

# DCP 406 Working Group - Meeting 04

14 June 2022 at 10:00 - Web-Conference

Attendee	Company
<b>Working Group Members</b>	
Brandon Rodrigues [BR]	Espug
Brian Hoy [BH]	ENWL
Daniel Mellis [DM]	SSE
David Williams [DW]	SSE
Edda Dirks [ED]	SSE Generation
George Moran [GM]	SSE
Karin Cadwallader [KC]	BUUK
Karl Maryon [KM]	Drax
Kyran Hanks [KH]	Waters Wye Associates
Lee Wells [LW]	NPg
Martin Brace [MB]	UKPN
Peter Turner [PT]	NPg
Robert Matta [RM]	SSE
Simon Vicary [SV]	EDF
Vanessa Buxton	WPD
<b>Code Administrator</b>	
Andy Green [AG]	ElectraLink
Furqan Aziz [FA] (Chair)	ElectraLink
Mel Kendal [MK] (Technical Secretariat)	ElectraLink
<b>Apologies</b>	
Damian Clough [DC]	SSE Generation

## 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. Review of TCR /Non-TCR Alignment Options

- 2.1 The Chair proposed to the Working Group that we read through the various options (both TCR and Non-TCR aligned) for further discussion.
- 2.2 The Working Group discussed how much of an incentive it is for a Generator to pose as a Demand site to avoid paying reinforcement charges – If the reinforcement charges are higher than the residual charges, this would be their incentive to be treated as a Demand site for Connection purposes to avoid paying reinforcement.
- 2.3 The Working Group agreed to take an action to seek examples where reinforcement would incentivise a Generator to not pay reinforcement to avoid paying the Generation charges.

**ACTION 04/01: The Working Group to seek examples where reinforcement would incentivise a Generator to not pay reinforcement to avoid paying the Generation charges.**

- 2.4 TM noted that a new CP could be raised in the future to link them to the definitions within Schedule 32 to reduce this incentive, however it is currently out of scope of this change.
- 2.5 The Working Group agreed that it would be beneficial to have sight of all DNO proportion of connection offers that are contributions of £100k/£500k/£1m (relating to DG HV/DG 132 Market Segments) of all offers made. The Working Group agreed to take an action to complete this for further discussion at the next meeting and BH agreed to circulate a template for members to follow.

**ACTION 04/02: The Working Group to carry out analysis of the previous two years data to see what proportion of connection offers are contributions of £100k/£500k/£1m (DG HV/DG 132 Market Segments) of all offers made.**

- **BH to circulate a template for members to follow.**

- 2.6 Option 1 – Original Proposal
- 2.7 LW noted that additional legal text would probably be needed to provide for a circumstance where the DNO assessment is incorrect – BH also stated that amendments to Schedule 32 could be made to ensure they always align.
- 2.8 It was reiterated that it is not possible to utilise the TCR definitions of Final Demand Site/Non-Final Demand Site whilst considering the primary purposes of a site, and therefore any additional criteria may result in contradictions if seeking to address the primary purpose consideration.
- 2.9 The Working Group agreed that this is a suitable option.
- 2.10 Option 2 – Strict TCR Alignment

- 2.11 LW stated that Non-Final Demand Site certification would not be possible in accordance with Schedule 32 which relies upon MPAN having been created and registered to satisfy the definition. BH commented that all sites would become Final Demand for the purposes of connections charging and all would be shallow. This would not be consistent with the policy intent.
- 2.12 The Working Group supported that this option is not a viable option.
- 2.13 Option 3 – TCR Alignment in Principle
- 2.14 This option defines Generation, and then anything that is not defined as Generation will be defined as Demand.
- 2.15 ED queried why the decision was made to use the term ‘Premise’ instead of the TCR terminology of ‘Site’ – BH that ‘Premise’ was chosen as it aligns with the connections terminology within the Electricity Act. This option uses the principle of the TCR definitions without directly using the TCR definitions.
- 2.16 ED suggested that the reasoning behind using slightly different terminology should be included within the Consultation and feedback sought on whether this is the right approach. LW agreed to take an action to review the previous TCR discussions to check why it was decided to not use the term ‘Premises’.

**ACTION 04/03: LW to review the previous TCR discussions to check why it was decided to not use the term ‘Premises’**

- 2.17 The Working Group agreed that option 3 is currently the most preferable option out of the 6 potential options and is in line with Ofgem’s Decision.
- 2.18 Option 4 – Site Primary Purpose Based on TCR
- 2.19 This option is trying to address the primary purpose of the Site as opposed to the primary purpose of the connection. It still uses the TCR in principle, but not a strict alignment.
- 2.20 On member raised a concern that this option is too open to interpretation and does not have enough detail to set boundaries. Without having more definition, this is too loose of a description in its current form.
- 2.21 Option 5 – Site Primary Purpose Based on TCR
- 2.22 This option talks about the primary purpose of the Site overall.
- 2.23 LW stated that exceptional circumstances need to be included around Generators who need import but not for the reason of storage.
- 2.24 ED queried whether the connection status could be gained in order to benefit the residual charges (a gain in both ways) for any of the potential options – BH suggested that a better understanding of this will be gained once the DNOs have provide their analysis around connection offers.
- 2.25 LW confirmed that primary purpose will need to be defined and drafted into the legal text. It was also suggested that Demand is defined and anything that is not Demand will be classed as Generation (switched around).
- 2.26 Option 6 – Consider the Primary Purpose of each Connection Independent of the Site
- 2.27 LW confirmed that this option is not in line with Ofgem’s Decision or Direction.
- 2.28 The Working Group agreed to discount this option as a viable option.

- 2.29 After further discussion, the Working Group support options 1/3/5 and disregard 2/4/6. It was also suggested that it is noted within the Consultation what options were considered and the reasons behind disregarding them for clarity.
- 2.30 Members suggested adding a conclusion/Working Group assessment within the document for clarity when added to the Consultation.
- 2.31 The Working Group suggested the below for the 'primary purpose' to be defined:
- *MEC > MIC (\*switch definitions\*)*
  - *MEC = MIC but not storage, then Demand*
  - *MEC – MIC and storage, then Generation*
- Distributor to consider:*
- *Generation Licence taken into consideration = Generation*
  - *Backup Generation Exemption*
  - *Catch-All*
- 2.32 LW agreed to take an action to make the necessary updates to the examples table of the Options document to reflect the discussions held.

**ACTION 04/04: LW to make the necessary updates to the examples table of the Options document to reflect the discussions held.**

- 2.33 The Working Group also agreed to take an action to seek examples where reinforcement would incentivise a Generator to not pay reinforcement to avoid paying the Generation charges.
- 2.34 Members discussed their preferences as to whether all of the Access SCR CPs (DCP 404/405/406/407) should go out all together as one Consultation, or whether they should be circulated to wider industry individually. After further debate, the majority of the Working Group agreed that circulating the Consultations in pairs (i.e., DCP 404/405 & DCP 406/407).
- 2.35 Although circulating the Consultations in pairs was the majority preference, the Working Group agreed that it would be beneficial to seek internal feedback around this.

**ACTION 04/05: The Working Group to seek internal feedback regarding their preference to how the Consultation are circulated (i.e., all in one Consultation, in pairs, individually) for DCP 404/405/406/407.**

### 3. DCP 406 Workplan

- 3.1 The updated workplan can be found as **Attachment 1**.
- 3.2 The workplan will be updated after each meeting.

### 4. Agenda Items for Next Meeting

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

1. The Working Group to review option 5 of the TCR Alignment option.
2. The Working Group to review the drafting for the new exception.
3. The Working Group to review examples that support the charging methodology.

## 5. Any Other Business

---

- 5.1 The Chair asked the group whether there were any other items of business to discuss.
- 5.2 There were no other items raised.

## 6. Date of Next Meeting

---

- 6.1 The next Working Group meeting will be held on 21 June 2022 at 10am.

## 7. Attachments

---

- Attachment 1\_DCP 406 Workplan

## APPENDIX A

### New and Open Actions

Action Ref.	Action	Owner	Update
01/01	BH to seek further clarification from Ofgem regarding the discrepancies in the application of the high-cost cap within the Ofgem Decision and the Ofgem Direction.	BH	<b>Ongoing.</b>  Ofgem rep may be joining the WGs shortly.  Ofgem are aware of the discrepancies and are happy for the WG to provide two solutions.  Direction was incorrect and Decision is correct – they will clarify in due course.
01/03	The Working Group to create a list of options (regarding the definitions of both Demand Connection and Generation Connection) with pros and cons for each.	Working Group	<b>Ongoing.</b>  To be completed within the WG.
02/03	The Working Group to provide examples/used cases to review during the next meeting (examples from CMP 363/364 can be used as a basis).	Working Group	<b>Ongoing.</b>  On WG 04 Agenda.
04/01	The Working Group to seek examples where reinforcement would incentivise a Generator to not pay reinforcement to avoid paying the Generation charges.	Working Group	<b>Ongoing.</b>
04/02	The Working Group to carry out analysis of the previous two years data to see what proportion of connection offers are contributions	Working Group	<b>Ongoing.</b>

	<p>of £100k/£500k/£1m (DG HV/DG 132 Market Segments) of all offers made.</p> <ul style="list-style-type: none"> <li>BH to circulate a template for members to follow.</li> </ul>		
<b>04/03</b>	LW to review the previous TCR discussions to check why it was decided to not use the term 'Premises'	LW	<b>Ongoing.</b>
<b>04/04</b>	LW to make the necessary updates to the examples table of the Options document to reflect the discussions held.	LW	<b>Ongoing.</b>
<b>04/05</b>	The Working Group to seek internal feedback regarding their preference to how the Consultation are circulated (i.e., all in one Consultation, in pairs, individually) for DCP 404/405/406/407.	Working Group	<b>Ongoing.</b>

## Closed Actions

Action Ref.	Action	Owner	Update
<b>01/04</b>	The Secretariat to seek clarity around how many alternative solutions can be provided alongside the change.	Working Group	<b>Closed.</b>
<b>02/01</b>	LW to propose additional legal text which includes various options on how Ofgem's Decision can be aligned with the TCR.	LW	<b>Closed.</b>
<b>02/02</b>	The Working Group to undertake a wider review of the draft legal text originally proposed by BH, including the legal text for both Demand and Generation Connections.	Working Group	<b>Closed.</b>
<b>03/01</b>	LW to update the alternate draft legal text document to reflect discussions held during the meeting and circulate to the Working Group.	LW	<b>Closed.</b>

01/02	The Working Group to create a table relating to extension and reinforcement assets around the changes in policy (clearly showing any changes from the old policy to the new).	Working Group	Closed.
03/02	The Working Group to review the draft legal text by LW/BH and draft some alternate options for further review at the next meeting.	Working Group	Closed.
03/03	The Working Group to review the updated Demand Connection and Generation Connection definitions within the draft legal text (BH) and provide further feedback for the next meeting.	Working Group	Closed.