DCP 407 Working Group - Meeting 01

24 May 2022 at 14:00 - Web-Conference

Attendee	Company
Working Group Members	
Brandon Rodrigues [BR]	ESP
Brian Hoy [BH]	ENWL
Damian Clough [DC]	SSE
Donna Townsend [DT]	ENA
Karin Cadwallader [KC]	BUUK
Kyran Hanks [KH]	Waters Wye Associates
Lee Wells [LW]	NPg
Martin Brace [MB]	UKPN
Peter Turner [PT]	NPg
Robert Matta	SSE
Simon Vicary [SV]	EDF
Tom Cadge [TC]	BUUK
Vanessa Buxton	WPD
Wendy Mantle [WM]	SPEN
Code Administrator	
Andy Green [AG]	ElectraLink
Furqan Aziz [FA] (Chair)	ElectraLink
Mel Kendal [MK] (Technical Secretariat)	ElectraLink

1. Administration

1.1 The Working Group reviewed the "Competition Law Guidance" and "Terms of Reference". All Working Group members agreed to be bound by the Competition Law Guidance for the duration of the meeting and agreed to the Terms of Reference.

1.2 An action log has been created and all updates are provided in **Appendix A**.

2. Purpose of the Meeting / Timeline for Delivery

2.1 The Chair explained that the purpose of this meeting is to review and discuss the DCP 407 Change Proposal and legal text within the Working Group and agree next steps.

2.2 The Chair stated that a Consultation document needs to be finalised and circulated to wider industry no later than 23 July 2022 due to time constraints.

3. Overview of DCP 407

3.1 The Chair introduced the proposer (BH) to provide an overview of the CP to the Working Group.

3.2 The purpose of this CP is to implement parts of Ofgem's Access SCR Decision in respect of the Speculative Developments into the Common Connections Charging Methodology (CCCM) and consequential changes into Schedule 32 (Residual Charging Bands). This CP seeks to address paragraph 16 of the Access SCR Direction.

3.3 As part of implementation, Ofgem has directed the DNOs to raise a code modification(s) that will:

- *Amend the description of Speculative Development as currently set out in the CCCM.*
- *Clarify that where capacity caters for future expansion rather than the immediate requirements of an end user.*
- *Clarify that phased developments do not always have to be treated as Speculative Developments.*
- *Consideration of introducing a methodology for connections with planned phases or future expansion which would otherwise be deemed Speculative, where a case can be made for the cost efficiency and wider Network benefit of not treating them as such.*

3.4 BH informed the group that revisions to the existing drafting describing Speculative Connections will be required. It was also noted that changes to Schedule 32 will be needed to ensure that phased capacity developments are allocated to a residual charging band appropriately to reflect phased demand requirements.

4. Review & Discussion of DCP 407

4.1 The Chair invited the Working Group to both review and further discuss the CP.

4.2 TC noted from Ofgem's decision and Direction that clarification of Speculative is needed, however it should also help DNOs to know wat the requirements are and be efficient (may mean fewer sites being Speculative).

4.3 TM also mentioned that with this change, there should not be any mechanisms in place where the DNOs get penalised if the capacity is being underutilised with a number of investments may appear inefficient over a long period of time

4.4 LW suggested that it would be fair that exceptional circumstances should apply at the materiality threshold. TCs concern with this is whether it is part of the direction/decision. It was agreed that this may need to be reviewed as a separate change going forward.

4.5 TM stated that it will be difficult to discuss and agree the criteria for a Site to be considered as Speculative without testing few examples and understanding what the characteristics are. Th Working Group agreed and provided a number of examples of potentially Speculative Developments to the group to further discuss.

4.6 The Working Group also agreed that the description of Speculative will need to be amended.

ACTION 01/01: The Working Group to amend the description of Speculative.

4.7 Speculative Development Examples

4.8 ***Example 1 - Housing development of 1,000 houses including a new school and community centre (3MVA). Development expected to be built out over 4 phases (the school in phase 2 and the community centre in phase 3) with the initial phase having received detailed planning approval and the other 3 phases having outline planning approval. The exact timing of the final three phases is not known but expected to be starting in three years' time and the final phase completing after 12 years.***

4.9 The group discussed the above example and all members unanimously agreed that this would be considered as Non-Speculative Development.

4.10 The Working Group agreed that trying to tie any criteria of being Speculative with planning could prove difficult.

4.11 One member suggested producing a scoring system to decide whether a Site is Speculative or Non-Speculative. It was also suggested that this could be evidence based, specific to the planning permission. This process and criteria would need to be developed in order to produce this.

ACTION 01/02: TC to provide further information around what evidence may be needed to be considered as Speculative, specific to the planning permissions.

4.12 ***Example 2 - Development of 6 commercial units with a 100amp, three phases supply requested to each unit (total request 420kVA). The developer has not yet sold the units and the end use of each individual unit is not known. Local distribution substation requires a transformer upgrade from 500kVA to 800kVA to facilitate the full connection request.***

4.13 The group discussed the above example and there were mixed reviews around whether the site should be considered as Speculative or Non-Speculative.

4.14 One main concern of the Working Group is at what point does the Site become Speculative. One member stated that Speculative is made up of 'unknowns' and when a Developer is provided you with a list of 'knowns' this should probably be considered as Non-Speculative.

4.15 Another concern is that Developers may start reducing their capacity requirements potentially, as a Customer can request an upgrade to their connection and not be reliable for any reinforcement costs in the future once the sell.

4.16 BH suggested this would be Non-Speculative as stating that they have to pay for reinforcement if they haven't sold to a Customer seems unfair and we should be mindful of this.

4.17 TC mentioned defining where the boundary is where a Site would become Speculative, sizes of Sites connections and level of reinforcement should be avoided to remove potential discrimination against large users – the boundary should be the level of information/evidence provided and the level of certainty of load requirement that can be given as this can be applied to any user.

4.18 ***Example 3 - Large scale brownfield redevelopment with a mixture of 1,500 homes (plus school, community centre and shops) and 10 large commercial units (4.7MVA residential and small commercial and 4 MVA of large commercial). The development is expected to take 20 years but the exact build out of the homes and small commercial units is not known at the time of the application. The users of 2 of the large commercial units are known but the remaining 8 are not sold and so their exact (or even estimate) load requirements are not known.***

4.19 The group discussed the above example and there were mixed reviews around whether the site should be considered as Speculative or Non-Speculative.

4.20 Members suggested that if Example 2 is considered as Non-Speculative, then this example should also be Non-Speculative logically.

4.21 The Working Group agreed that this example can be subjective. One member said with the current approach, they would allow it as Speculative, however this may not be the case moving forward.

4.22 It was agreed that the characteristics of Speculative need to be worked out in order to come to an agreement as there is currently confusion around what would be considered Speculative/Non-Speculative Development.

4.23 The problem is around users that do not use the capacity that they have requested that they need and therefore is inefficient. The same of this change is to make this process more efficient.

4.24 ***Example 4 - A motorway service area wants to increase its capacity for expected ramp up in EV charging requirements. Want 1MVA now, 5 MVA in 2 years and then 15 MVA in 10 years***

4.25 The group discussed the above example and agreed that this should be considered as Non-Speculative as reinforcement wouldn't be given immediately. This would be managed in the future.

4.26 This example has also provided a high level of commitment of extension assets which would lean towards being Non-Speculative.

4.27 The Working Group discussed the concern raised earlier in the meeting around the current confusion around what the characteristics of being Speculative are and agreed to take an action to gather examples to bring back to the next Working Group and highlight the characteristics of how it came to be Speculative/Non-Speculative.

ACTION 01/03: The Working Group to gather examples to bring back to the next Working Group and highlight the characteristics of how it became Speculative/Non-Speculative.

4.28 The Working Group can then decide what the characteristics for Speculative should be within the next meeting.

ACTION 01/04: The Working Group to agree the characteristics for Speculative.

5. DCP 407 Workplan

5.1 The updated workplan can be found as **Attachment 2**.

5.2 The workplan will be updated after each meeting.

6. Agenda Items for Next Meeting

6.1 The Working Group discussed the next steps, and the following items were captured:

1. The Working Group to review examples of Speculative/Non-Speculative Developments.
2. The Working Group to agree the characteristics of being considered as a Speculative Developent.

7. Any Other Business

7.1 The Chair asked the group whether there were any other items of business to discuss.

7.2 There were no other items raised.

8. Date of Next Meeting

8.1 The next Working Group meeting will be held on 31 May 2022 at 2pm.

9. Attachments

- Attachment 1_DCP 407 Workplan

APPENDIX A

New and Open Actions

Action Ref.	Action	Owner	Update
01/01	The Working Group to amend the description of Speculative.	Working Group	**Ongoing.**
01/02	TC to provide further information around what evidence may be needed to be considered as Speculative, specific to the planning permissions.	TC	**Ongoing.**
01/03	The Working Group to gather examples to bring back to the next Working Group and highlight the characteristics of how it became Speculative/Non-Speculative.	Working Group	**Ongoing.**
01/04	The Working Group to gather examples to bring back to the next Working Group and highlight the characteristics of how it became Speculative/Non-Speculative.	Working Group	**Ongoing.**
01/05	The Working Group to agree the characteristics for Speculative.	Working Group	**Ongoing.**

Closed Actions

Action Ref.	Action	Owner	Update