

Distribution Charging Methodologies Development Group (DCMDG) - Meeting 73

28 March 2024 at 10:00 via Microsoft Teams

Attendees	Company
Anha Taylor [AT]	SSE
Andrew Malley [AM]	Ofgem
Chris Ong [CO]	UK Power Networks
Dave Wornell [DW]	National Grid Electricity Distribution
David Fewings [DF]	Inenco
David Hearn [DH]	Advanced Electricity Networks
Diandra Orodan [DO]	BU-UK
Dimuthu Wijetunga [DW]	Shell
David Fewings [DF]	Inenco
Donna Jamieson [DJ]	Independent Distribution Connection Specialists
Edda Dirks [ED]	SSE Generation
Emma Clark [EC]	SSEN
Georgia Preece [GP]	Northern Powergrid
Harrison Hunter [HH]	Cornwall Insight
Ian Chadwick [IC]	MUA
James Knight [JK]	British Gas
Joe Boyle [JB]	SPEN
Kara Burke [KB]	Northern Powergrid
Karl Maryon [KM]	Drax
Kyran Hanks [KH]	Waters Wye
Laura Waldron [LW]	Engie
Lee Stone [ST]	EON
Mark Carolan [MC]	Ofgem
Mark Fletcher [MF]	Shell
Mark Jones [MJ]	SSE
Pamela Howe [PH]	Northern Powergrid
Paul Farmer [PF]	Shell
Rachel Grundy [RG]	Inenco
Rustam Ellis-Majainah [REM]	OVO
Ryan Farrell [RF]	Northern Powergrid

Sally Musaka [SM]	SSE
Simon Vicary [SV]	EDF
Steven McKnight [SM]	Laser Energy
Tony Collins [TC]	Ecotricity
Victoria Burkett [VB]	SSE Energy Supply
Zviko Chigwedere [ZC]	St Clements
Secretariat	
Dylan Townsend [DT] (Chair)	ElectraLink
Alysson Peña [AP] (TechSec)	ElectraLink
Apologies	
n/a	

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 There were no apologies noted for this meeting.
- 1.3 Attendees reviewed the draft minutes from the meeting held on 15 February 2024 and it was noted that members raised the following points regarding the draft minutes of that meeting:
 1. A suggestion that the action log to be updated accordingly as actions from meeting 71 and meeting 72 were missing from the document.

ACTION 73/01: The Secretariat to update the DCMDG action log.

- 1.4 The Chair provided updates on the open actions contained in the actions log which was issued with the meeting papers.
 - Regarding Action 09/06, The Chair reminded the members that in April the annual review of the Charging Methodologies will be held and suggested that members should forward issues and agenda items ahead of the meeting.
 - Regarding Action: 71/02 the Chair noted that this had been completed but further information was likely to be desirable in terms of the actual window of data to be used by the ESO as response to date was *"From a Transmission perspective the ESO doesn't require any input of data from any DNO/IDNO. We will be setting the transmission banding threshold in line with the DNO/IDNO timelines so that the whole of the UK banding thresholds are done at the same time. However because of our the TNUoS tariff setting process, we will not be finalising the allocation of sites to bands until closer to Final tariff publication 2026/27 in January 2026."*

- Regarding Action 72/01, The Chair noted that the minutes were reviewed and that the updated version of the minutes will be uploaded and distributed to the working group alongside the minutes of this meeting.
- Regarding Action 72/02, The Chair noted that this would be included in the email alongside the minutes of this meeting but that the DCMDG issues form was also available via the DCMDG page on the website.
- Regarding Action 72/03, Update provided by the Chair confirming that a decision to reject DCP 392 had been made by Ofgem on 16 February 2024 and that the latest update for DCP 411 from Ofgem that had been provided to the Panel meeting on 20 March was that the expected decision date is now 08 April 2024.
- Regarding Action 72/04. The Chair noted that a document, setting out the agreed approach that the DNOs will use for the determination of the new residual charging bands as well as the 24-month window for the allocation of sites to charging bands, had been completed but not yet added to the website. It was noted that this was because the Chair wanted to include the information related to the transmission side of things but that as this was taking longer than expected, the plan would be to now add the information to the website and update if needed later.

POST MEETING NOTE: the information has now been published and is available via the following page on the DCUSA website: <https://www.dcusa.co.uk/network-charges/residual-charging/>

1.5 Members noted no further comments.

2. Introduction

2.1 The Chair welcomed the DCMDG attendees to the 73rd 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-Issues:

- Regarding the sole issue in the issue log, the Chair reassured members that he intends on reaching out the person who raised it to confirm whether they are comfortable that it is closed or if something else needs to be done.

DCMDG-Related Change Proposals:

- With respect to DCP 325, The Chair noted that there have been no new movements at this stage but that this should change once DCP 421 has been finalised.
- With respect to DCP 388, it was noted this Change Proposal is on hold while a BSC modification is raised, so that a solution can be progressed for both the DCUSA and BSC at the same time.

- With respect to DCP 392, it was noted that on 16 of February 2024 the Authority issued their decision to reject the proposal.
- With respect to DCP 411, the latest update from Ofgem provided to the Panel meeting on 20 March was that the expected decision date is now 08 April 2024.
- With respect to DCP 412, there is a plan for Working Group to meet in April but that the Proposer and Chair both have actions to progress prior to the next meeting.
- With respect to DCP 414 & DCP 395, The Chair noted that there are no new updates, and these changes are awaiting implementation on 01 April 2024.
- With respect to DCP 420, the Working Group met on 26 March 2024 where the Working Group continued to consider potential solutions that have been put forward. Charge UK was present during this meeting.
- With respect to DCP 421, it was noted that the working group is completing the legal text review with the aim to have the change report drafted for April's panel.
- With respect to DCP 423, it was noted that CEPA have completed testing and have requested some DNO review/testing to take place.
- With respect to DPC 424, this change proposal has been delayed due a request by Ofgem for further impact analysis on the proposed BSC solution (P441 - Creation of Complex Site Classes). The DCP 424 consultation is now estimated to be released in Q1 2024.
- With respect to DCP 425, the Change Report has been issued on 21 March 2024 for voting.
- With respect to DCP 433, the working group met on 14 March to review the analysis to the RFI that was issued.
- With respect to DCP 438, this was presented to the DCUSA Panel during the March meeting and was approved for it to proceed to a Working Group, which is now in the process of being set up.

DCMDG External Activities:

3.2 The Chair informed the group of the relevant active external activities and that an update could be made to the:

- DUoS update;
- Energy code review update;
- Strategic transmission update, and;
- Code Governance Reform update.

3.3 Members noted the DCMDG Issues Log & Forward plan.

4. Ofgem Update

4.1 It was noted that AM was able to provide an update with respect to the Charging Futures Forum held on 21 March 2024,

4.2 AM highlighted that Ofgem are changing their near-term priorities to respond to the issues seen over winter 23/24, which had been covered during previous DCMDG meetings and was related to the need for Ofgem to intervene to ensure that some DNOs could use the EDCMs to set appropriate charges for 25/26. AM noted that issues have also surfaced with respect to DNOs using the CDCM to produce tariffs for 25/26.

4.3 These issues have highlighted fundamental concerns with how the methodologies manage a negative residual, and Ofgem are of the view that these issues are likely to require intervention. AM explained that the intent is for industry to have certainty over the inputs and process that DNOs will use to set charges and also to ensure that DNOs act in a consistent and transparent manner if they encounter such issues.

4.4 AM explained that this will be the focus of their planned near-term work, and that work has already started. It was noted that with extensive input from DNOs, Ofgem have produced problem statements on the issues that have arisen with the EDCMs and CDCM and these are now published alongside the March 2024 CFF information on the ESO's website. AM noted that Ofgem welcome feedback on these statements.

4.5 AM noted that Ofgem have decided to prioritise the item above over the other issues identified for near-term reform and that their other near-term work will be to establish a framework for assessing long-term reform of DUoS charging.

4.6 AM noted that Ofgem published an open letter on 19 October setting out some concerns around the IDNO charging arrangements when connecting EHV customers, both via a host DNOs EHV network and also directly to the transmission network. It was noted that the open letter called for input from stakeholders, related to issues concerning the non-transparent nature of EDCM charges being an issue in terms of the relative price control arrangements for IDNOs.

4.7 AM highlighted that on 21 March 2024, Ofgem published their views following the responses to open letter on regulatory arrangements for IDNOs. It was noted that the document summarises the responses to the October 2023 open letter and outlines Ofgem's proposed next steps, including seeking views on views on an appropriate delivery vehicle to take forward a review of EHV charges for transmission-connected IDNOs.

4.8 AM explained that Ofgem have reviewed the feedback they received and that the feedback suggests that customers value the IDNO regime. Therefore Ofgem intend on acting swiftly to address key areas of uncertainty, so the initial focus of their review will be targeted on EHV:

- Examining options to make EHV charging more transparent, and
- Clarifying charging arrangements for IDNOs connecting to the transmission network

- 4.9 AM explained that Ofgem have been approving EHV Charging Methodologies put forward by IDNOs with a view that Ofgem should not be denying connections to companies who are seeking a connection, but that there is an expectation that all sides are going into such arrangements in the knowledge that certainty is not guaranteed in this space. AM went on to say that Ofgem expects that any IDNOs who are connecting customers at EHV are ensuring that they do not oversell the stability of these arrangements. AM asked for any members with thoughts or questions to get in touch with him.
- 4.10 Ofgem has committed to a review of standing charges which traverses both Ofgem’s retail directorate and the Charging team. AM noted that transmission and distribution residual charges are big drivers of standing charges for all users and that with allowed revenues growing with network investment, Ofgem are using this review as an opportunity to understand the possible trajectories fixed charges and consider how the current arrangements are likely to respond to the changing system. Ofgem have commissioned some analysis with a consultancy to help them understand in detail some of the impacts of the current arrangements, and also consider potential impacts of alternative ways of recovering said costs. Ofgem are expecting to share some insights this summer.
- 4.11 AM also noted that there are DCUSA change proposals looking at specific impacts of distribution residual charges on “peaky” sites and large EV charging sites, which stem from user concerns that charges are disproportionate for particular sectors or business models. Ofgem are aiming to give some consideration to these issues and others in their standing charge work.
- 4.12 Members questioned the proposed timeline of work, specifically whether 2026/27 was achievable to which AM acknowledged that Ofgem are aware of the 15-months’ notice period for changes to DUoS charges and that the timeline wasn’t intending to suggest that Ofgem will be spending 2 years analysing the issues, rather, that it is hoped that options will be assessed and if necessary, changes raised in order to meet the required 15-months’ notice period. AM also noted that there are options in terms of providing derogations to that notice period but that at this moment in time, it has not yet been determined that a change to the methodology will actually be required and that it may be something that can be sorted by way of changes to the approach DNOs take with their inputs.
- 4.13 AM finished the update by noting that Ofgem continue to see both generator credits and EHV volatility as areas that require investigation, but consider that they need to prioritise the EDCM and CDCM issues for now. In terms of the longer term priorities, Ofgem’s view is that clarity of the wider market arrangements, specifically REMA, is likely to be beneficial prior to making decisions related to general DUoS reform and also for topics such as credit for generators.
- 4.14 All links shared during the meeting relevant to the Ofgem Update:
- [Charging Futures Forum](#)
 - CDCM Issue Statement [download \(nationalgrideso.com\)](#)
 - EDCM Issue Statement [download \(nationalgrideso.com\)](#)
 - [CFF Slides](#)

- [Response to open letter on regulatory arrangements for independent distribution network operators.](#)
- [AM – Ofgem Contact Email](#)

There were no further comments from members.

5. MHHS Update

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

6. Private Networks Subgroup Update

6.1 The Chair explained that there have been no recent updates as the working group is currently developing a Terms of Reference (ToR) document to help the process of this change.

6.2 The next meeting will be announced once this document has been finished, which will aid the working group's workflow.

6.3 The working group continues to note that having an Ofgem representative during these meetings is of great importance.

6.4 Members noted the Private Networks Subgroup Update.

6.5 There were no further comments from members.

7. Post Charging Futures Forum Discussion

7.1 The Chair noted that this was previously well covered during the Ofgem update, see section 4 of this document.

7.2 Members made no further comments.

8. Any Other Business (AOB)

8.1 The Chair asked if there were any other business.

8.2 No other business was raised during the meeting.

9. Agenda Items for the Next Meeting

9.1 Alongside the current standing items on the agenda, the Chair confirmed that an agenda item would be added for the annual review of the charging methodologies.

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

10. Date of Next Meeting

10.1 The next DCMDG meeting will be held on 18 April 2024 via Microsoft Teams / Teleconference.