

DCP 412 Working Group 26 Minutes

13 November 2023 at 10:00

Location: Teleconference

Attendees	Company
Babatunde Olukotun (BO)	NGED
Edda Dirks (ED)	SSE Generation
Diandra Orodan (DO)	BU UK
Simon Vicary [SV]	EDF
Lee Stone (LS)	E.ON
Chris Ong [CO]	UKPN
Sally Musaka (SM)	SSE
Ryan Farrell (RF)	NPg
Kyran Hanks (KH)	WatersWye
Matt Cullen (MC)	E.ON
Observers	
Thomas Holderness [TH]	Ofgem
Andrew Malley [AM]	Ofgem
Code Administrators	
Richard Colwill (RC) (Chair)	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 Chair advised the meeting would be recorded and asked the Working Group if there were any objections to this. It was explained that the recording would be deleted 15 working days after the Working Group meeting. There were no objections.

2. Purpose of the Meeting

- 2.1 The Chair explained that the purpose of the meeting was to review the analysis on whether the customers qualifying for the 95% or 90% threshold tend to remain the same period on period. There will then be an open discussion on the current proposed approach and a determination of best next steps.

3. Review of Analysis

- 3.1 MC stepped through the analysis and a summary of the analysis is below. The data was analysed by splitting it into two periods, each for 365 days, and checking whether the customer ID’s matched between the two periods. High-level analysis is below, along with a summary:

Period 1 95% Threshold Analysis

Period 1 95% Custs	32
Period 2 95%	2
Period 2 90%	4
Period 2 85%	3
Period 2 80%	0
Unknown	23

- 3.2 In period 1, there were 32* customers eligible for the 95% threshold. 2 of these customers continued to be eligible for the 95% threshold in period 2, whilst 4 customers dropped to the 90% threshold and 3 customers dropped to the 85% threshold in period 2. 23 customers no longer appeared to be eligible for HCULU status in period 2.

Period 1 90% Threshold Analysis

Period 1 90% Custs	123
Period 2 95%	6

Period 2 90%	25
Period 2 85%	17
Period 2 80%	8
Unknown	67

3.3 In period 1, there were 123 customers eligible for the 90% threshold. 6 of these customers were eligible for the 95% threshold in period 2, whilst 25 customers continued to be eligible for the 90% threshold. 17 customers dropped to the 85% threshold and 8 customers dropped to the 80% threshold, in period 2. 77 customers no longer appeared to be eligible for HCULU status in period 2.

Analysis of the 95% Period 1 Customers

3.4 The analysis of the 23 customers who appeared to be no longer eligible for HCULU status, from the 95% threshold analysis above, showed there were three distinct reasons for this:

Reasons	# of Customers
High Capacity Usage, Low Utilisation below 80%	13
MIC exceeded	8
Zero data for Period 2	2

Analysis of the 95% Period 1 Customers

3.5 The analysis of the 67 customers who appeared to be no longer eligible for HCULU status, from the 90% threshold analysis above, showed there were still three distinct reasons for this:

Reasons	# of Customers
High Capacity Usage, Low Utilisation below 80%	47
MIC exceeded	18
Zero data for Period 2	2

- 3.6 The analysis therefore shows that, of the 123 customers that were eligible for the 90% threshold in period 1, 47 no longer qualified due to a change in their capacity usage and 18 no longer qualified due to exceeding their MIC.
- 3.7 Notably, of those who exceeded their MIC, 11 customers may qualify if excessive use of up to 5% is permitted whilst 13 customers (including the aforementioned 11) may qualify if excessive use of up to 10% is permitted.
- 3.8 It was noted that the analysis demonstrated that there was a lot more movement between being peaky and not peaky than was originally anticipated.
- 3.9 AM asked a question in relation to how customers who have exceeded their MIC will be treated. A concern was raised in relation to potentially not picking up all customers that are at genuine risk of becoming unviable because of their fixed charges. It was mentioned that the reason why the excess MIC was included in the analysis is because the calculation is based on the MIC, not necessarily because they will be treated differently. A decision is required as to how customer exceeding the MIC will be treated, for example, for the purposes of what this CP is trying to achieve should the fact they have exceeded their MIC not be a consideration when determining whether they are peaky or not.

ACTION 26/01: Working Group to conclude on how customers who have exceeded their MIC will be treated.

- 3.10 The Working Group also discussed what the threshold should be (i.e 95%, 90%, 85%, 80%). MC stated that after reviewing the analysis he felt that the threshold should be lower as this would capture the most customers and would still have minimal impact on other customers in relation to the costs being passed on.
- 3.11 It was noted that an impact assessment had been undertaken to understand the impact on eligible customers (in terms of the reduction of DNO and TNO revenue) and the impact on all other customer (i.e. how much other customers' bills would increase by).
- 3.12 The impact analysis was based on both CDCM customer meeting the criteria for the 95% threshold in 2022 and can be seen below:

Band	# of HCULU customers	Total loss of revenue	# of customers in band	Increase in charge for remaining customers	Increase (%)
HV2	6	£121,727	7608	£16	0.1%
LV2	13	£28,884	59084	£0.5	0.02%
LV3	9	£32,544	22093	£1	0.04%
LV4	2	£24,268	24268	£1	0.01%

- 3.13 The table above shows that the increase for each customer is negligible as a result of the re-banding of the HCULU customers.

- 3.14 After discussion, the Working Group were keen to see the above analysis but stepped down to the 80% threshold to understand what the impacts on other customers would be if the threshold was to be lowered. MC took an action to undertake this analysis.

ACTION 26/02: MC to undertake additional analysis to understand the cost impact on other customers if the threshold is lowered (i.e 90%, 85%, 80%).

- 3.15 Whilst acknowledged that the threshold was still to be determined, along with how customers who have exceeded their MIC should be treated, it was widely agreed that the methodology for determining a peaky customer should be blunt in the first instance. For example, the answer will be yes this is a peaky customer or no it isn't.
- 3.16 The Working Group discussed whether there should be a second step, where the DNO is allowed some discretion if they felt like the customer was unique enough to still be treated as a peaky customer. An example of a type of customer that may fall under this review was provided. A customer may, for example, because of a specific operational purpose be expanding and therefore request for more capacity in readiness for extra demand. If you completed an annual review before their new usage comes into effect, it could appear they are not peaky but practically it may be sensible that they are still classed as peaky.
- 3.17 MC took an action to draft a process for how this second step could work. For example, could it be something the DCUSA disputed committee looks at? It was noted that it would be important to ensure that customers are treated similar across all DNOs.

ACTION 26/03: MC to draft a process for how this second step (DNO discretion) could work.

- 3.18 The Working Group also discussed how often these sites should be reviewed if this CP was approved. There was agreement that this should be annually. The first assessment will be based on 12 months data. The reason for this is that if you go back two years, you are analysing data from the pandemic which was an unprecedented time and therefore the data is not comparable. It was agreed that each annual review thereafter will be based on two years data.

4. Next Steps

- 4.1 The Working Group agreed that the actions taken from this meeting will further aid discussions and agreed to reconvene on 27 November once these actions have been completed.

5. Next Meeting

- 5.1 The next DCP 412 Working Group meeting is scheduled for Monday, 27 November starting at 10am. Microsoft Teams invites have been issued.

Appendix 1 – Action Log

New and Open Actions

Action Ref.	Action	Owner	Update
20/01	Working Group to consider questions it would like Ofgem to consider (this action will remain on hold until after the review of consultation 1 responses has been completed.)	Working Group	New action (on hold)
21/02	Working Group to consider what additional analysis is required after the consultation 1 responses review is completed.	Working Group	New action (on hold)
21/03	Working Group to discuss additional re-banding considerations after the consultation 1 responses review is completed.	Working Group	New action (on hold)
21/04	Chair to add the split criteria to the analysis as variables.	Chair	Ongoing
21A/01	Chair to locate or create a 'statement of facts' document that concisely summarises the principles and decisions implemented under the TCR.	Chair	Ongoing
21A/02	Working Group to add clarification/justification for how customers become eligible for HCULU status and for spreading the remaining residual charges over other customers.	Working Group	New action (on hold)
22/02	Chair to facilitate the expansion of the impact assessment to cover customers who exceed their MIC by 5% and 10% respectively.	Chair	Ongoing
23/01	Chair to update the minutes of meeting 22 to add a reference to the aforementioned documents.	Chair	Closed
26/01	Working Group to conclude on how customers who have exceeded their MIC will be treated.	All	New action
26/02	MC to undertake additional analysis to understand the cost impact on other customers if the threshold is lowered (i.e 90%, 85%, 80%).	MC	New action

26/02	MC to draft a process for how this second step (DNO discretion) could work.	MC	New action
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Closed Actions

Action Ref.	Action	Owner	Update
11/02	The Secretariat to reach out to DNOs to see if they have experienced any cases where there may be a potential blocker to net zero (in relation to DCP 420)	Chair	Closed. No update as of yet. Working Group agreed that this can be picked up as part of the Action list for DCP 420 as opposed to DCP 412.
11/03	The Chair to respond to Ofgem to state that due to confidentiality risks of DNOs, the Working Group would prefer to state the impacts of this CP on TNUoS Customers only (not DUoS)	Chair	Closed. Ofgem agreed that the analysis should be completed.
12/01	LS to provide a proposers view of the impacted DUCSA objectives	Lee Stone	Closed. The Consultation document has been updated accordingly.
12/02	The Chair to share the panels steer on when to assess CPs against charging objectives, general objectives, or both	Chair	Closed. This was circulated to the Working Group.
12/03	The Chair to share updated versions of the legal text and consultation document prior to the next meeting	Chair	Closed. This was circulated to the Working Group.
14/04	The Chair to seek clarification on Ofgem's decision criteria based on the urgency status of the change.	Chair	Closed
10/01	Request half hourly data for the 95% threshold customers from DNOs to allow an assessment of how the bands change based on average daily or monthly maximum demand	Chair	Closed. Complete data set has now been received by all DNOs. Analysis has started, and the number of

			Customers within the 95% threshold for 2022 has increased.
10/02	Perform the same analysis on the customer data provided in action 10/01 above.	MC	Closed. Complete data set has now been received by all DNOs. Analysis has started, and the number of Customers within the 95% threshold for 2022 has increased.
10/03	Show the reduction in DNO income.	MC	Closed. Complete data set has now been received by all DNOs. Analysis has started, and the number of Customers within the 95% threshold for 2022 has increased.
11/06	LS to seek further information around the Distribution Licence in relation to DCUSA Objective 1.	Lee Stone	Closed. No update as of yet.
11/07	The Chair to seek further understanding of where consumer fairness fits in, in relation to the DCUSA Objective	Chair	Closed. Internal view is that this is not a DCUSA issue to fix and is a licence issue. The Chair will discuss with Ofgem that they may want to look at this in the future.
14/01	The Chair to transfer the current Action 11/02 in DCP 412 action log over to the DCP 420 action log.	Chair	Closed
14/02	The Working Group to review paragraphs 6.4H (option 1 and option 2) and make a decision as to whether this should be removed from the draft legal text during the next meeting on 25 July 2023.	Working Group	Closed

14/03	The Chair to make a visual of the examples for the better understanding for the reader – once added within the Consultation document, the original written examples can be deleted.	Chair	Closed
17/01	Working Group members to share the illustrations with colleagues who hadn't had visibility of DCP 412 to check the made sense	All	Closed
18/01	Add definition of HCULU customer in consultation 2.	Chair	Closed
18/02	Simplify how the retrospective treatment process and reassessment process is explained with the consultation document	Chair	Closed
19/01	MC to review and update the paragraph that deals with shared capacity and the forward-looking access SCRs	Matt Cullen	Closed
19/02	MC to check in with LS on what the obligations are on suppliers to return any financial benefits received from distributors back to customers.	Matt Cullen	Closed
19/03	RF to report back to the Working Group on the outcome of a call taking place after this Working Group discussing how financial benefits are returned to customers and what obligations are in place to make sure customers receive the benefits.	Ryan Farrell	Closed
20/02	The Chair to map the processes as they currently stand for presentation at a future Working Group meeting.	Chair	Closed
20/03	BO to map the scenarios he has identified for the enduring retrospective re-banding.	BO	Closed
20/04	Chair to review the data and determine the number of customers that changed from year 1 to year 2.	Chair	Closed
21/05	Chair to share the council responses with the Chair of DCP 420.	Chair	Closed
22/01	Chair to contact respondent and clarify if they would be happy to have their response published in an anonymised form.	Chair	Closed

21/01	Chair to contact respondent to seek clarification on the two responses received.	Chair	Closed
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