

DCP 412 Working Group Meeting 31

24 June 2024 at 10:00 - Web-Conference

Attendee	Company
Working Group Members	
Kyran Hanks	WatersWye
Edda Dirks	SSE Generation
Ryan Farrell	NPg
Simon Vicary	EDF
Joe Boyle	SPEN
Victoria Burkett	SSE
Sally Musaka	SSE
David Fewings	Inenco
Lee Stone	E.ON
Dave Wornell	NGED
Matthew Cullen	E.ON
Nik Wills	Stark
Chris Ong	UKPN
Observers	
Iain McKie	Ofgem
Thomas Holderness	Ofgem
Code Administrator	
Craig Booth	Secretariat
Richard Colwill	Chair
Apologies	
No apologies received	

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”. 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 advised that the purpose of the meeting was to review the draft consultation and draft legal text.

3. Previous Meeting Minutes

- 3.1 The Chair asked for any comments on the accuracy of the previous meeting minutes. No comments were recorded.
- 3.2 The Chair reviewed the outstanding actions.
- 3.3 Action 30/01 – The Chair explained that he had taken the change of title and intent to the Panel for review and that the Panel had proposed a change of title, which has been updated on the draft Consultation. The Chair agreed to update the website accordingly. This action was closed, and a new action opened to update the website.

Action 31/01	Secretariat to update the title and intent of the CP on the DCUSA website.
Action 31/02	Secretariat to add a paragraph to the consultation to explain the change of title and intent (as paragraph 1.2)

4. Re-banding Panel Query

- 4.1 The Chair explained that the Panel had raised a concern that in re-banding a customer, it is possible that a customer’s charges could increase.
- 4.2 Some Working Group members discussed that they did not consider this to be an issue as those customers would not be applying for a charging band that would increase charges, and they would be notified of the consequence of being re-banded. It was also discussed that based on the current anticipated future banding thresholds it may be unlikely that this situation could arise. The Working Group also considered that with the DUoS SCR coming up, it was possible that the circumstances resulting in negative residual charges, or higher charges within lower bands, may be addressed as part of the SCR.

- 4.3 Ofgem noted that for a lower band to pay higher charges, the total consumption of sites of the lower band would need to be significantly higher than the total consumption of the sites in a higher band.
- 4.4 The Proposer noted that it was discussed in the April DCMDG and that it referenced the upcoming DUoS SCR work. A Working Group member explained that historically the London area has had negative residual charges, due to nuances in the tax, the allowed revenue being low and customer contributions being zeroed out. It was noted that as part of the DUoS SCR, Ofgem is looking at various solutions to stop the residual charges going negative.
- 4.5 The Working Group agreed that the consultation and change report should acknowledge that this can happen, but that the DUoS SCR might address this.
- 4.6 The Working Group discussed whether, within the price control period, the customer should be able to opt out of being a HCULU customer, in line with the consideration to allow the DNOs some discretion to review sites with a significant behaviour change. The Working Group agreed that this should be included as a question in the consultation.

Action 31/03	Secretariat to update the consultation to summarise the issue.
Action 31/04	Secretariat to add a question to the consultation around the customer being able to opt out.

- 4.7 A Working Group member noted that Ofgem issued two notes (re the [EDCM](#) and [CDCM](#)) at the end of March on this issue, one for the CDCM and one for the EDCM. Whilst the nature of the issues were different, the outcomes were the same and resulted in the band charging issues arising. It was noted that Ofgem had requested input and that Ofgem had been looking at options for further development, but Ofgem was unable to provide more information on the call due to being in the midst of the pre-election period. Ofgem explained that the CDCM discounts the fixed charge, but the EDCM has no such mechanism.

5. Draft Consultation Review

- 5.1 The Working Group reviewed the draft consultation.

Action 31/05	Secretariat to review the consultation to ensure definitions are in the correct place in the document.
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- 5.2 The Chair explained that a new section had been added to the consultation to document the decisions reached following the first consultation.
- 5.3 The Working Group discussed whether the wording around fair and consistent treatment of customers needed to be tweaked based on the conversation the Working Group had had regarding the possibility of a customer in a lower band paying higher charges. It was agreed to remove the assessment of fairness and instead focus solely on the consistency of the solution.
- 5.4 The Working Group considered whether the details of the two-part process could be expanded upon, using the response provided to the first consultation by Northern Powergrid.

Action 31/06	Secretariat to update the consultation to expand on the explanation for the two-part process.
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- 5.5 The Chair asked the Working Group to confirm that this did not require a follow-on question as it broadly arrives at the same result, which the Working Group agreed with.
- 5.6 Ofgem asked whether the explanation of the Load Factor was correct as it should surely be a low Load Factor. The Working Group reviewed the definition of the Load Factor and agreed that this was incorrect.
- 5.7 The Proposer explained that the reason why the original formula contained a formula that stated “1-utilisation” was because it was a single step formula and multiplying a high number by a low number would not have resulted in a usable result. As this had now moved to a two-step process this was no longer necessary.
- 5.8 The Chair made the amendment to the draft consultation.
- 5.9 The Secretariat confirmed that the draft legal text also needed to be amended.

Action 31/07	Secretariat to update the draft legal text.
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- 5.10 The Chair identified Section 6 of the consultation, around question 1, as the appropriate place to summarise the earlier conversation around whether customers moving to a lower band could pay higher charges.

Action 31/08	Secretariat to add the summary of the issue around customers paying higher charges in the lower band.
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- 5.11 The Working Group discussed limits around Market-wide Half Hourly Settlement (MHHS) and that RF would become more time-limited than today. The Working Group noted that the MHHS implementation is some time off and that DCP 439, if approved and implemented, would likely have impacts sooner. The Working Group noted, however, that there is *currently* no barrier to the backdating proposed in this CP.
- 5.12 The Working Group discussed how often this happens. One Working Group member noted that for their DNO area, it may be a couple of examples per month.
- 5.13 The Proposer noted that the retrospective treatment under this CP is time-limited and would no longer be available after the 6-month window expires.
- 5.14 The Working Group discussed whether there is an impact on customers lacking sufficient data, as there may be backdating for those customers once sufficient data is available. The Working Group agreed that this would be something to consider in the future, when RF is reduced under MHHS.
- 5.15 The Working Group discussed that newly connected sites could state their belief that they are a HCULU when their new connection goes live, despite having no data and not having gone through the first reallocation under paragraph 6.7. The Working Group discussed that it may be necessary for

new connection sites to wait for their first annual allocation review, under Schedule 32 paragraph 6.7, before they can be correctly assessed as HCULU. The Working Group agreed that amending the date of the first reallocation would be outside the scope of this CP.

- 5.16 The Working Group agreed to ask a question in the consultation about whether newly connected sites would need to wait for their first re-allocation before being eligible as a HCULU customer or before being able to apply for HCULU status. It was agreed that a consultation question should be added for this: *“Should customers be able to apply before first reallocation or only after the first reallocation?”*

Action 31/09	Secretariat to add outcome of the above conversation in the consultation and add a question around 5.16 above.
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- 5.17 The Working Group discussed the potential overlap with DCP 420 and discussed that the analysis of EV sites that would qualify was based on a check of a very limited number of (two) EV charging sites. Clarification around this was added to the consultation.

- 5.18 The Working Group discussed that whilst there may be no CUSC change, it was worth reiterating under wider industry impacts that there would be impacts to TNUoS as a result of the current proposed solution to re-band HCULU customers.

Action 31/10	Secretariat to add clarification around the impact to TNUoS charges as a result of the current proposed solution to re-band HCULU customers.
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6. Draft Legal Text Review

- 6.1 The Working Group reviewed the draft legal text.
- 6.2 The Working Group updated the legal text to reflect the two options discussed under paragraphs 5.14 to 5.16.

7. Next Steps

- 7.1 The Secretariat will make the agreed amendments to the draft consultation and draft legal text, and circulate this for review, prior to the next meeting.
- 7.2 The next meeting will be on 3 July 2024 at 14:00 to 16:00.

8. Any Other Business

- 8.1 No other business was raised.

New and Open Actions

Action Ref.	Action	Owner	Update
31/01	Secretariat to update the title and intent of the CP on the DCUSA website.	Secretariat	New Action
31/02	Secretariat to add a paragraph to the consultation to explain the change of title and intent (as paragraph 1.2)	Secretariat	New Action
31/03	Secretariat to update the consultation to summarise the issue.	Secretariat	New Action
31/04	Secretariat to add a question to the consultation around the customer being able to opt out.	Secretariat	New Action
31/05	Secretariat to review the consultation to ensure definitions are in the correct place in the document.	Secretariat	New Action
31/06	Secretariat to update the consultation to expand on the explanation for the two-part process.	Secretariat	New Action
31/07	Secretariat to update the draft legal text.	Secretariat	New Action
31/08	Secretariat to add the summary of the issue around customers paying higher charges in the lower band.	Secretariat	New Action
31/09	Secretariat to add outcome of the above conversation in the consultation and add a question around 5.16 above.	Secretariat	New Action
31/10	Secretariat to add clarification around the impact to TNUoS charges as a result of the current proposed solution to re-band HCULU customers.	Secretariat	New Action

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
23/01	Chair to update the minutes of meeting 22 to add a reference to the aforementioned documents.	Chair	Closed
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	Closed
27/01	Proposer to provide their current thinking on preferred approach.	MC/ LS	Closed
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	Closed
21/02	Working Group to consider what additional analysis is required after the consultation 1 responses review is completed.	Working Group	Closed
21/03	Working Group to discuss additional re-banding considerations after the consultation 1 responses review is completed.	Working Group	Closed
21/04	Chair to add the split criteria to the analysis as variables.	Chair	Closed
21A/01	Chair to locate or create a 'statement of facts' document that concisely summarises the principles and decisions implemented under the TCR.	Chair	Closed
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	Closed
22/02	Chair to facilitate the expansion of the impact assessment to cover customers who exceed their MIC by 5% and 10% respectively.	Chair	Closed
26/01	Working Group to conclude on how customers who have exceeded their MIC will be treated.	All	Closed
26/02	MC to draft a process for how this second step (DNO discretion) could work.	MC	Closed

28/01	Produce legal text based on proposer's preferred approach.	LS	Closed
28/02	Update consultation document in relation to discussions to date.	Secretariat	Closed
30/01	Take change of intent to Panel and ask Panel to consider whether the change of intent is necessary.	Chair	Closed