

Distribution Charging Methodologies Development Group (DCMDG) - Meeting 78

15 August 2024 at 10:00 via Microsoft Teams

Attendees	Company
Andrew Malley	Ofgem
Catherine Fearon [CF]	ESP Utilities Group
Charles Mott [CM]	SSE
Chris Barker [CB]	BUUK
Damian Clough [DC]	SSEN
Dave Wornell [DW]	National Grid Electricity Distribution
Dave Bowles [DB]	Fulcrum
David Fewings [DF]	Inenco
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
Emma Robinson [ER]	EON
Georgia Preece [GP]	Northern Powergrid
Harrison Hunter [HH]	Cornwall Insight
Hunter Morven [HM]	LastMile Uk
James Knight [JK]	British Gas
Jen StClair-Hughes	ESP Utilities Group
Joe Boyle [JB]	SPEN
John Tindal [JT]	SSE
Kyran Hanks [KH]	Waters Wye
Laura Waldron [LW]	Engie
Lee Wells [LW]	NPG
Lee Stone [LS]	EON
Mark Fletcher [MF]	Shell
Olly Frankland [OF]	Regen
Otis Harrison [OH]	Thrive Renewables
Richard Palmer [RP]	Utilititeam
Rustam Ellis-Majainah [REM]	OVO Energy



Ryan Farrell [RF]	Northern Powergrid
Simon Vicary [SV]	EDF
Victoria Burkett [VB]	SSE Energy Supply
William Jago [WJ]	NPower
Secretariat	
Angelo Fitzhenry [AF] (Chair)	ElectraLink
Alysson Peña [AP] (TechSec)	ElectraLink
Apologies	
Tony Collins	Ecotricity
Kara Burke	NPG
Ryan Farrell	NPG

1. Administration

- 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 the minutes are approved.
- 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 and agreed to the Terms of Reference.
- 1.3 There were three apologies noted for this meeting.
- 1.4 Attendees reviewed the draft minutes from the meeting held on 18 July 2024 and members agreed that these were an accurate summary of the meeting.
- 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 confirmed this has been issued prior to DCMDG 78 meeting, it was also included information regarding the upcoming annual allocation review processes that should be followed as it ties into the discussions that were had in the AAR Sub-Group. This action is therefore closed.
 - Regarding Action 74/01. The Chair confirmed that the updated version will be circulated with the minutes and can be reviewed during the September meeting. This action is therefore closed.
 - Regarding Action 77/01. The Chair informed the members this had been done and the DCMDG members were happy with the final text added to expand on the NESO in the DCMDG 77 Minutes. This action is therefore closed.



1.6 Members had no further comments.

2. Introduction

2.1 The Chair welcomed the DCMDG attendees to the 78th 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 issue No 12. This is covered in detail within item 5 below.

Charging 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 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 is due to meet on 20 August to review consultation responses.
- With respect to DCP 420, the Working Group has now received the Panel response to the legal advice request and a meeting is to be scheduled shortly.
- With respect to DCP 421, the Change Report has been issued to the Panel for approval to progress to voting.
- With respect to DCP 423, the Working Group has identified an area of the modelling that needs further review and are engaging with the service providers.
- With respect to DCP 424, it was noted that 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 Q3 2024.
- With respect to DCP 425, the Change Report was issued for voting following the March Panel meeting for a period of three weeks. The outcome of the Party voting was a recommendation that Ofgem Accept DCP 425 and the Change Declaration was issued to Authority for approval.
- With respect to DCP 433, the Change Report was presented to the Panel during their May 2024 meeting, where it was approved and was subsequently issued for voting following the May Panel meeting for a period of 15 Working Days. The outcome of the

Party voting was a recommendation that Ofgem Accept DCP 433 and the Change Declaration was issued to Authority for approval on 10 June 2024.

- With respect to DCP 437, the Working Group met on 9 July 2024, where they reviewed consultation responses. They aim to issue the Change Report to the September 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.
- With respect to DCP 439, the Change Report has been issued to the Panel for approval to progress to voting.
- With respect to DCP 440, the Working Group has reviewed the consultation responses and are working towards issuing the Change Report to Panel.
- With respect to DCP 443, the first DCP 443 Working Group meeting is scheduled to be held on 19 August 2024.

Legal Text Overlap Tracker:

- The Chair noted that this had been updated.

DCMDG External Activities:

- 3.2 The Chair informed that a review will be carried out offline and an update will be shared with the group accordingly.
- 3.3 It was noted that the Ofgem's Call for Input: *Distribution Use of System Charging – Managing the effects of surplus residual charges* should be added to the external activities tab.
- 3.4 Members noted the DCMDG Issues Log & Forward Work Plan.

4. Ofgem Update

- 4.1 AM provided an overview of current and upcoming regulatory initiatives from Ofgem. This included discussions on grid flexibility, energy storage integration, and updates on capacity markets.
- 4.2 It was noted that Ofgem is conducting several consultations aimed at shaping the future regulatory landscape, particularly in areas that could impact the operation and financial viability of innovative energy technologies.
- 4.3 AM emphasized Ofgem's commitment to supporting the industry during regulatory transitions. He acknowledged the challenges posed by these changes and assured members that Ofgem would provide guidance and support to help navigate these transitions.
- 4.4 AM encouraged members to reach out with any specific concerns or questions and reiterated the importance of industry involvement in ongoing consultations.

- 4.5 It was noted that some members expressed concerns about the potential impacts of new regulations, particularly on smaller industry participants. They stressed the need for clear communication and targeted support from Ofgem.
- 4.6 AM acknowledged these concerns and assured the group that Ofgem is focused on ensuring that the regulatory changes are implemented smoothly and fairly, with adequate support for all market participants.
- 4.7 It was noted that a few members sought more details on specific regulatory updates, particularly regarding grid flexibility and capacity markets. They were interested in understanding how these developments would affect their operations.
- 4.8 AM offered to provide additional information outside of the meeting and encouraged ongoing engagement through Ofgem's consultation processes.
- 4.9 Members noted the Ofgem update.

5. New Issue: Import Capacity Charges for Storage Facilities

- 5.1 The chair welcomed and introduced the lead of the new issue raised, the Chair presented on screen the corresponding paper 'Import Capacity Charges for Storage Facilities' **attachment_1**.
- 5.2 OH from Thrive Renewables raised the issue regarding the current structure of Import Capacity Charges as applied to storage facilities. He noted that these charges, which are typically based on the maximum import capacity, do not take into account the unique operational characteristics of storage facilities. Unlike traditional consumers of electricity, storage facilities may only import power intermittently, depending on market conditions and grid needs.
- 5.3 OH argued that the application of import capacity charges as they stand is disproportionately expensive for storage facilities. Given that these facilities do not consume power in a consistent manner, the charges based on peak capacity often lead to higher costs than are justified by their actual usage.
- 5.4 The current charging methodology could potentially discourage the development and operation of storage facilities, which play a crucial role in balancing the grid and supporting the integration of renewable energy sources. The financial burden imposed by these charges might hinder investment in storage capacity, thus affecting the broader goals of energy transition and grid stability.
- 5.5 The issue was acknowledged by the DCMDG members. Members expressed an understanding of the operational challenges faced by storage facilities and agreed that the current charging methodology may need to be reviewed.
- 5.6 The Chair noted the importance of understanding the broader implications of any changes to the charging methodology. He emphasized that while storage facilities have a unique profile, any adjustments must be carefully considered to avoid unintended consequences for other sectors or the grid's financial stability.

- 5.7 Some members raised technical points about how import capacity is currently measured and billed. They suggested that a more dynamic or usage-based approach might be more appropriate for storage facilities, potentially linking charges to actual power flows rather than maximum capacity.
- 5.8 Members highlighted that any change would require a detailed review of the existing regulatory framework to ensure consistency and fairness across all market participants. They also noted the potential need for a formal proposal or consultation process if changes were to be implemented.
- 5.9 Several members suggested that it would be beneficial to compare the UK's approach with other international markets where storage is more established. Learning from best practices elsewhere could help in designing a more equitable charging system.
- 5.10 The DCMDG members agreed in principle to the formation of a subgroup to investigate the issue further.
- 5.11 It was agreed that more data on the actual usage patterns of storage facilities would be essential. OH volunteered to coordinate the data collection process, working closely with other members and relevant departments.

Action 78/01: The Secretariat to set up a subgroup to support the import capacity charges for storage facilities issue raised by OH from Thrive Renewables.

- 5.12 Members noted the new DCMDG Issue and there were no further comments at this point.

6. MHHS Update

- 6.1 The Chair noted that he had no updates to share.
- 6.2 AM provided an update on the progress of the Market-wide Half-Hourly Settlement (MHHS) program. He confirmed that the industry is making steady progress toward the implementation of half-hourly settlement for all consumers.
- 6.3 The transition is seen as crucial for enhancing the efficiency and flexibility of the electricity market, improving the accuracy of energy billing, and fostering innovation in energy services.
- 6.4 AM emphasized the importance of continued stakeholder engagement in the MHHS implementation process. He noted that Ofgem is actively seeking feedback from industry participants to address concerns and refine the transition process.
- 6.5 AM encouraged all members to stay involved in these discussions to ensure their perspectives are considered.
- 6.6 It was noted that members discussed potential challenges associated with the MHHS implementation, particularly for smaller participants who might struggle with the costs of system upgrades and the complexity of the transition.
- 6.7 AM acknowledged these concerns, noting that Ofgem is aware of the potential difficulties and is working to provide the necessary support and guidance to ease the transition.

- 6.8 The discussions also explored the implications of MHHS on storage facilities. Members pointed out that while the transition is beneficial in the long run, there could be short-term operational impacts that need to be addressed.
- 6.9 AM assured the DCMDG members that the specific needs of storage facilities would be considered in the ongoing consultations, and adjustments would be made as necessary to ensure a fair regulatory environment.
- 6.10 The DCMDG noted the updates for this month.

7. Private Networks Subgroup Update

- 7.1 The Chair reiterated that Ofgem's view is that this work is to be paused and a formal communication will be issued to the members to notify this decision from Ofgem.
- 7.2 AM provided an update on the activities of the Private Networks Subgroup. He noted that the subgroup has been actively working on addressing issues related to the regulatory treatment of private networks, particularly in the context of competition in supplygrid connection and capacity allocation.
- 7.3 AM emphasized the importance of this work in ensuring that end customers who have opted to choose their own supplier are treated fairly within the regulatory framework, while also maintaining the integrity and efficiency of the charging methodologies.
- 7.4 AM encouraged members of the DCMDG to contribute their insights and concerns to the subgroup, particularly those who operate or interact with private networks.
- 7.5 Members raised concerns about the potential for regulatory disparities between private networks and the wider public grid. They highlighted that customers who have opted to choose their own supplier (i.e., private networks with competition in Supply) often face unique challenges that are not adequately addressed by the current regulatory framework.
- 7.6 AM acknowledged these concerns and assured the group that the Private Networks Subgroup is focused on ensuring that any regulatory changes consider the specific needs and challenges of those customers on private networks.
- 7.7 Some members expressed the need for clearer guidance from Ofgem regarding the operation and regulation of private networks. They pointed out that uncertainty in the regulatory landscape could lead to operational and financial risks for private network operators and the end customers connected to them.

Action 78/02: The secretariat to schedule a further meeting for the Private Network Subgroup at which Ofgem will attend to assist in agreeing next steps.

- 7.8 The DCMDG noted the updates for this month.

8. DCMDG 'AAR Lessons Learnt' Subgroup Update

8.1 It was noted that DT is currently working on an RFI that will be issued next week, but in the next week. This seeks to get agreement on the template prior to being used on the 15th of September, an screenshot of the pros template has been added to the e-mail that was issued to cover off the earlier action that we discussed in the meeting, action 72/04.

8.2 The DCMDG noted the updates for this month.

9. Any Other Business (AOB)

9.1 The Chair noted that there were two items raised for any other business prior to the meeting.

Measurement Class G Data for AAR:

9.2 There had been a couple of emails into the DCMDG inbox that centred around the need to data for Measurement Class G, which relates to non-half-hourly metered data. This data is critical for the Annual Allocation Review (AAR) process, as it provides insights into the performance and accuracy of energy settlements.

9.3 The Chair indicated that with respect to Measurement Class G data for AAR for the DNOs/IDNOs that members were hopefully be aware that has been actioned. The Chair explained that he personally got involved with that process earlier this week, by requesting the data from the relevant team in ElectraLink and subsequently sent out all the data via emails.

DCP 433 Derogation Discussion:

9.4 Members discussed that if an Authority decision on [DCP 433 Limitation for backdating of rebates/charges under Schedule 32](#) was not received before the next Annual Allocation Review process needs to take place (i.e., 15 September 2024) that a similar derogation to the one that was requested and granted last year would need to be requested for this year.

9.5 It was noted that the original derogation was for the DNOs/IDNOs to follow the inferred obligations in Paragraph 6.11 of Schedule 32 to the extent possible (i.e., by backdating the LLFC ID for applicable sites through settlement processes to a maximum of 14 months) and to raise a Change Proposal to amend the relevant text in the DCUSA (i.e., Paragraph 6.11 of Schedule 32) such that it reflects the reality of how sites are billed and the limitations for backdating of sites on the basis of LLFC IDs. DCP 433 was that change, and it had been hoped that it would have been implemented ahead of this years' Annual Allocation Review.

9.6 The Chair noted that DCP 433 is currently with Ofgem for decision and questioned if AM had an ETA as to when a decision may be able to be provided for it.

9.7 AM explained that DCP 433 is indeed with his team to make a decision on but that he did not have an ETA as to when a decision will arrive, but that one of his colleagues was like to reach out to one of the DNOs to have a talk about deadlines and exactly when this is needed for.

9.8 The Chair asked if there were any other business.

9.9 There were no further items raised.

9.10 The DCMDG noted the updates for this month.

10. Agenda Items for the Next Meeting

- 10.1 The current standing items on the agenda.

11. DNO Operational Matters

- 11.1 The Chair asked the DCMDG members if there were any DNO Matters to be raised, there was one question from a member.
- 11.2 The question was with respect to the recent discussions on the new generic line loss factor (LLF) IDs that members had discussed during the last two DCMDG meetings. The member wanted to check if any DNOs were aware of what IDs are being issued to Elexon in terms of the EHV transformer LFF IDs. The member noted that he'd received an e-mail from somebody in UK PN, but that the information didn't include LFF IDs for the 132kVA transformer level and was looking to see if other members were able to confirm what they intended on using.
- 11.3 One member noted that did not know at the moment and no other members provided a view on the call.
- 11.4 The member who asked the question explained that he would send another e-mail back to UKPN, asking about the 132kVA transformer LLF IDs and noted DNOs/IDNOs we're still early in the process, as it's not until mid to end of September when the data needs to be sent off.
- 11.5 The Chair noted that DT has issued a calendar invite for the revision of cost information tables (DCP 066A) meeting for the August submission. The invite has been sent to all Supplier and IDNO Contract Managers. DCMDG members who are Suppliers or IDNOs and wish to receive the invite should notify the meeting organizer either now or later via email to the DCPMG mailbox.
- 11.6 The DCMDG noted the updates for this month.

12. Date of Next Meeting

- 12.1 The next DCMDG meeting will be held on 19 September 2024 via Microsoft Teams / Teleconference.