

DCP 328 Working Group Meeting 34

28 April 2022 at 14:00 - Web-Conference

Attendee	Company
Working Group Members	
Edda Dirk [ED]	SSE Generation
Lee Wells [LW]	NPg
Chris Ong [CO]	UKPN
Will Ellis [WE]	Leep Utilities
Tom Cadge [TC]	BUUK
Kara Burke [KB]	NPG
David Fewings [DF]	Inenco
Shannon Murray [SM]	Ofgem
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 and agreed they were an accurate reflection of the discussions held.
- 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 modelling documentation and the IDNO impact assessment and determine next steps.

3. Review Modelling Documentation and IDNO impact assessment

- 3.1 The Working Group previously produced an updated modelling specification which introduced an adjustment in response to concerns that the previous modelling may prevent LDNOs serving LES customers from recovering efficient costs and may even imply negative LDNO margins. The modelling providers raised some concerns in relation to this which are articulated in Attachment 1.
 - 3.2 After discussion at the last meeting, an action was taken to undertake an impact assessment on the number of customers that are likely to be affected, it was agreed that this would help understand the materiality of the issue. TC agreed to undertake this impact assessment, but it was noted that this would be from a company perspective and therefore some estimation based on market share will be required to understand total numbers.
 - 3.3 The Working Group discussed the above analysis provided by TC (Attachment 2) and reviewed all available solutions determining the pros and cons of each. The outcome of these discussions can be found in the table below:
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Options	Pros	Cons
Option 1 – Just to have HV/ LV tiers (exclude the LES-HV/LV tariff)	<ul style="list-style-type: none"> - Least change required - Maintains the original proposed solution for DCP 328 - No need for further consultation - Earlier implementation than other options 	<ul style="list-style-type: none"> - Results in some tariffs having negative margins - Doesn't address margin squeeze concerns
Option 2 – Just to have HV/ LV tiers (exclude the LES-HV/LV tariff) and try and cap average consumption so LDNO margin is set at zero	<ul style="list-style-type: none"> - Cap the tariffs to avoid negative margins for connections with average consumption 	<ul style="list-style-type: none"> - Still some margin squeeze although reduced from option 1
Option 3 – Just to have HV/ LV tiers (exclude the LES-HV/LV tariff) and reintroduce the rebate option but request goes to the DNO.	<ul style="list-style-type: none"> - Doesn't introduce new tariffs into billing systems - Overcomes IDNO margin squeeze concern as they are exempt from this process 	<ul style="list-style-type: none"> - Some may result in zero return due to the averaging process - Not reflective of what it costs the IDNO network - Option is not reflective of consultation feedback (i.e most were against this option in previous consultations, although option has changed in nature)

<p>Option 4 - Just to have HV/ LV tiers (exclude the LES-HV/LV tariff) and the LES tariffs (concern raised by modeller see December paper)</p>	<ul style="list-style-type: none">- It attempts to mitigate the margin squeeze concerns	<ul style="list-style-type: none">- Modeller concern - The solution may not make sense conceptually, due to a misapplication of LDNO discounts. The calculation of LDNO discounts implicitly assumes a relationship between the tariff associated with a subset of network level, and the cost of those network levels. The solution proposes applying the LDNO discounts to LES tariffs. This approach does not provide a self-consistent method for calculating tariffs for LES customers serviced by LDNOs.- The modellers also considered the static distributional revenue impact of this change and provided two example situations (Attachment 1) in which the modelling specification received would give rise to outcomes which the working group may not have foreseen.- Add modelling concerns- Introduces lot of new tariffs
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- 3.4 The Working Group concluded that members needed more time to digest the above solutions and an action was taken to review the impact assessments against each option and articulate their preferred solution prior to the next Working Group meeting.
- 3.5 Another action was taken to agree on what the assumption will be regarding percentage of customers that are LES connected within IDNOs (1%-3%?), as this is likely to be higher than the average DNO. This may need to be provided to the modellers, if the models need to consider two sets of calculations for DNOs and IDNOs.
- 3.6 An additional action was taken for KB to look at the offsetting impact of other tariffs being increased. For example, where the LES tariffs have decreased, the other tariffs will have to increase.

ACTION 34/01: Working Group to review each solution along with impact assessments and to determine their preferred approach.

ACTION 34/02: Working Group to agree what the assumption will be regarding percentage of customers that are LES connected within IDNOs.

ACTION 34/03: KB to look at the offsetting impact of other tariffs being increased due to the LES tariffs being decreased.

4. Any Other Business

- 4.1 There were no other items raised.

5. Date of Next Meeting

- 5.1 The date of the next meeting is set for Monday, 16 May (10am-1pm).

6. Attachments

- Attachment 1: DCP 328 Modelling Specification Concerns
- Attachment 2: Modelling and Impact Assessments

APPENDIX A

Open Actions

Action Ref.	Action	Owner	Update
33/01	Undertake an impact assessment on the number of customers that are likely to be affected by the issues described in Section 3, this will help understand the materiality of the issue.	TC	Completed
34/01	Working Group to review each solution along with impact assessments and to determine their preferred approach.	All	
34/02	Working Group to agree what the assumption will be regarding percentage of customers that are LES connected within IDNOs.	All	
34/03	KB to look at the offsetting impact of other tariffs being increased due to the LES tariffs being decreased.	KB	

Closed Actions

Action Ref.	Action	Owner	Update
33/01	Undertake an impact assessment on the number of customers that are likely to be affected by the issues described in Section 3, this will help understand the materiality of the issue.	TC	Completed



DCUSA
