

Meeting Session	Panel (Open Session)
Paper Reference	DCUSA_2024_0320_06_DCMDG 72 Headline Report
Action	For Information

# Distribution Charging Methodologies Development Group (DCMDG) Headline Report 73

## 1. Synopsis

- 1.1 This report sets out the headlines from the 73<sup>rd</sup> DCMDG meeting held on 28 March 2024 via Microsoft Teams. The full minutes and associated papers are available on the DCUSA website.
- 1.2 This meeting was chaired by Dylan Townsend and the technical secretariat for the meeting was Alysson Pena.
- 1.3 A total of 36 industry participants dialled into the meeting.

## 1. Update on actions

- 1.1 The Panel should note that there was an action on the Chair to ensure that the information related to the agreement on the data to be used and the applicable periods of time for the determination of residual charging bands and the allocation of sites to those charging bands was published on the DCUSA website. **It can now be confirmed that** the information has now been published and is available via the following page on the DCUSA website: <https://www.dcuda.co.uk/network-charges/residual-charging/>.

## 2. Update on actions Forward Work Plan and Issues Log

- 2.1 The group reviewed the DCMDG Forward Work Plan and Issues Log but no substantive points were discussed.

## 3. Ofgem Update

- 3.1 The bulk of the last meeting was related to the Ofgem update which itself was an overview of the presentation Ofgem covered during the Charging Futures Forum held on 21 March 2024.
- 3.2 The Ofgem representative highlighted to members 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. It was noted that issues have also surfaced with respect to DNOs using the CDCM to produce tariffs for 25/26.

- 3.3 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. It was explained to members 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.
- 3.4 Members heard that Ofgem will be focussing on this area of work in the near-term, 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. It was noted that Ofgem welcome feedback on these statements.
- 3.5 Members heard that Ofgem have decided to prioritise this 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.
- 3.6 It was explained to members that Ofgem have reviewed the feedback they received following the publication of an open letter on 19 October 2023, in which they set 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.
- 3.7 The Ofgem representative 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.
- 3.8 It was explained to members 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
- 3.9 Members heard 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. Members noted that Ofgem expects that any IDNOs who are connecting customers at EHV are ensuring that they do not oversell the stability of these arrangements. Members were asked to feed in any thoughts or questions with respect to the views outlined in the latest publication.

- 3.10 Members heard that Ofgem has committed to a review of standing charges which traverses both Ofgem’s retail directorate and the Charging team. Members 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 of fixed charges and are considering 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.
- 3.11 It was highlighted to members that Ofgem continues to engage in the 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.
- 3.12 Members questioned the proposed timeline of work, specifically whether 2026/27 was achievable to which the Ofgem representative 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. It was 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.
- 3.13 The Ofgem representative 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.
- 3.14 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.](#)

## 4. MHHS Update

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

## 5. Private Networks Subgroup Update

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- 5.1 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.
- 5.2 The next meeting will be announced once this document has been finished, which will aid the working group's workflow.
- 5.3 The working group continues to note that having an Ofgem representative during these meetings is of great importance.

## 6. Agenda Items for the Next Meeting

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- 6.1 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 and that members should use the DCMDG issues form to send through any items that they'd like to raise.

## 7. Date of Next Meeting

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

## 8. Actions

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- 8.1 The DCUSA Panel is invited to:
  - **NOTE** the contents of this Paper.

**Dylan Townsend**  
**Governance Delivery Manager**