DCP 425 Working Group 02 Draft Minutes

06 November 2023 at 10:00
Location: Teleconference

Attendees	Company
Lee Wells (LW)	NPg
Edda Dirks (ED)	SSE Generation
Drew Johnstone (DJ)	NPg
Claire Witty (CW)	SPEN
Kyle Smith (KS)	NGED
Daniel Mellis (DM)	SSE Distribution
Michael Allison (MA)	SSE Distribution
Jane Halsey (JH)	UKPN
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 and agreed to the Terms of Reference

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.

1.3   The Chair explained that all actions and decisions taken will be recorded in logs and circulated to the Working Group after each meeting. The Chair reiterated, following a query around the decision log, that the purpose of the log is to record the outcome and context for decisions made by the Working Group and that any such decisions are not binding and can be revisited if the Working Group decides it is necessary to do so.

1.4   Updated versions of the action log and version control document can be found in Attachment 1 and 2 of these minutes.

2.   Purpose of the Meeting

2.1   The Chair explained that the purpose of this meeting is to walk through each solution to show the difference between the 6 options and to establish next steps.

3.   Review of the six options presented within DCP 425 Change Proposal

3.1   The Proposer, LW, gave an overview of the six options. These can be summarised below:

Option 1: Cap Reinforcement where HCPT exceeded only (subject to zero floor)

3.2   It was explained that this option uses a linear four-tiered approach.

- If a single CAF applies, the cost of Reinforcement to be apportioned shall equal the High-Cost Project Threshold.

- If multiple CAFs apply but there is only one cost of Reinforcement that exceeds the High-Cost Project Threshold in isolation, that cost of Reinforcement is reduced by the "excess".

- If multiple CAFs apply and both (i) there are multiple costs of Reinforcement that exceed the High-Cost Project Threshold in isolation, and (ii) the aggregate value of those costs is greater than or equal to the "excess", the "excess" is subtracted proportionally from those costs.

- Finally, there are two circumstances that may require that the "excess" be subtracted from each cost of Reinforcement proportional to the total cost of Reinforcement. Firstly, if no costs of Reinforcement exceed the High-Cost Project Threshold in isolation but do in aggregate. Secondly, if multiple CAFs apply and both (i) there are multiple costs of Reinforcement that exceed the High-Cost Project Threshold in isolation, and (ii) the aggregate value of those costs is less than the "excess".

Option 2: Cap Reinforcement for a single HCPT exceedance otherwise cap all proportionally

3.3   It was explained that this option uses a linear three-tiered approach and is similar to option 1; however, unlike option 1, where there are multiple costs of Reinforcement there are no costs that are not adjusted.

- If a single CAF applies, the cost of Reinforcement to be apportioned shall equal the High-Cost Project Threshold.

- If multiple CAFs apply but there is only one cost of Reinforcement that exceeds the High-Cost Project Threshold in isolation, that cost of Reinforcement is reduced by the "excess".

- Otherwise, the "excess" should be subtracted from each cost of Reinforcement proportional to the total cost of Reinforcement.

Option 3: Cap all Reinforcement proportionally (the Proposer's preferred option)

3.4   It was explained that the "excess" should always be subtracted from each cost of Reinforcement proportional to the total cost of Reinforcement.

Option 4: Cap maximum Reinforcement (subject to zero floor)

3.5   It was explained that this option uses a non-linear multi-tiered approach regardless of the number of CAFs to be applied and introduces a concept of a "residual excess".

- The "residual excess" represents the difference between the "excess" and the aggregate value of maximum costs of Reinforcement, and only where the "excess" is greater.

- If there is a single occurrence of the maximum cost of Reinforcement, providing that cost of Reinforcement is greater than or equal to the "excess", the "excess" is subtracted from that maximum cost of Reinforcement. The principle also applies if the High-Cost Project Threshold is only exceeded in aggregate (and not therefore for any cost of Reinforcement in isolation).

- If there are multiple instances of the maximum cost of Reinforcement, providing the aggregate cost of that Reinforcement is greater than or equal to the "excess", the "excess" is subtracted evenly from those maximum cost of Reinforcement.

- If a "residual excess" occurs: (i) the adjusted costs of Reinforcement (for single or multiple instances of maximum costs of Reinforcement) are floored at zero (otherwise the costs of Reinforcement would be a negative value after being reduced by the "excess"), and (ii) the "residual excess" is separately subtracted from other costs of Reinforcement based on one of two approaches.

Option 5: Cap Reinforcement proportional to unadjusted Customer CAF contribution (subject to zero floor)

3.6   It was explained that this option reduces the cost of Reinforcement to be apportioned proportional to the Customer's unadjusted contribution to the cost of Reinforcement, providing the adjusted cost of Reinforcement is greater than or equal to zero.

- The unadjusted cost of Reinforcement is multiplied by the relevant CAF, and the relative proportion of Customer contributions to those unadjusted costs of Reinforcement is then used to determine the proportion of the "excess" to subtract from that cost of Reinforcement.

Option 6: Cheapest for the Customer

3.7   It was explained that this option is potentially open-ended in that it could require assessment of an exhaustive set of options to determine which results in the lowest cost to the Customer, and which may vary subject to the scenario (i.e. one option may not always be the cheapest).

Working Group Considerations

3.8   It was noted that in some circumstances, when utilising the other options, it may produce a negative value and therefore you would end up referring to option 3, which is the Proposers preferred solution.

3.9   LW, JH, CW and DM indicated that their preferred approach was option 3.

3.10   An action was taken by LW to produce some wording, along with examples for each of the above solution for inclusion in the DCP 428 consultation.

Post Meeting Note:

3.11   An updated version of the consultation was issued to the Working Group for review on 7 November, with a deadline of responses set at 2pm, 9 November for comments. The intention is to issue the consultation to industry on 10 November.

4. Next Meeting

4.1   The next Working Group is scheduled for 4 December at 10:00am.

4.2   The agenda items for the next meeting are:

    4.2.1 to review the consultation responses; and

    4.2.2 to determine next steps.

5. Any Other Business

5.1   There was no other business raised.