

DCP 412 Working Group 27 Minutes

27 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 new analysis on the impacts on other customers for the 80% threshold and to determine next steps.

3. Review of analysis for lowering threshold (85%/ 80%)

- 3.1 At the last meeting, the Working Group were keen to see analysis stepped down to the 80% threshold to understand what the impacts on other customers would be if the threshold was to be lowered.
- 3.2 MC stepped through this analysis.
- 3.3 In summary, at 80% threshold there are 1146 HCULU customers in various LV, HV bands. The analysis assumed a worst case where all of them are rebanded to their respective Band 1.
- 3.4 This means a <1% increase for most Bands (to cover the same overall cost between fewer customers) with the exception of the LV NHH Bands which see up to 6% increases (although these are still low on an absolute basis, all being < £11 pa)
- 3.5 It would also mean a slight decrease for Band 1 tariffs (due to having more customers in the Band).

How should rebanding work?

- 3.6 It was noted that the analysis was done on a worst-case scenario of the customers being rebanded to the lowest band. One idea was that the customer only steps down one band regardless. This would mean less impact on other customers. It was noted that the original plan was to use daily average peak consumption to calculate the band. It was also noted that analysis cannot be done to determine the impacts using this methodology as the data is not available. It is possible to present the impacts if the model is that qualifying customers simply go to the next lowest band.
- 3.7 Working Group members should consider what their preferred approach would be in relation to the consultation. Is there a working group position or do we present the analysis and seek industry views on their preferred approach?

Threshold and two-step process

- 3.8 The working group discussed what the threshold should be and also discussed the two-step approach which was provided by Northern Powergrid in the first consultation.
- 3.9 The two-step approach is detailed below:

1 – Is the Capacity Utilisation between 80%-100%?, where

Capacity Utilisation = Max Demand / MIC

This identifies all customers who are using capacity close to their MIC at some point during the

period considered.

2 – Is the load factor less than [10%] or alternatively is (1-Load Factor) more than [90%]]? Where load profile has the industry defined definition

Load Factor = total consumption / (max demand x hours)

- 3.10 Working Group members should consider what their preferred approach would be in relation to the consultation. Is there a working group position or do we present the options and seek industry views on their preferred approach?

Frequency of review

- 3.11 The Working Group discussed the frequency of review. It was initially proposed to be annually and the main reason for this is that it is funded by other customers and addressed potential concerns around gaming. Some members were leaning towards the review being at price control.

DNO discretion

- 3.12 The Working Group discussed whether there should be a discretionary 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. 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.
- 3.13 The Working Group were unable to land on a decision.
- 3.14 It was proposed that post meeting the proposer provides their current thinking on preferred approach. this will then aid in how the consultation is put together.

ACTION 27/01: Proposer to provide their current thinking on preferred approach.

Post meeting note:

- 3.15 The proposer has confirmed that their preferred approach is as below:
- 2 step process
 - Retrospectivity with sunset clause after 12 months
 - 1-year historical data
 - 90% for each step threshold
 - No discretion - separate mod
 - Review connected to price control period.
 - Rebanding to one band lower for simplicity's sake

4. Next Steps

- 4.1 The Working Group agreed that the action taken from this meeting will further aid discussions and agreed to reconvene on 07 December once these actions have been completed.

5. Next Meeting

- 5.1 The next DCP 412 Working Group meeting is scheduled for Thursday, 07 December 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	Ongoing
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	Completed

26/02	MC to draft a process for how this second step (DNO discretion) could work.	MC	Ongoing
27/01	Proposer to provide their current thinking on preferred approach.	MC/ LS	Completed

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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