

# Distribution Charging Methodologies Development Group (DCMDG) - Meeting 77

18 July 2024 at 10:00 via Microsoft Teams

Attendees	Company
Andrew Malley [AM]	Ofgem
Chris Barker [CB]	ENWL
Chris Ong [CO]	UK Power Networks
Dave Wornell [DW]	National Grid Electricity Distribution
David Fewings [DF]	Inenco
David Stevenson [DS]	Cornwall insight LTD
Diandra Orodan [DO]	BU-UK
Dimuthu Wijetunga [DW]	Shell
Donna Jamieson [DJ]	Independent Distribution Connection Specialists
Edda Dirks [ED]	SSE Generation
Emma Clark [EC]	SSEN
Georgia Preece [GP]	Northern Powergrid
James Knight [JK]	British Gas
Jen StClair-Hughes [JSH]	ESP Utilities Group
Joe Boyle [JB]	SPEN
Kara Burke [KB]	Northern Powergrid
Karl Maryon [KM]	Drax Energy Solutions Limited
Laura Waldron [LW]	Engie
Laura Kristapaitė [LK]	OVO Energy
Mark Fletcher [MF]	Shell
Mark Jones [MJ]	SSE PLC
Nassina Rogers [NR]	OVO Energy
Niall Coyle [NC]	E.ON
Pamela Howe [PH]	Northern Powergrid
Rustam Ellis-Majainah	OVO Energy
Ryan Farrell [RF]	Northern Powergrid
Simon Vicary [SV]	EDF
Steven McKinght [SM]	Laser Energy
Tony Collings [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

Lee Stone [LS]

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## 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 was one apology noted for this meeting.
- 1.3 Attendees reviewed the draft minutes from the meeting held on 20 June 2024, with one member requesting that the bullet point under paragraph 3.2 be expanded upon to include a reference to NESO. Below is the proposed update to the bullet point under paragraph 3.2:

FSO Implementation, Ofgem and DESNZ had recently issued a consultation on the impacts to industry codes related to the initial arrangements for the entity to be now known as the National Energy System Operator (NESO) which will be designated to carry out the functions of the Independent System Operator and Planner (ISOP) as described in the Energy Act 2023. The ISOP will hold two separate licences, being the Electricity System Operator (ESO) licence and a Gas System Planner (GSP) licence. The Chair noted that the had recently had a consultation out related to the impacts to focused on the incorporation of the new entity and its functions as well as the licences it will hold into industry codes, including the DCUSA and that this had closed on 17 June 2024.

- 1.4 Members agreed that, subject to the amendments above, the minutes of the last meeting were an accurate summary of the meeting.

**Action 77/01 – The Secretariat to expand on point 3.2 of the DCMDG 76 minutes, regarding the NESO (National Energy System Operator) for the benefit of readers.**

- 1.5 The Chair provided updates on the open actions contained in the actions log which was issued with the meeting papers.
  - Regarding Action 72/04. The Chair explained that prior to issuing the email out, that he had recently received feedback from two Suppliers, indicating that with respect to the TCR Banding Re-Allocation for 2026/27 and the provision of data by DNOs/IDNOs to Suppliers by 30 June 2024, that as it stands, it appears as if not all DNOs/IDNOs have provided this data. The Chair went on to note that one Supplier indicated that all but 1 host DNO has issued the data set to them, but only 4 IDNOs have issued the data set to then and so in the context of the provisions in the DCUSA, those missing submissions are late. It was noted by the Supplier that they were aware that there are preceding steps for DNOs/IDNOs to obtain data from the banding agent however given some DNOs/IDNOs met the requirement prior to 30 June, then it wouldn't appear that there was an issue with obtaining that data. The Chair went on to suggest the following:
    - The original action could be expanded upon to not only cover an information piece to Suppliers but also to all DNOs/IDNOs to point them in the direction of the information placed on the DCUSA website and to make the point that if

those provisions have been missed by any party, then they should definitely rectify that as soon as possible and provide the data as per as per the requirements of Schedule 32 of the DCUSA. Members agreed that this seemed like the best approach given this new information.

- Regarding Action 74/01. The Chair informed the members that more time is needed to complete this action. This action will remain open.
- Regarding Action 76/01. It was noted this would be picked up as part of the Ofgem update during that agenda item later meeting and that the action could be closed.
- Regarding Action 76/02: It was noted that an updated version of the material related to the structure for Line Loss Factor (LLF) IDs moving forward had been circulated to the DCMDG members with the minutes of the last meeting and the action could now be closed. CO provided an update with respect to what has happened since the last meeting, which included the following:
  - Some feedback on what was circulated was received, however, the feedback was more around points of clarity on what was being proposed as opposed to suggested changes to what was being proposed.
  - A further meeting with Elexon and the MHHS programme has been held and that this was used as a means to explain to them what had been done to date and to make sure they were comfortable with what was being put forward.
  - Both CO and SB are currently in the process of populating a draught submission which covers the expected actions from both the DNO side as well as the IDNO side of things. The purpose of this is to allow Elexon to be able to review the output and for them to be able to confirm that they remain comfortable with the proposal.
  - Once that step has been completed, the plan is for CO and SB to start contacting other DNOs/IDNOs to share their data submissions and notes as to where to source the data from.
  - it was noted that for the three licence areas under UKPN, the process took roughly half a day to complete plus a couple of hours of checking.
  - There are weekly meetings planned between CO/SB and Elexon for the next few weeks just to make sure that that the proposed approach does ultimately proceed as planned.

1.6 Members had no further comments.

## 2. Introduction

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2.1 The Chair welcomed the DCMDG attendees to the 77th DCMDG meeting.

### 3. DCMDG Forward Work Plan and Issues Log

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

#### **DCMDG-Issues:**

3.2 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.

#### **DCUSA Charging Change Proposals:**

3.3 Regarding DCUSA Change Proposals that are of interest to members of the DCMDG, the Chair provided the following updates:

- 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 finalized.
- 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 412, the Working Group has issued a consultation to industry to gather views on the proposed solution and proposed implementation date. The deadline for responses is 31/07/2024.
- With respect to DCP 420, the Working Group were wanting to get further legal advice related to a potential conflict with specific retained EU law and that the request had been discussed by the DCUSA Panel, during their meeting a day earlier and that further communication would be issued following the Panel's discussion.
- With respect to DCP 421, this had now been issued for a second consultation, specifically related to the legal drafting and the next meeting will be held early next month.
- With respect to DCP 423, a consultation had been issued in May, which closed in June and a Doodle Poll for confirming the date of Working Group meeting 04 had been issued recently.
- With respect to DCP 424, this change proposal has been delayed due to 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 Q3 2024.
- With respect to DCP 425 and DCP 433, there have been no new movements at this stage and both are awaiting Authority approval.
- With respect to DCP 437, the Working Group met on 9 July 2024, where they reviewed consultation responses. The Working Group are aiming to issue the Change Report to the August Panel.

- With respect to DCP 438, the Change Report was issued to the Panel during the June Panel meeting, where it was approved to be issued for Party voting. Voting closed on 11 July and a Change Declaration was issued to Parties and Ofgem with a recommendation that DCP 438 be approved. DCP 438 is now awaiting Authority approval.
- With respect to DCP 439, the Working Group met on 12 July 2024, where they reviewed the consultation responses, and a further meeting was scheduled later on the same day as this meeting (18 July) to finalise the review of consultation responses and to determine next steps.
- With respect to DCP 440, the Working Group met on 10 July 2024, where they reviewed the consultation responses, and a further meeting was held on 15 July to finalise the review of consultation responses and to determine next steps.

### **New Change Proposal:**

3.4 The Chair highlighted that during the DCUSA Panel meeting which was held the day before this DCMDG meeting, that a new Change Proposal had been approved by the Panel to enter into the DCUSA change process and which will be classed as a 'Charging Change Proposal' and therefore will be added to that tab in the Forward Work Plan and Issues Log. The Chair noted the below:

- DCP 443 was submitted to the Panel for Initial Assessment during their July meeting. This CP aims to drive the correct customer behavior regarding exceeding capacity. The Panel approved for DCP 443 to progress to the Definition Phase and for a Working Group to be set up to refine the proposed solution. A doodle poll was issued to set up the first meeting of the Working Group, final date and time for this is to be confirmed.
- The Chair reminded members that this change relates to the discussions held last year in terms of the way DNOs intended on treating the 'Customer Contributions' input in the CDCM as a result of the changed connection boundary that was implemented as part of the Access SCR.
- The result of those discussions was agreement from the DNOs to zero out the values of that input and that this action resulted in the loss of the incentive for customers not to exceed their agreed Maximum Import Capacity (i.e., the Exceeded Import Capacity charge is now the same as the Import Capacity charge).
- The Chair flagged to AM and members that DCP 443 has a potential impact on the DUoS SCR and asked if there were any thoughts on whether it could proceed as it stands. AM noted that generally speaking, if something is dealing with an issue which could do with being dealt with because it's leading to something distortive or sending perverse behavioral incentives then it's probably better to go ahead or a change that seeks to resolve an issue that has been identified and can be dealt with via discreet changes to a methodology is much more likely to be acceptable than one that may require extensive work across a methodology in order for it to be enacted. AM agreed to have a look at DCP 443 in more detail to confirm if Ofgem believe it will impact the DUoS SCR work.

## Legal Text Overlap Tracker:

3.5 The Chair noted that more time was needed to update this section of the document.

## DCMDG External Activities:

3.6 The Chair informed to the group there were no updates made.

3.7 Members noted the DCMDG Issues Log & Forward plan.

## 4. Ofgem Update

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4.1 Having missed the last meeting, AM explained that in between times, the distribution charging team have been putting together a document which is somewhere between open letter and a call for input which they have run past some of the DNOs already. This document will be focussed on some recent problems seen with the DUoS methodology and their work has involved putting options together on what can be done to make sure that if DNOs have problems setting tariffs in the short term, what Ofgem will do to sort that out. The original intent was for that document to be published at the end of June, but with the election being announced it meant that it had to be pushed back.

4.2 A firm date hasn't been pencilled in at the moment, because Ofgem are sharing some work with the DNOS to make sure that it's both accurate and also written in a useful and user friendly language for suppliers and other users to be able to easily feedback on if they would like to. The current plan is to issue the document towards the end of July or the start of August.

4.3 AM went on to note that Ofgem are starting to get together the beginnings of their forward-looking DUoS reform work but that some of this is conditional on when more information becomes available in terms of the direction of travel for other market design work (i.e., REMA and TNUoS charges). AM explained that Ofgem are starting to build up a programme of work for the DUoS SCR and hope to produce something towards the latter half of this year that people can comment on. AM also noted that if there is a CFF that is held in between times, then Ofgem are likely to be able to give a better overview at that point.

4.4 AM also flagged that there have been several new changes raised as well as changes issued to Ofgem for decision in the DUoS charging space and so the team are starting to work through those and make sure the old ones are being picked up.

4.5 A member asked if there was any further update regarding Ofgem's Standing Charges Review, to which the AM explained that there is indeed a lot of work ongoing to across Ofgem on those proposals. AM went on to note that these proposals are mainly retail focussed and more specifically on domestic customers and so with respect to the how network charges factor into Supplier standing charges, there isn't much to report back on at this stage, as this hasn't been a focus of the review and that with a new government in place, there isn't a great deal of certainty as to what their priorities may be.



- 4.6 A member made the point that one of the biggest drivers of the increase in standing charges was due to the implementation of the TCR and so wondered whether there was work to be done in that space again. The member noted that whilst stability in charges across time is welcome, consideration should be given to stability across regions too, as if there is one region that has higher standing charges, then those customers will still complain and it is Suppliers who will be on the end of those complaints but have no real way in which to address the issues, given the way the price cap works and the fact that such charges are generally just passed through to consumers.
- 4.7 The Chair asked if there was clarity on when anything to do with the actual DUoS SCR will be published, to which AM explained that Ofgem are currently waiting for more information on what the future holds to get a better view of where the government intends to take zonal versus national pricing question. It was noted that once these areas start to firm up, then Ofgem can start to think about which bits are left for network charges to do, and that's when Ofgem think they can really start to engage industry. This will likely take the form of publishing a proper scope of work and some discussion points. When Ofgem do know more, AM expects that they will set out what they now know, this is what they think it means and ask stakeholders to tell Ofgem whether they think Ofgem are on the right track.

## 5. MHHS Update

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

## 6. Private Networks Subgroup Update

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- 6.1 The Chair explained that whilst there had been a longer than expected pause between meetings of the sub-group, that he had been reading up on a number of related areas and had happened across some information which he thought AM might have a view on. The Chair noted that it appears that any Private Network Operator which operates a private network with competition in supply, would need to have published a charging statement so as to allow a third party supplier and/or the customer to know how they intend on charging for the use of their network. The Chair went on to explain that it appears any such charging statement would need to be approved by Ofgem and so wondered whether the questions which the sub-group were seeking answers to, regarding how many of these sites exist and where are they located, might in fact be able to be answered by Ofgem. On this specific point, AM suggested that the numbers might be a few dozen but that there is work to be done to ensure information is available/joined up.
- 6.2 On the broader topic of the work of the private networks sub-group, AM explained that his view was that it might be best for work in this area to remain paused for the moment, as there are several workstreams that are likely to interact with any such work, including since the new government has come in, their proposed 'Local Power Plan' that is likely to be pushed forward. AM noted that there are other changes currently being progressed in terms of the DCUSA and as well as for the BSC that are looking at arrangements for concepts such as complex sites, local balancing and how competition in supply can be facilitated for certain types of users. AM noted that it is a complicated landscape at the moment and that there could be some quite significant developments in this area and so waiting whilst some of these areas start to conclude is likely the best course of action. AM suggested that movement in this area should start again once more is known in terms any interlinkages with the topic of DUoS charges for private networks.

6.3 The Chair suggested one further meeting might be scheduled to discuss what the sub-groups views are on this and whether there is desire to continue with any work at this stage.

6.4 The DCMDG noted the updates for this month.

## 7. DCMDG 'AAR Lessons Learnt' Subgroup Update

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7.1 It was noted that the group is currently at the stage of developing an RFI. The DCMDG noted that there were no further updates this month.

7.2 It was noted that the sub-group is wanting to agree the use of a template, which would be utilised by all distributors when issuing the required data to Suppliers as part of the annual allocation review process as a way on ensuring consistently across submissions.

7.3 The DCMDG noted the updates for this month.

## 8. Any Other Business (AOB)

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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

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9.1 The current standing items on the agenda.

## 10. DNO Operational Matters

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10.1 The DCMDG noted that there were no raised matters this month.

## 11. Date of Next Meeting

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11.1 The next DCMDG meeting will be held on 15 August 2024 via Microsoft Teams / Teleconference.