

DCP 421 Working Group - Meeting 03

18 September 2023 at 10:00 - Web-Conference

Attendee	Company
Working Group Members	
Blessing Ekpe [BE]	SSE
Dave Wornell [DW]	National Grid
Rebecca Nock (RN)	National Grid
George Potter [GP]	SPEN
James Knight [JK]	Centrica
Kara Burke [KB]	NPg
Matthew Shore [MS]	UKPN
Code Administrator	
Craig Booth [CB1] (Technical Secretariat)	ElectraLink
Andy Green [AG] (Chair)	ElectraLink
Apologies	
Chris Ong [CO]	UKPN

1. Administration

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

2. Actions Review

- **Action 01/02**– The Chair confirmed this action had been closed as the consultation document had been updated before being issued to parties.
- **Action 02/02** – The Chair confirmed this action had been closed as paragraph 4.10 and question 7 had been reworded.
- **Action 03/02** – This action remained open as the Chair advised he was still waiting on a firm answer however the initial steer was that it would be unlikely that there would be any issues with reporting this information being shared without it being sent to the markets first.
- **Action 04/02**- The Chair advised that that initial plans were being considered to ensure the spreadsheet had appropriate governance.
- **Action 05/02 and 05/03** – The chair advised these two actions were closed as the numbering had been corrected and the wider impacts question had been moved to later in the in the consultation document.

3. DCP 421 Consultation Response Review

- The Working Group reviewed the consultation. Responses. It was noted that there were seven responses but only one supplier response.

Do you understand the intent of the Change Proposal?

- All parties understood the intent of the change proposal.

Are you supportive of the principles that support this Change Proposal?

- All Parties supported the principles of the change proposal.

Should the years in Table 1 remain the same as in the current Table 1, with allowed revenue for any years in a future price control period assumed to be calculated on the same basis as the latest known price control period? Please provide rationale.

- Six of the seven respondents answered yes to this question and one responder offered no view.
- It was also noted that within the template a caveat to inform that prices could change would be helpful. The Working Group agreed with this.

Is the level of granularity in ‘Table 1 – CDCM Input Version’ sufficient for the CDCM ‘General Inputs’ or is anything further required for input into the CDCM? Please provide rationale.

- The Working Group noted that five respondents stated that the level of granularity was sufficient and no further data items were required, one respondent didn't offer a view and another stated whilst the level of granularity was sufficient, the blocks for excluded services and revenue raised out CDCM weren't used.
- They also stated that although these blocks are not currently in use it may make sense to keep a few rows in to allow for anything that comes up that isn't currently known.
- All the other distributors within the Working Group confirmed that they also didn't use these blocks.
- The Working Group agreed to include two extra lines inside revenue raised out CDCM to capture any unforeseen changes.

For Suppliers Only- Is the level of granularity in 'Table 1 – ED2 Detailed' required for the quarterly Cost Information submissions, or is the level within 'Table 1 – CDCM Input Version' sufficient for? Please provide rationale.

- It was noted only one supplier provided a response to the question, but they believed that the detail in the ED2 detailed table was preferable to the CDCM input version.
- It was agreed within the Working Group that as the CDCM input version fed the ED2 Detailed table tab, both sets of data would be provided.

Are there any data items that have not been included within 'Table 1 - ED2 Detailed' or 'Table 1 - CDCM input version' that you believe should be included, or any other changes to the format that you believe would improve this table? If so please provide rationale.

- Five of the responses stated no further data items were required.
- Another responder stated that it might be beneficial to provide the breakdown of Output Delivery Incentive (ODI) and Other Revenue Allowance (ORA) as was done for Pass-Through (PT). Or leave the breakdown for all three in 'Table 1 – ED2 Detailed' worksheet.
- They also stated that on the format, a colour legend will be helpful, for example, to distinguish which cells are calculated or pulled from other worksheets within the workbook.
- The responder who raised these points advised they were comfortable with the level of data and that these two requests were "nice to have requirements within the Working Group.
- The proposer stated that some of the passthrough items (SOLR, Smart, Business Rates etc) are used separately in the CDCM so they needed to be within the CDCM sheet.
- It was noted that everything within the CDCM was included within the sheet.
- The final responder commented that the split of revenue between CDCM and EDCM isn't included in the 'ED2 Detailed' tab if the intention is to only provide only the 'ED2 Detailed' or the 'CDCM Input Version' then rows 48, 49 and 53 of the 'CDCM Input Version' should be included in the 'ED2 Detailed output'

- It was noted within the Working Group that the approach is to request both the ED2 detailed tab and CDCM Input Version tab level of details so this resolved the query.

Does the 'Delta from previous' table provide additional value to the submission? Are there any data items that have not been included within the 'Delta from previous' table that you believe should be included, or any other changes to the format that you believe would improve this table? If so please provide rationale.

- All seven responders believed that the Delta from previous table provided additional value giving reason ranging from it is helpful as it gives suppliers further information to it allowing distributors to be able to check variances are as expected and helps to prepare the commentaries and presentation when issued.
- One respondent noted that the teleconference call that is mandated within the DCUSA could change its approach post this change being accepted as they could have the templated data presented rather than the current approach which is to prepare slides.
- It was noted by the only supplier in the Working Group that whilst the slides may not be required, and just the worksheet, the stakeholder call still added value as it gives suppliers opportunity to ask questions.
- It was also noted within the obligation to have a teleconference, how the data is presented back is with the gift of interested parties within the call so if using the template was a better approach, this could be agreed within the teleconference call.
- The only supplier to respond to the question stated as the split of revenue between CDCM and EDCM isn't included in the 'ED2 Detailed' tab and the 'Delta from previous' tab shows movements based on that tab the movement in the split between CDCM and EDCM is omitted.
- The Working Group concluded that until the value is formalised the only change is of a function of the allowed revenue so including this within the ED2 Delta Detailed tab wouldn't add value at this point.

For suppliers only - Do you use the information provided in Table2? If so what do you use the information for and does it add significant value?

- Six respondents didn't offer a view as they were not suppliers.
- The one supplier who did provide a response stated the information provided within Table could be much more useful in providing foresight of potential revenue movements.
- It was concluded that only one supplier had responded to this question who stated that the initial section was valuable and they could see value in the other sections however it was better to continue with the proposed approach as it provides the most amount of data.

Is the proposed Table 2 an improvement on the existing Table and do you believe this could provide more meaningful information to Suppliers? Please provide your rationale.

- One responder noted that they believed the existing style is preferable and the proposed table may be too prescriptive and not allow for any flexibility.

- It was highlighted that after discussing this within the working group the responders stated that they were comfortable with either current and proposed processes.
- A caveat within the sheet may be useful to highlight what bottom sections are for within Table2.
- It was concluded after discussion that all parties who responded either didn't offer a view to this question or believed that the proposed Table 2 an improvement on the existing Table.

Are there any data items that have not been included within Table 2 tab that you believe should be included, or any other changes to the format that you believe would improve this table? If so please provide rationale.

- Six respondents didn't offer up any additional data items.
- One respondent raised an earlier comment that it would be nice to have a colour code legend. They also stated it would be nice to have a commentary column.
- The same respondent also noted that unless the intention is to show potential swings or extremes on the level of impact (more clarity on what we are trying to capture), there is no need for the inflation table in Table 2
- It was concluded that the intention for the inflation template was to only show potential swings or extremes that different levels of inflation could have.

What source of forecast inflation should be used, and should that source be consistently applied by all DNOs?

- The responses to this ranged from either the OBR value being the source of inflation or the DNOs setting the value as is the current process.
- It was concluded that as the OBR figure is formalised only once a year, this may not be the most appropriate source to use throughout the year as the value could be very different several months in the future so allowing DNOs the flexibility to select the source of forecast inflation would be the best approach.
- It was also concluded that the current approach is that DNOs have the flexibility with the forecast inflation source and that being too prescriptive could cause issues in the future, i.e. if the value become not fit for purpose or if the frequency the value was updated changed. It was also highlighted that the inflation source could be raised on the teleconference call if suppliers wanted a different source to be used and agreed within industry without having to raise separate DCPs to change the value.
- A vote was taken within the Working Group and those in favour of using the OBR figure for forecasting was zero of seven Working Group members and those in favour of allowing DNOs to set the figure was four so a majority of Working Group members agreed it was sensible for DNOs to retain flexibility.

Who should be responsible for codifying where the inflation source comes from i.e. the DCUSA, Ofgem etc? Please provide rationale

- Five respondents agreed that codifying the forecast inflation source wasn't the needed as per current process.
- One respondent stated it should be Codified within the DCUSA and another offered no view.

Do you have a preference of how the tables are reflected within the DCUSA legal text? Should they be captured within the body of the text or provided in a separate workbook, referenced within the legal text

- All respondents agreed that the tables should be referenced within the a separate workbook with a reference in the legal as this would allow for flexibility to update the template without having to go through the formal change process.

Do you consider the solution better facilitates the DCUSA objectives? Please give supporting reasons.

- For the charging objectives five respondents believed the change better facilitates objective 4 and four respondents believed objectives 1 and 2 were better facilitated.
- For the General objectives five respondents believed objective 3 was better facilitated and four believed objective 2 was better facilitated.
- One responder offered no view.

Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

- Three responders highlighted that DCP 325 was also reviewing some elements of schedule 15 (cost information tables) however the Working Group concluded that the two change proposals were written specifically in a way to separate which parts of schedule 15 needed changing so there shouldn't be any interactions.

What date do you believe this change proposal should be implemented? Please provide rationale.

- Five responders stated that the implementation date should not be before 01 January 2024.
- One responder stated for the next quarterly return and one responder offered no view.

Do you have any other comments?

- There were no comments raised to this question that hadn't been previously brought up within the earlier consultation responses.
- The Chair confirmed that as a result of the consultation review the following actions would be completed before the next meeting.
 - Chair to add additional lines to the spreadsheet to the Revenue raised out CDCM item.
 - Chair to summarise Q14 in a table format so it's easier to understand the views of which objectives responders to the consultation believed were better facilitated.
 - Chair to pick up with Dylan re removal of COVID-19 items and modelling.

- Chair to draft the change report in advance of the next meeting.

Any Other Business

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

There were no other items raised.

Date of Next Meeting

The next Working Group meeting, to review consultation responses, will be held on 10 October 2023 at 10:00.

Attachments

- Attachment 1 DCP 421 Collated Consultation Responses

APPENDIX A

New and Open Actions

Action Ref.	Action	Owner	Update
03/02	Seek advice on whether any elements in the proposed spreadsheet template, table 2, would ever need to be reported on the stock exchange first.	Chair	New
04/02	Seek advice on the governance arrangements for updating something hosted separately on the DCUSA website versus being embedded in the body of the DCUSA.	Chair	New
01/03	Chair to add additional lines to the spreadsheet to the Revenue raised out CDCM item.	Chair	New
02/03	Chair to summarise Q14 in a table format so it's easier to understand the views of which objectives responders to the consultation believed were better facilitated	Chair	New
03/03	Chair to pick up with Dylan re removal of COVID-19 items and modelling	Chair	New
03/04	Chair to draft the change report in advance of the next meeting.	Chair	New

Closed Actions

Action Ref.			Update
01/01	Issue a call to action to Suppliers to increase engagement in DCP 421.	Chair	Closed
02/01	Add column J with explanations.	KB	Closed
01/02	Reword paragraphs in section 4, except for paragraph 4.10.	KB	Closed
02/02	Reword paragraph 4.10 and question 7.	MS	Closed
05/02	Update the objectives table to correct numbering.	Chair	New
06/02	Move the wider impacts question to later in the document.	Chair	New

•