

DCP 403 Working Group - Meeting 01

08 June 2022 at 10:00

Location/ Web-Conference/Teleconference

Attendee	Company
Chris Ong (CO)	UKPN
Edda Dirks [ED]	SSE Generation
Kyran Hanks [KH]	Waters Wye Associates
Andy Pace	Energy Potential
Helen Tsang	EDF
Simon Vicary	EDF
Simon Yeo	Western Power
Lorna Murray	SPEN
David Fewings	INECO
Ryan Farrell	NPG
James Joyce	SSE
John Lawton (RC) (Chair)	Electralink
Andy Green (AG) (Technical Secretariat)	Electralink
Apologies	
NA	

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.

2. Purpose of the Meeting / Timeline for Delivery

- 2.1 The Chair explained that the purpose of this meeting is to introduce a new change proposal DCP 403 'Clarify the application of the TCR fixed charge', review the legal text and agree next steps. .
- 2.2 The Chair gave an overview of the change and invited AP to walk the working group through the change.

3. Review & Discussion of DCP 403

- 3.1 AP advised the Targeted Charging Review (TCR) decision on the residual charge is to apply one charge per single site. AP stated that the current definition of a single site is specific to one connection agreement and does not cater for back up connections on different connection agreements at the same site. These are picking up two residual charges and gave an example of when and how this can happen.
- 3.2 It was noted that some legal text has been drafted but this will need to be reviewed and discussed and is likely that this would need to be changed.
- 3.3 The Chair also suggested we start by reviewing the diagram AP had created and shared with the working group. This gave an example of where a customer may be receiving double charges.

Review of Diagram example

- 3.4 AP walked the working group through the diagram and explained possible scenarios where a customer could be receiving double charges. ED queried if this issue only applied to Private networks and it was explained that it could cover a series of DNOs, IDNOs, and Private Network Operators in some cases where the site was mixed.
- 3.5 It was also queried if it would be possible to hold the status of the back-up supply as de-energised and change it to energised if it ever needed switching over as the de-energisation status would remove all charges including the residual charge. AP advised that there may be a potential timing issue with the length of time it could take to re-energise the site but took away an action to investigate if having the secondary site as de-energised would remove the residual charge and if there were potential risks to power risks in doing this i.e. timing to re-energise the site with the supplier.

Action 01/01: AP to ask internally if having the status of the back-up connection could be de-energised and if that would remove the residual charge. Also, to investigate any issues around length of time to have power to the site.

- 3.6 It was queried if it is possible the two supplies could be used in parallel at the same time and it was explained that this wouldn't happen due to the installation of a physical interlink. The Chair also asks in the 3-supply diagram is one connection demand and the other two non-final demand. Answer is the private network would be a demand and the other two non-final. An explanation is given as to who pays for each of the connections and to where those payments are made to.

After the explanation of the diagram and with everyone confirming they understand the scenarios the group agrees to move on to review the legal text.

4 Legal text

- 3.7 AP starts to talk the working group through the draft legal text. LM asks if it would make more sense to define these customers as backup and main supplies rather than define them as final demand and non-final demand. It was noted that it would be easier for customers to understand as well as making it cleaner and more transparent. AP advised that this has been raised at the DCMDG and stated whilst it may be helpful it wouldn't change how the charges are currently apportioned. AP agreed it sounds more sensible but would likely mean additional changes to the legal text.
- 3.8 It was noted that if the backup connection was defined as non-final demand that would not be the right approach as it is not consistent with the TCR definition. It was also noted that Ofgem may not be open to defining these connections as non-final demand. In addition, that defining the backup as non-final demand could also impact other procedures which the working group agreed would be discussed at a later stage. Finally, at some point when the backup connections are energised, they could no longer be classed as Non-Final demand because they would be final demand.
- 3.9 ED asked who pays for the maintenance of the backup connections i.e. reinforcement if the customer isn't contributing through the residual charges. AP explains how the residual and Opex rates work and that they would form part of the fixed charge for each connection agreement. SV noted that with the current wording of the legal text there is a risk that this could open the door for some of these charges to land on domestic customers so further consideration is needed in the legal text to protect that as that isn't the intention of the change. AP agreed and reinforced that it's also not the intention of the TCR for customers to receive double charges.
- 3.10 The working group reviewed the Ofgem direction and noted that the steer doesn't suggest that the backup connection shouldn't have charges. AP advised that ultimately these sites are being double charged and the key principle is that one site shouldn't pay the residual charge twice as the customer would already be paying the consumption charges for the benefit of the backup supply as charging them twice for residual charges is double charging.
- 3.11 The working Group agreed that classing the back-up connections as non-final demand was not appropriate in preference to separate legal clauses/definition including picking up the variance in capacity arrangements and the need for certification/declaration (may be trilateral - PNO/Customer/Distributor). AP took action to develop a straw man.

Action 01/02: AP to develop an alternative legal text.

Identifying these agreements and Request For Information (RFI)

- 3.12 The Chair asked the working group if they can identify these sites and if it can be confirmed that these types of sites do receive double charges. It was confirmed that identifying these sites was possible and that by identifying them it's also possible to check how the charges are made up. A point was made that as the distributors may not know that the load is split across the two supplies so it is very likely that they will be charged twice.
- 3.13 The Chair suggested that it would be beneficial to raise an RFI to seek additional information to support the working group in developing a solution. The working group agreed that an RFI would be helpful.
- 3.14 The working group discussed what the most valuable RFI questions were and agreed on the following:

- How many single sites have a separate backup connection agreement?
- Are there any single sites with more than one back up connection agreement? Please indicate how many.
- Have you approached or been approached by customers to merge agreements? If so, how many and how long does it take to merge them?
- Are there any instances where the merging of agreements cannot be achieved? If so, please provide examples.

3.15 Additional questions to be asked related to PNO connections with the distributor with embedded customers having DNO connections as back up.

- How many of these arrangements exist on your network?
- Who do you charge or would charge (if you had any such an arrangement) the residual charge to the embedded customer?

3.16 The Working Group agreed that RFI would be sent to DNOs, and IDNOs,. The working group also agreed that to progress the solution the responses to the RFI would be needed.

4. Next Steps

4.1 It was agreed that the RFI would be issued, and the working group would respond within 2 weeks (close of play 24-06-2022) and reconvene for another working group after the response reviewed.

5. Any Other Business

5.1 There was no other business raised so the chair closed the meeting.

Appendix A

New and Open Actions

Action Ref.	Action	Owner	Update
01/01	ask internally if having the status of the back-up connection could be de energised and if that would remove the residual charge. Also, to investigate any issues around length of time to have power to the site.	Andy Pace	
01/02	develop an alternative legal text.	Andy Pace	
01/03	produce a RFI and share with the working group	Secretariat	