DCP 406 Working Group - Meeting 05

21 June 2022 at 10:00 - Web-Conference

Attendee	Company
Working Group Members	
Brian Hoy [BH]	ENWL
Damian Clough [DC]	SSE Generation
Daniel Mellis [DM]	SSE
David Williams [DW]	SSE
George Moran [GM]	SSE
Karin Cadwallader [KC]	BUUK
Kyran Hanks [KH]	Waters Wye Associates
Lee Wells [LW]	NPg
Martin Brace [MB]	UKPN
Peter Turner [PT]	NPg
Simon Vicary [SV]	EDF
Tom Cadge [TC]	BUUK
Vanessa Buxton	WPD
Code Administrator	
Andy Green [AG]	ElectraLink
Furqan Aziz [FA] (Chair)	ElectraLink
Maria Gascoigne [MG]	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. Review of TCR /Non-TCR Alignment Options

2.1 The Chair proposed to the Working Group that we re-review the various options (both TCR and Non-TCR aligned), including the updates made by LW, for further discussion. This can be found as **Attachment 1.**

2.2 BH amended the draft legal text to include wording to state that the avoided cost of reinforcement needs to be higher given that it is going to be electing to ay for more ongoing charges than previously considered (i.e., BSUoS).

2.3 LW states that BSUoS will add to the enduring costs that can be avoided by being a Generator and therefore reinforcement would need to be higher to incentivise 'electing' to pay reinforcement to forgo the ability to avoid the use of systems costs for example.

2.4 GM agreed to take an action to use 20/50/80% load factor for BSUoS to convert the DNO analysis into a consumption model for review as the Working Group believe this will be beneficial to have a visual of.

ACTION 05/01: GM to use a 20/50/80% Load Factor for BSUoS to convert sites from the DNO analysis into a consumption model for review.

2.5 The Working Group discussed final consumption levies and stated that even if a Generator opted to be a Demand Site to avoid the reinforcement charges, they would still avoid the consumption levies as they are still a Generator for that purpose. Therefore, it was suggested that final consumption levies should be removed from the options paper to avoid any confusion.

2.6 GM also agreed to take an action to confirm queries regarding the final consumption levies.

ACTION 05/02: GM to confirm queries regarding the final consumption levies.

2.7 Alongside the model that will be drafted by GM, the Working Group agreed to take an action to identify what a typical load factor would be for import relating to Generation and feedback to the group at the next meeting.

ACTION 05/03: The Working Group to identify what a typical load factor would be for import relating to Generation.

2.8 LW reiterated to the group that options 1/3/5 were supported for potential solutions by embers at the previous meeting, and options 2/4/6 were agreed to be rejected after consideration.

2.9 LW added conclusions to each of the options that were considered outlining the Working Groups assessment and decision to progress/reject.

2.10 Support options:

2.11 **Option 1: 'original'**

- *The working group agreed to take this option forward given it satisfies the directed requirement and Ofgem's final decision, other than the need to consider the primary purpose of the site – which the working group agree conflicts with alignment to the TCR definitions.*

2.12 **Option 3: 'principle TCR'**

- *The working group agreed to take this option forward given it satisfies the directed requirement and Ofgem's final decision, other than the need to consider the primary purpose of the site – which the working group agree conflicts with alignment to the TCR definitions.*

2.13 **Option 5: 'primary purpose – objective'**

- *The working group agreed to take this option forward given it satisfies Ofgem's final decision including consideration of the primary purpose of the site.*

2.14 Rejected options:

2.15 **Option 2: 'strict TCR'**

- *The working group agreed not to take this option forward as it fails to deliver on multiple aspects of the final decision: (i) it is not in line with policy intent regarding new sites – which would always default to being classified as a Final Demand Site, and (ii) it also does not satisfy Ofgem's final decision to consider the primary purpose of the site.*

2.16 **Option 4: 'primary purpose – subjective'**

- *The working group agreed not to take this option forward as, although it is the first option to consider the primary purpose of a site – in line with Ofgem's final decision – the ambiguity in determining that purpose is considered unnecessary risk and therefore option 5 is preferred.*

2.17 **Option 6: 'primary purpose – connection only'**

- *The working group agreed not to take this option forward as it is not in line with policy intent but wish to present that this has been considered to Ofgem as part of the development of the solution.*

2.18 The Working Group agreed that the conclusions of all the options considered (1-6) should be included within the Consultation to provide clarity to the wider industry around what was considered and why the decisions to either support/reject each option were made.

2.19 Members discussed the similarities between both options 1 and 3 and agreed that it would make sense to alter these to be 'Option 1A' and 'Option 1B' as opposed to two completely separate options.

2.20 The Working Group suggested that a list of pros and cons of each of the supported options (1A/1B/5) would be beneficial to the reader within the Consultation. LW agreed to take an action to draft this list for the group to review at the next meeting.

ACTION 05/04: LW to draft a list of pros and cons for the supported options (1A/1B/5) for the Working Group to review – this is to be included within the Consultation.

2.21 The below was suggested to be included as consultation questions to seek further feedback from wider industry:

- *Based on the different options, do the respondents agree that the principles of the primary purpose at the point of application, and each subsequent application thereafter, can change? For example, a site would start as final demand but add export capacity so that the MEC becomes greater than the MIC – what way would you want to charge them?*
- *The Working Group believe that option 3 meets the same policy intent as 1, but is easier to explain*

2.22 The Working Group discussed the Draft Consultation, and members agreed to provide any suggested Consultation questions to the Secretariat to include within the document.

ACTION 05/05: The Working Group to provide any suggested Consultation questions to the Secretariat prior to the next meeting.

3. Review Examples that support Charging Methodology

3.1 The Secretariat shared the CMP 363/364 examples with the group for review.

3.2 After a high-level view of the examples provided, the Working Group agreed that these examples would not be of benefit to use for this change.

3.3 BH walked through a draft of 'examples illustrating the application of the connection charging methodology' document with the Working Group for further discussion of each criterion.

3.4

3.5 BH agreed to take an action to circulate the charging methodology examples document with the Working Group post-meeting. The Working Group also agreed to take an action for all members to review each example of the document and provide feedback prior to the next meeting. It was agreed that this action is a priority to complete.

ACTION 05/06: BH to circulate the charging methodology examples document to the Working Group post-meeting.

ACTION 05/07: The Working Group to review each example within the charging methodology examples document and provide feedback prior to the next meeting. PRIORITY ACTION.

3.6 It was noted that the examples will need to be reviewed and cross-checked that the current wording works alongside either option 1A/1B/5, or whether additional wording/amendments to the current wording will need to be made (dependant on which option is chosen as the solution).

4. Review Drafting for New Exception

4.1 BH walked through the drafting of the new exception with the Working Group (example 18, exception 5 within the charging methodology examples document).

4.2 BH stated that it currently states that to connect to a Network, a connecting Customer should pay rather than be funded by DUoS Customers and this is the principle for the new exception; however,

there is not currently a diagram to illustrate this and the current diagram under example 18 would need to be amended to be aligned with the new exception.

4.3 The question to the group was should the Customer pay any of the charges, and if yes, what should the Customer pay for.

4.4 TC raised a concern that if this exception is changed, then what is defined as reinforcement currently will be changed in circumstances. BH stated that the current exception explains that it will be treated as an extension rather than reinforcement.

4.5 VB noted that it was Ofgem's decision to remove the locational signal which overrides the current arrangements where Customers do not pay to reconnect to an existing system, and this needs to be made clear.

4.6 GM suggested that example 18 within the charging methodology examples document should be flagged for further clarity alongside the new exception.

4.7 The Working Group agreed to continue the discussion around the new exception at the next meeting.

5. DCP 406 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 and discuss the DNO Analysis relating to Connection Offers.
2. The Working Group to review the Draft Consultation questions.
3. The Working Group to review feedback on the Connection Charging Methodology examples.
4. The Working Group to review the drafting for the new exception.

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 28 June 2022 at 10am.

9. Attachments

- Attachment 1_DCP 406 Definition of Demand and Generation Options (v3.0)
- Attachment 2_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	**Ongoing.** 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.
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.	Working Group	**Ongoing.** Some responses have been received. Add to Agenda 06 for discussion.
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.	Working Group	**Ongoing.**
05/02	GM to confirm queries regarding the final consumption levies.	GM	**Ongoing.**
05/03	The Working Group to identify what a typical load factor would be for import relating to Generation.	Working Group	**Ongoing.**
05/04	LW to draft a list of pros and cons for the supported options (1A/1B/5) for the Working Group to review – this is to be included within the Consultation.	LW	**Ongoing.**

05/05	The Working Group to provide any suggested Consultation questions to the Secretariat prior to the next meeting.	Working Group	**Ongoing.**
05/07	The Working Group to review each example within the charging methodology examples document and provide feedback prior to the next meeting. **PRIORITY ACTION.**	Working Group	**Ongoing.**

Closed Actions

Action Ref.	Action	Owner	Update
04/04	LW to make the necessary updates to the examples table of the Options document to reflect the discussions held.	LW	**Closed.**
04/03	LW to review the previous TCR discussions to check why it was decided to not use the term 'Premises'	LW	**Closed.**
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	**Closed.**
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	**Closed.**
05/01	GM to use a 20/50/80% Load Factor for BSUoS to convert sites from the DNO analysis into a consumption model for review.	GM	**Closed.**
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	**Closed.**
05/06	BH to circulate the charging methodology examples document to the Working Group post-meeting.	BH	**Closed.**

DCUSA