

Distribution Charging Methodologies Development Group (DCMDG) - Meeting 69

16 November 2023 at 10:00 via Microsoft Teams

Attendees	Company
Ahna Taylor [AT]	SSE
Alice Cockshutt [AC]	Engie
Andrew Malley [AM]	Ofgem
Charles Mott [CM]	SSE
Chris Barker [CB]	ENWL
Chris Ong [CO]	UKPN
David Fewings [DF]	Inenco
Donna M Jamieson [DJ]	Energy Assets Ltd
Diandra Orodan [DO]	BU-UK
Dave Wornell [DW]	National Grid
Dimuthu Wijetunga [DW]	Shell
Edda Dirks [ED]	SSE Generation
Georgia Preece [GP]	NPg
Harrison Hunter [HH]	Cornwall Insight
Kyran Hanks [KH]	Waters Wye
Paul Farmer [PF]	Shell
Ryan Farrell [RF]	NPg
Sally Musaka [SM]	SSE
Thomas Holderness [TH]	Ofgem
Tony Collings [TC]	Ecotricity
Victoria Burkett [VB]	SSE
Tom Perryman [TP]	St Clements Services Limited
James Knight [JK]	Centrica
Iain McKie [IM]	Ofgem
Joe Boyle [JB]	SPEN
Kara Burke [KB]	NPg
Lee Stone [LS]	EON Energy
Secretariat	
Alysson Peña [AP] (Technical Secretariat)	ElectraLink
Dylan Townsend [DT] (Chair)	ElectraLink

1. Administration

- 1.1 The group reviewed the DCUSA “Competition Law Guidance” and agreed to be bound by this for the duration of the meeting.
- 1.2 Attendees reviewed the draft minutes from the meeting held on 19 October 2023 and agreed they were an accurate reflection of the discussions held.
- 1.3 The Chair provided updates on the open actions contained in the actions log which was issued with the meeting papers. Member noted that ACTION 68/01 contained in the log, did not appear in the minutes themselves and asked if the minutes could be updated accordingly. Members also noted that the actions as currently drafted, when viewed in isolation, don’t tell the full story and therefore requested that additional clarity be added so readers better understand what each action refers to. The Secretariat agreed to update both the minutes themselves as well as the action log.

ACTION 69/01: The Secretariat to include action 68/01 in the DCMDG 68 minutes and re upload updated post meeting pack version to the DCUSA website.

ACTION 69/02: The Secretariat to update the DCMDG 68 minutes actions boxes and the action log to add clarity to what each action refers to.

2. Introduction

- 2.1 The Chair welcomed the DCMDG attendees to the 69th DCMDG meeting.

3. DCMDG Forward Work Plan and Issues Log

- 3.1 The group reviewed the DCMDG Forward Work Plan and Issues Log, during which the following points were covered:

DCMDG-Related Change Proposals:

- 3.2 The Chair provided members with updates on the DCUSA Charging Change Proposals, during which one member explained that with respect to DCP 420, and to a lesser extent, DCP 412, that there is a need for Ofgem to provide a steer. It was noted that such a steer would likely assist with the progression of the change proposals and aid the Working Groups involved to gain a better understanding of Ofgem’s thinking on the topics of those changes.
- 3.3 AM, representing Ofgem during the DCMDG meeting, indicated that Ofgem does want to see both changes progress and that Ofgem think that the issues which these changes are seeking to resolve are indeed issues worth resolving. AM explained the Ofgem would be interested in hearing more from industry on the topic of these changes and invited members to contact him with any views, thoughts or evidence related to them.

DCMDG External Activities:

- 3.4 The Chair informed the group that there two new items had been added to the log as set out in the table below:

Ofgem letter on strategic transmission charging reform	<p>This letter on strategic transmission charging reform sets out our initial thinking on the future role and design of electricity transmission network charging and why reform may be required.</p> <p>https://www.ofgem.gov.uk/sites/default/files/2023-09/Open%20letter%20STC_110923.pdf</p>
Open letter on regulatory arrangements for IDNOs	<p>In light of the evolving nature of the LDNO arrangements, and the recent developments relating to serving EHV customers and connecting directly to the transmission network in particular, Ofgem are considering a review of the benefits of competition from LDNOs in EHV connections (including those directly to the transmission network).</p> <p>https://www.ofgem.gov.uk/publications/open-letter-regulatory-arrangements-independent-distribution-network-operators</p>

- 3.5 One member noted that it would be useful to add applicable dates to the Ofgem letter on strategic transmission charging reform item and the Secretariat took an action to do so.

ACTION 69/03: The Secretariat to include exact dates re Ofgem new added external activities letter on strategic transmission reform.

- 3.6 Members noted the DCMDG Issues Log & Forward plan. Members added no further comments.

4. Ofgem Update

- 4.1 AM provided the group with the below Ofgem updates:

- The Charging Futures Forum was held on 31 October 2023, where it was confirmed that Ofgem have restarted DUoS reform work. During the CFF session, Ofgem shared some initial areas of interest and provided a space for industry to feed in its views on these areas. Amidst their ongoing conversations with stakeholders across industry, Ofgem have identified a shortlist of reforms to DUoS arrangements that they hope will ensure the arrangements are fit for purpose and fully support the energy transition.
- In the near term, Ofgem will examine:
 - Issues with the stability of EHV charges; and
 - The costs and benefits of DUoS credit arrangements for generation.
- In the longer term, Ofgem will focus on:
 - Inconsistencies in charging signals depending on voltage and location of connection across Transmission and Distribution;
 - The locational and temporal granularity of the DUoS charges at all levels; and
 - How costs are allocated between the residual and forward-looking charges.
- Ofgem are also considering:
 - Some work on future-proofing the IDNO model; and
 - A post-implementation review of our residual reform
- AM confirmed that Ofgem welcomes feedback on what their proposed scope of work and that this can be shared with them via email to: DUOS@ofgem.gov.uk

- Ofgem is continuing to explore an issue that has been brought to their attention with respect to the assignment of TCR bands for TNUoS charging and how these translate to the MPAN portfolios of Suppliers. It was noted that Ofgem has been contacted by a number of smaller suppliers who have had issues and that Ofgem would be interested in hearing from others if they have experienced issues of the same nature.
- It was noted that an urgent CUSC modification CMP 425 'Billing Demand Transmission-Residual Site' had been raised which is related to private networks and AM noted that anyone who is interested should contact National Grid ESO to join the workgroup. One member explained that it has recently been issued for consultation and as it was running on a shortened timeframe, there wasn't much time left to input into the development of the modification. The following link is a code modification in relation to DCP 385 and could be of interest to people to participate and interact with:
- In regard to the question of whether a derogation will be needed as a result of DCP 414, which does not impact the charges themselves but will necessitate the re-publication of charging statements, AM confirmed that he will investigate internally and come back to the next meeting with an answer.

4.2 DCMDG members noted the Ofgem update.

5. Updates on ENA Connections Reform

5.1 The Chair noted that following the ENA webinar related to their connections reform works, he hadn't identified any further developments that could be shared with participants but asked if any DCMDG members wanted to add anything.

5.2 It was noted that there was nothing further raised by any members.

6. Private Networks Subgroup Update

6.1 The Chair explained that there was no real update on the activity of the private networks subgroup, who were developing an RFI to better understand the numbers and types of affected sites, identify currently existing networks and consider what arrangements might be suitable for these. It was noted that the lack of an update was due to that sub-group noting having met since the last DCMDG meeting.

6.2 The Chair highlighted that the next sub-group meeting was due to be held on 22 November.

POST MEETING NOTE: The meeting due to be held on 22 November was postponed as more time was needed to prepare the draft RFI and additional background information.

7. MHHS Update

7.1 The DCMDG noted that there were no further updates this month.

8. Notification of Updated Charging Statement Addendums

- 8.1 The Chair presented the Notification of Updated Charging Statement Addendums paper to DCMDG members, which had been circulated prior to the meeting. See paper (DCMDG 69_2023_1116_02). It was noted that the paper set out that during the October DCMDG meeting, members discussed options related to an issue on whether there might be a way for Supplier Parties and other interested industry participants to receive notification of updates to the addendums to the charging statements issued by DNOs/IDNOs outside of checking individual websites every so often.
- 8.2 The Chair went on to explain that during the October DCMDG meeting, several suggestions were put forward during the discussion and an action was taken for these to be set out for consideration during the next meeting. It was noted that the paper set out those suggestions for DCMDG members to consider.
- 8.3 Several DCMDG members noted their support for suggestions 1, 2 and 6 as set out in the paper, with suggestion 6 being the most preferred solution by those members.
- 8.4 The Chair explained that as part of the update on DCMDG discussions provided to the Panel, this topic was covered and that there had been a brief discussion by the Panel. The Chair went on to confirm that in the Panel's view, DNOs currently already advise impacted Supplier Parties and customers of these updates and that any further obligations should be carefully considered as they could become quite onerous.
- 8.5 LS took the opportunity to state that as he was the one that raised the issue in the first place, he was happy to carry out some more thinking on whether or not to raise a change now that the topic has been explored in more detail.

9. DUoS Charges for Phased Capacity Sites

- 9.1 The Chair presented the Notification of Updated Charging Statement Addendums paper to DCMDG members, which had been circulated prior to the meeting. See paper (DCMDG 69_2023_1116_03). It was noted that the paper set out that during the October DCMDG meeting, members discussed a paper which related to concerns that the applicable text in Schedule 22 wasn't clear enough in what charges should be applied to sites the meet the phased capacity site definition. It was noted that Schedule 32 provides more clarity in terms of how the provision should operate and during the last meeting some suggested amendments that would assist with interpretation of this text was discussed and an action taken to draft these into the text and present back to the DCMDG for further consideration.
- 9.2 The Chair explained that as part of the update on DCMDG discussions provided to the Panel, this topic was covered and that there had been a brief discussion by the Panel. The Chair went on to confirm that one Panel member explained that he was aware of this issue and had raised this for discussion during industry meetings at the ENA and that he was now in the process of raising a wider change to Schedule 22 and that this issue would likely form part of that change.
- 9.3 The Chair therefore suggested that the DCMDG were unlikely to need to consider this issue any further and members agreed with that approach.

10. Agenda Items for the Next Meeting

10.1 The Working Group agreed to discuss the below items at the next meeting:

- MHHS Update
- Private Networks Subgroup Update

10.2 There were no additional items requested to discuss at the next DCMDG meeting.

11. Any Other Business (AOB)

11.1 The Chair raised two other items of business.

Disputes committee Elections

11.2 The Chair explained to the group that he intended on issuing an email to all DCUSA Contract Managers and members of the DCMDG requesting for volunteers to step forward and volunteer to be members of the Disputes Committee. The Chair reminded members, that the DCUSA Panel have established the Disputes Committee for the purpose of facilitating the resolution of unresolved disputes between DNO/IDNO Parties and Customers or their appointed agents with respect to the provisions of Schedule 32 'Residual Charging Bands'.

11.3 The Chair noted that when the process was last held in November 2022, only two nominations were received from the DNO/IDNO Parties, leaving the rest of the positions (10 in total) vacant. It was noted that the Secretariat are therefore running this election process once more to try and fill these vacancies and stressed the importance of the committee having enough people available for when they are needed.

Timelines for revision of Charging Bands and Allocation of sites to those bands

11.4 The Chair explained to the group he had recently tried to ascertain correct timeline associated with the new charging bands that will apply from the commencement of the next onshore electricity transmission owner price control period but hadn't been able to with 100% confidence.

11.5 The Chair shared some workings on screen (now captured below) to assist in understanding the process used for the review and determination of updated residual charging bands as described in Paragraph 3 of Schedule 32. This sets out that the review of the charging band boundaries is to commence on or before 31 March in the Regulatory Year (t-3) three years prior to the commencement of the onshore electricity transmission owner price control period (t).

DNOs Set Tariffs (with 15 months' notice)	Charging Year Start	Charging Year End	Transmission Price Control Period	t-(number of years)
31-Dec-19	01-Apr-21	31-Mar-22	ET2	
31-Dec-20	01-Apr-22	31-Mar-23	ET2	
31-Dec-21	01-Apr-23	31-Mar-24	ET2	t-3
31-Dec-22	01-Apr-24	31-Mar-25	ET2	t-2
31-Dec-23	01-Apr-25	31-Mar-26	ET2	t-1
31-Dec-24	01-Apr-26	31-Mar-27	ET3	t
31-Dec-25	01-Apr-27	31-Mar-28	ET3	
31-Dec-26	01-Apr-28	31-Mar-29	ET3	t-3
31-Dec-27	01-Apr-29	31-Mar-30	ET3	t-2
31-Dec-28	01-Apr-30	31-Mar-31	ET3	t-1
31-Dec-29	01-Apr-31	31-Mar-32	ET4	t

- 11.6 Members confirmed that 31 March 2024 is the applicable 31 March in the Regulatory Year (t-3) three years prior to the commencement of the onshore electricity transmission owner price control period (t).
- 11.7 The Chair then explained that following on from 31 March 2024 there are some processes that need to be carried out so as to complete the review of the charging band boundaries which leads into the process of allocation of sites to those bands which is dealt with under Paragraph 4 of Schedule 32. However, the Chair noted that there are no timeframes for allocation of sites into charging bands in Paragraph 4, both in terms of when this should occur nor what period of time the data should be taken from.
- 11.8 With the above in mind and using the some workings shared on screen (now captured below), the Chair sought clarity on whether it was in fact paragraph 3.5 of Schedule 32 which states that by 30 June in the same year as the 31 March in year t-3, that DNOs/IDNOs need to have provided Suppliers with their list of each and every MPAN (associated with a Non-Domestic Premises that is connected to that DNO/IDNO Party's Distribution System), with such a list identifying the charging band to which each such MPAN has been allocated (in accordance with Paragraph 4). It was noted that Paragraph 4 just states to use 24 months of data (if available) but not when that period should start and end.

Requirement	Date	Process to be completed
1 (paragraph 3.1)	31-Mar-24	On or before 31 March in the Regulatory Year (t-3) three years prior to the commencement of the onshore electricity transmission owner price control period (t), each DNO/IDNO Party shall provide to the Banding Agent the following information (and shall take reasonable steps to ensure that such information is accurate):
		a. for each Final Demand Site within the groups identified in Paragraph 1.5 (a), 1.5 (b) or 1.5 (c), the Maximum Import Capacity used as the basis for the Use of System Charge billed by the DNO/IDNO Party in February of that Regulatory Year which will be in respect of the Maximum Import Capacity held as at January in that Regulatory Year .
		b. for each Final Demand Site within the group identified in Paragraph 1.5 (d): i. if half hourly settled, a calculated estimate of the annual metered import consumption prior to February of that Regulatory Year; or ii. if non-half hourly settled, the Estimated Annual Consumption from the P0222 Report for the February of that Regulatory Year (or, if that is not available, the most recent Estimated Annual Consumption from an earlier P0222 Report).
2 (paragraph 3.2)	30-Apr-24	On or before 30 April following the 31 March referred to in Paragraph 3.1 , the Banding Agent shall provide to each DNO/IDNO Party the boundaries for each charging band for each group of Final Demand Sites on the same basis as that set out in Paragraph 2.2.
3 (paragraph 3.5)	30-Jun-24	On or before 30 June following the 31 March referred to in Paragraph 3.1 , each DNO/IDNO Party shall provide each Supplier Party with a list of each and every MPAN associated with a Non-Domestic Premises that is connected to the DNO/IDNO Party's Distribution System, identifying the charging band to which each such MPAN has been allocated (in accordance with the allocation rules in Paragraph 4).

11.9 The Chair subsequently asked DCMDG members what their understanding was of the requirement in Paragraph 3.5 of Schedule 32 and what this meant for the 24 months of data the DNOs/IDNOs will need to use to comply with Paragraph 4 when they come to allocating sites to the new charging bands.

11.10 Members discussed their views and it was noted that, at least at this moment in time, there appear to be two approaches that might be utilised as set out below:

from	Jun-22	to	May-24	This aligns with the date for requirement 3 where the last month for which data could be used would be the month prior (i.e., 24 months of data ending May 2024)
from	Feb-22	to	Jan-24	It is possible that a DNO might decide to use 24 months of data that aligns to the dates in requirement 1(a or b) which is to use data 'held as at January in that Regulatory Year' or data 'prior to February of that Regulatory Year' and so would therefore be for the 24 month period ending January 2024.

11.11 There were no further items of business raised.

12. Date of Next Meeting

12.1 The next DCMDG meeting will be held on 21 December 2023 via Microsoft Teams / Teleconference.