

DCP 420 Working Group Meeting 08

16 May 2024 at 13:00 - Web-Conference

Attendee	Company
Working Group Members	
Simon Vicary [SV]	EDF
Sally Musaka [SM]	SSE
David Fewings [DW]	Inenco
Josh Kan [JK]	ESPUG
Eleanor Suter [ES]	BU-UK
Mark Jones [MJ]	SSE
Donna Jamieson [DJ]	IDCSL
Edda Dirks [ED]	SSE Generation
David Wornell [DW]	National Grid
Chris Ong [CO]	UKPN
James Jones [JJ]	SSEN
Harry Hailwood [HH]	Brook Green
Rustam Ellis-Majainah [REM]	OVO
Dan Simpson [DS]	ChargeUK
John Harmer [JH]	WatersWye
Ryan Farrell [RF]	NPg
Mark Belman [MB]	ENWL

Observers	
Thomas Holderness [TH]	Ofgem
Tamara Satmarean [TS]	OZEV

Apologies	
Andrew Nosworthy	Osprey
Lee Stone	E.ON
Joe Boyle	SPEN

Code Administrator	
Richard Colwill [RC]	Chair
Craig Booth [CB]	Secretariat

1. Administration

Recording

- 1.1 The Chair asked members if they were comfortable for this Working Group to be recorded. No members objected to this request. The purpose of this recording is purely to aid the Technical Secretariat in producing an accurate report of the meeting. The recording will be deleted after 15 Working Days.

Competition Law Guidance and Terms of Reference

- 1.2 The Working Group reviewed the “Competition Law Guidance” and “Terms of Reference”. All Working Group members agreed to be bound by the Competition Law Guidance for the duration of the meeting.

2. Purpose of the Meeting

- 2.1 The Chair set out that the purpose of the meeting was to review the concerns paper, discuss the options and start work on the consultation.

3. Concerns Paper & Consultation

- 3.1 The Chair gave an overview of the action to produce the paper articulating the Working Group’s concerns for consideration by Ofgem. The Chair explained that the Panel had been engaged and had given the steer that it did not consider it appropriate to place the change on hold and pass this over to Ofgem. It was further discussed that the Panel had given the steer that the purpose of the Working Group to define a solution, even if it’s not an optimal solution, which would then be sent to Parties for voting and to the Authority for a decision.

- 3.2 The Working Group discussed action 03/02 and whether this means to Working Group's desire to send the paper to Ofgem was in line with the feedback from the action that is recorded against 03/02. The Authority observer commented that he did not consider the action contradictory and that the Working Group has indeed followed the advice in considering whether a code modification was appropriate. It was discussed, however, that the Panel had given the Working Group a steer to develop a solution or, if a solution was no longer required, the Change Proposal should be withdrawn.
- 3.3 A Working Group member questioned whether a solution, if it was so sub-optimal that it did not better facilitate any of the DCUSA objectives, this would justify the Working Group informing Ofgem it cannot put forward a solution that better facilitates the DCUSA objectives. The Working Group discussed that, in the event a solution cannot be developed that better facilitates the DCUSA objectives, then it would be for the Proposer to withdraw the proposal.
- 3.4 The Proposer stated that, in his view, this did better facilitate the DCUSA objectives in that it supported Net Zero. The Proposer explained that he believed charging the TCR on the unit rate seemed to be the most palatable.
- 3.5 The Chair reviewed the objectives and did not identify any direct links to net zero, however committed to take an action to review the objectives and the Distribution License for links to net zero.

Action 08/01	Secretariat to review the Distribution License for net zero obligations.
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- 3.6 The Working Group noted that the objectives may contain net zero references in the future, but that as this was not the case now the Working Group should consider the objectives as they stand in the current version of the DCUSA. The Authority observer provided a link to the Energy Code Reform, for reference (<https://www.ofgem.gov.uk/energy-policy-and-regulation/policy-and-regulatory-programmes/energy-code-reform>) and invited members of the Working Group to consider how this Change Proposal stacks up against the proposed reforms and to reach out to Ofgem with any feedback they may have.
- 3.7 A Working Group member agreed that the approach would need to be to send a sub-optimal solution forward, but felt the discussions over "which is best" had run their course as the Working Group had exhausted this discussion without a conclusion.
- 3.8 A Working Group member raised concerns around whether the Working Group would be required to propose a solution that they consider is illegal (discriminatory pricing under EU2019/943 and "include unrelated costs supporting policy objectives"). The Secretariat identified the following clause in the regulation:

SECTION 2

Network charges and congestion income

Article 18

Charges for access to networks, use of networks and reinforcement

1. Charges applied by network operators for access to networks, including charges for connection to the networks, charges for use of networks, and, where applicable, charges for related network reinforcements, shall be cost-reflective, transparent, take into account the need for network security and flexibility and reflect actual costs incurred insofar as they correspond to those of an efficient and structurally comparable network operator and are applied in a non-discriminatory manner. Those charges shall not include unrelated costs supporting unrelated policy objectives.
- 3.9 The Chair explained that the members are not required to agree with the solution proposed (e.g., it is not being endorsed by the members of the Working Group).
- 3.10 A Working Group member stated that he did not believe there was an issue of unrelated costs. They explained that this was a discussion about the allocation of network costs between users, which are the network costs. It was further discussed that the network costs belong to nobody and that residual charges are not intended to be cost-reflective, but they are intended to be fair.
- 3.11 The Chair reviewed the concerns paper. A Working Group member requested that cost reflectivity and supported unrelated policy objectives should be added to the concerns. The Chair made the amendment.
- 3.12 The Working Group discussed the approach to the consultation. It was discussed that preferably a single solution needs to be put forward to consult on it and that the concerns should then be articulated against this, with Parties consulted on the proposal and the concerns. However, the Working Group was unable to identify a single solution to take forward and will consult on a number of options.
- 3.13 The Working Group discussed the level of quantitative analysis required for the Working Group to be able to issue a consultation, to allow more substantive responses rather than principles-based responses. The Working Group discussed the difficulties of performing an analysis or impact assessment, as identifying the sites for this purpose would be difficult and there is no single source of data for this. The Working Group also discussed that the analysis depends on the solution, as the analysis required, and the size of this, would depend on how large the scope is (e.g., whether this is just non-viable sites or all sites).

- 3.14 A Working Group member noted that some mods are raised on principle and that the principle may be strong enough to make the case for change, but in the case of DCP 420 some Working Group members had argued there was not a good principle and would undo a key pillar of the TCR, in that all sites should pay a charge that is unavoidable and that all sites should contribute to the upkeep of the system. The Proposer noted that the TCR itself is a policy decision and that some elements of the TCR, for example generators not paying a residual charge, is a policy decision. The Proposer also noted that, regarding the concerns of who pays for the residual that is no longer charged to EV charging sites, such a precedent had been set, as by not charging generators residual, this means other users do pay for it. The Proposer stated that in making a decision on this change proposal, the Authority would be making a policy decision.
- 3.15 A Working Group member expressed the view that not charging all generators is non-discriminatory.
- 3.16 The ChargeUK representative stated that what was being asked for was not a subsidy for uneconomic charging. He explained that its members were being asked by government to install the infrastructure to support the increase of EVs on the roads and that currently, as only around 2% of vehicles on the roads are EVs, that the charging sites being installed now will not be uneconomical by 2035, when there are more EVs on the roads.
- 3.17 A Working Group member queried, as had been discussed previously, whether a solution that delivers support in a timely manner could be achievable. It was discussed that this would depend on the solution taken forward. The Chair asked whether the timeliness of the solution is a consideration in whether a solution is viable. The ChargeUK representative stated that he wanted to see solutions brought forward, but that support by 2027/28 would not be soon enough.
- 3.18 The Chair asked whether a solution that can be implemented in the DCUSA following Authority approval is one that should be put forward. The Proposer suggested that this could be included as a question in the consultation.
- 3.19 The Proposer asked ChargeUK what other solutions are being explored. The ChargeUK representative explained that he had taken away the views of the Working Group from the previous meeting and the view that Ofgem/DESNZ could prioritise this as a policy area for attention. He explained that ChargeUK is engaging with DCP 420 in good faith as conversations around a solution are taking place, and would equally be engaging with other bodies if they are also discussing the issue and potential solutions.
- 3.20 The Proposer suggested that instead of undoing the TCR, the EV sites would go into another group and have a standing charge based on a forecast of usage. The Proposer explained the TCR principles would be upheld and there would still be a standing charge, but that this would be based on the forecasted units for the sites. The Proposer explained that the EV sites would remain in their existing charging bands (e.g. LV, LV Sub and HV).
- 3.21 A Working Group member asked for clarification on how this would work. The Proposer explained that all EV charging sites would be group together within their bands and that the sites that are used more would pull the standing charge up whereas the sites used the least would pull the standing

charge down, but that as these would have been separated out from their existing bands, they would no longer be grouped with much higher users (e.g., factories) resulting in lower standing charges.

- 3.22 A Working Group member asked how difficult this would be to implement. The Proposer advised it would be a large undertaking as it would require 12 new 'all the way' tariffs and many more IDNO tariffs. It was noted that this would not be a solution in time for the next DCUSA release and would still be subject to the 15 months' notice, however the Proposer considered that if approved, the Authority could issue a direction/derogation to network operators to do something sooner than this.

Action 08/02	DW to flesh out this additional option.
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- 3.23 The Proposer provided an example of this analysis to the Secretariat and the Authority, which is attached to these minutes as attachment 1.
- 3.24 The ChargeUK representative explained that all EV charging sites had been impacted by the TCR, but that whilst still impacted the lower usage sites are impacted less, and that the larger impact is on the bigger hubs where there are rapid and ultra-rapid chargers installed.
- 3.25 A Working Group member noted that this would result in being charged based on a business type rather than the voltage level. The Proposer agreed this would be the case and stated it would be a policy decision if accepted.
- 3.26 A Working Group member stated that, if he had understood this idea correctly, he would be more supportive of this than other options, as they would be paying a share of their residual.
- 3.27 The Working Group discussed whether the concerns paper should reference cost-reflectivity or fairness. The Chair suggested that whilst the objectives are very important, the concerns could reference fairness, rather than just the objectives, as per the TCR decision document which itself referenced making the system fairer.
- 3.28 The Working Group discussed whether there was any merit in including within the consultation document the Working Group's concerns around whether the DCUSA is the appropriate place to provide support to EV charging sites. It was discussed that whilst there isn't a need to ask a question on this, the Working Group's concerns and the process followed should be articulated.

Action 08/03	Chair to draft the consultation.
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4. Next Steps and Work Plan

- 4.1 The Chair agreed to draft the consultation offline and circulate to the Working Group for review, and convene a meeting to finalise this if necessary. The next meeting will otherwise be to review the consultation responses.

4.2 No meeting has been scheduled as a Doodle Poll will be issued in due course.

5. Any Other Business

5.1 No other business was raised.

New and Open Actions

Action Ref.	Action	Owner	Update
01/05	MM to reach out to DESNZ, providing an overview of the issue raised in DCP 420 and seeking initial views on how best to address.	Secretariat	Ongoing – See below update
	DESNZ facilitated the OZEV view on DCP420 summarised within the email below. DESNZ are open to targeted discussions with Code Admin.		
03/02	Ofgem to review whether this issue goes against the original intent TCR and whether it is now unintendedly setting price signals.	Ofgem	Ongoing – See below update
	<p>The residual charges are not supposed to send signals for how the networks should be used and as a result in the TCR we concluded that residual charges will apply to Final Demand consumers only, and that they would take the form of fixed charges, levied on a per-site basis for all households and businesses.</p> <p>In our TCR Decision and throughout the industry engagement activities we acknowledged that although the modelling used to support our TCR decision was conducted across the widest possible user archetypes, this list was finite and therefore Ofgem would be and are open to considering evidence where the TCR Decision is having unintended consequences and have invited industry to consider such cases and propose solutions to rectify them via the code modification process.</p> <p>DCP420 is one such mod which whilst identifying a potential unintended consequence of the TCR on a user archetype not captured within the TCR modelling, it goes on to propose a solution of ‘a change to the definition for certain EV charging sites from final demand site to non-final demand’, which raises concerns regarding fairness. We would recommend the WG consider</p>		

	<p>(i) whether a code mod is the appropriate platform to resolve this issue or whether it would be better served by government support initiatives for this user archetype. (ii) If a code mod is the preferred solution for this issue, maybe explore the pros/cons of alternative solutions such as:-</p> <ul style="list-style-type: none"> • volumetric based reductions; • unmetered sites which do not pay standing or capacity charges and are only billed in volumetric terms. 		
05/01	Reach out to GreenSync to understand how it validates EV chargers.	Harry Hailwood	Ongoing
08/01	Secretariat to review the Distribution License for net zero obligations.	Secretariat	New
08/02	Flesh out the additional option.	Dave Wornell	New (completed in meeting)
08/03	Draft the consultation and circulate to the Working Group.	Chair	New

Closed Actions

Action Ref.			Update
02/01	Chair to share the links to the research papers with the Working Group.	Chair	Closed
02/03	Chair to follow-up the email sent by Pembrokeshire Council to see if other councils had been contacted.	Chair	Closed
02/04	Chair to draft the RFI question(s) and circulate to the WG for review.	Chair	Closed
02/05	GM to flag this CP to the TNUoS task force.	GM	Closed
04/01	The Chair to determine if a CUSC modification would be required based on the proposed solution above.	Chair	Closed
01/03	The proposer (DW) to contact the local council to see if they have other examples of EV charging sites where the fixed charges are currently making the sites unviable.	Proposer (DW)	Closed – lack of responses
04/02	The DNOs to check whether identifying and assessing the viability of these sites is something they could do.	DNOs	Closed
03/03	The Chair to update the DCP 420 Work Plan once more information has been gathered.	Chair	Closed

02/02	Chair to review the research papers.	Chair	Closed
05/02	Reach out to DESNZ to discuss the points raised by the Working Group.	Wesley Scott	Closed
05/03	Invite Charge UK to the next meeting and to check if they have, or can gather, views on the issues being faced by their members.	Chair	Closed