however, the Chair and one DCMDG member noted their view that the existing ‘Challenge Group’ is intended to continue.
- 3.8 One member questioned if there were specific dates for which the above documents are expected to be published, however, it was noted it isn’t possible to provide any exact dates at this stage as publication relies on review and sign-off procedures.
- 3.9 Another member wished to understand if Ofgem could provide a clearer indication of their expected decisions related to code modifications, as in their view the dates (or lack of dates) that Ofgem have currently published are not at all useful. SM agreed to pass this feedback on

to colleagues at Ofgem and hopes to be able to provide further updates at the next DCMDG meeting.

4. TCR Implementation Update

- 4.1 The Chair asked if members had anything they wanted to raise or discuss under this agenda item to which it was noted that members had no matters to raise at this time.

5. Statutory Consultation on Third Party Finance (regarding Last Resort Supply Payment Claims)

- 5.1 The Chair explained that this consultation had been included on the agenda as it was expected that DCMDG members may wish to discuss this consultation in more detail.

- 5.2 It was noted that the consultation proposes an option for third-party financing of the SoLR Levies. Such finance could potentially achieve two policy objectives:

- Smoothing the impact of current extraordinary SoLR levy payments on 2022/23 consumer bills; and
- Enabling greater ongoing competition in the SoLR processes (by enabling greater working capital availability).

- 5.3 One member informed the group that the recent update issued by Ofgem states that DNOs will be given derogations to cover the costs in 2022/23 and will be republishing 2022/23 charges (pending the relevant Derogations being granted) by 31 January 2022, which will allow for the recovery of the substantial costs being claimed by Suppliers who have recently acted as a SoLR. However, the member went on to explain that the result of this consultation may change the way in which the process had been expected to function and so members should keep an eye out for a decision to understand what those impacts may be.

6. 2022/23 Duos Charges for SoLR Update

- 6.1 One member asked about the dates that are applicable related to the republishing of 2022/23 charges as compared to what the DNOs had set out in their ARPs. It was noted that the ARPs contain data related to previous LRSP Claims and not those for which this new process will cover.

- 6.2 Another member questioned the impacts of these claims on the materiality threshold and whether these will be breached and what years this is likely to impact. It was noted that the materiality threshold will effectively have been breached with the enhanced process introduced by Ofgem, but that the exact ramifications of this are still to be determined, given the statutory consultation discussed as part of the above agenda item.

- 6.3 A member questioned whether there was any information around how any revisions to SoLR claim values will be treated, to which a member suggested that their view was that amended claims are likely to be lower than the original but that the treatment of this was still open to the outcomes of the was noted that statutory consultation discussed as part of the above agenda

item. There was a related question on the view expressed above, as to claim values being lower if a SOLR was to adjust their claims, to which it was noted, that this was just the members point of view and which was based on what was set out in the statutory consultation discussed as part of the above agenda item.

- 6.4 The same member asked a related question on how the recovery of costs related to the Special Administration Regime (SAR) that has been brought in due the failure of Bulb and whether there was a view on whether this would feed through via the normal mechanisms or if another process is like to be used. SM agreed to take this question away to seek some views internally at Ofgem and bring back any findings to next month's meeting.

7. Agenda Items for the Next Meeting

- 7.1 There were no additional items requested to discuss at the next DCMDG meeting:

8. Any Other Business (AOB)

- 8.1 The Chair explained that there was one item that had been added as AOB, and was related to an Issue raised that had originally intended to seek feedback from the Standing Issues Group (SIG). Following some further discussion, it was believed that the issue should also be taken to the DCMDG as it could impact upon charging arrangements.

- 8.2 As the Proposer of the issue, DT gave a brief overview of the issue as follows:

- The issue relates to the application of the 'LV Sub tariff' as described in 'Note 3' under 'Table 5 Site Specific Tariffs' of paragraph 141 of Schedule 16.
- It is their understanding that for LV Sub site specific tariffs, the end customer is responsible for the operation and maintenance of the LV circuits beyond the CTs and metering which would be installed at (or adjacent to) the substation supplying their property. Which seems to be supported by the DNOs' ARP tables where it is shown that LV circuits are not an input for LV Sub tariffs and thereby creating a less expensive tariff than LV Site Specific. This suggests that the distributor does not own the LV cables.
- DT explained that they were looking to confirm if their understanding is correct, and if so, should Note 3 be updated to include a reference to customer ownership of LV circuits.

- 8.3 The Chair asked if any members could provide a view as to the issue at hand, to which one member noted, that the scenario described appears to be correct but that they would like to check with colleagues before confirming.

- 8.4 The Chair suggested that the best next steps would likely be for the other DNO members to do the same as above and that it is probably wise to still take the issue to the SIG for discussion, to get a good cross section of views.

- 8.5 One member noted that caution should be used when seeking to amend the note in Schedule 16 related to the applicability of LV Sub tariffs, as their view is that being too prescriptive in

terms of the ownership of the various parts of the network could lead to unsafe situations. It was noted that this is because there are many ways in which networks are built and what might be the norm for one, may not necessarily be so in other situations. The member suggested that it would always be best for customers to discuss their specific site arrangements with their network operator.

8.6 Another member explained that from their experience the LV sub tariff isn't always cheaper than the LV Network tariff and that this appears to be related to the fact the consumption component on the RAG basis may be cheaper but that the Capacity component of the LV Sub tariff may be much higher. The member noted that they are therefore, in agreement with the comments made above, in that caution is needed with respect to changes to the note contained in Schedule 16.

8.7 There were no further items of business raised.

9. Date of Next Meeting

9.1 The next DCMDG meeting will be held on 17 February 2022 via Microsoft Teams/Teleconference at 10am.

10. DNO Operational Matters

10.1 There were no DNO Operational Matters raised at this meeting.

11. Attachments

- Attachment 1 - DCMDG Actions Log
- Attachment 2 - DCMDG Forward Work Plan and Issues Log