

DCP 437 Working Group Meeting 03

09 July 2024 at 10:00 - Web-Conference

Attendee	Company
Working Group Members	
Chris Ong [CO]	UKPN
Emma Clark [EC]	SSE
Kara Burke [KB]	NPg
Monique Pereira [MP]	Indigo Networks
Lauren Roy [LR]	SPEN
Simon Yeo [SY]	National Grid
Rustam Ellis-Majainah [REM]	OVO
Victoria Burkett [VB]	SSE
Code Administrator	
Richard Colwill [RC]	Chair
Hannah Proffitt [HP]	Secretariat
Apologies	
Edda Dirks [ED]	SSE
David Wornell [DW]	National Grid

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 to aid the Technical Secretariat in producing an accurate report of the meeting. The recording will be deleted after 15 Working Days.

Apologies

- 1.2 Apologies are noted in the table above.

Competition Law Guidance and Terms of Reference

- 1.3 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.

Minutes of the Previous Meeting

- 1.4 The minutes of the previous meeting were reviewed and approved without amendment.

Action Log

- 1.5 The Action Log can be found in the Appendix.

2. Purpose of the Meeting

- 2.1 The Chair advised that the purpose of the meeting was for the Working Group to review the consultation responses and consider next steps.

3. Review Consultation Responses

- 3.1 The Chair presented the consultation responses to members noting that 13 responses had been received. A summary of discussions on each question are as follows.

Question 1 – Do you understand the intent of this CP?

- 3.2 The Working Group noted that all consultation respondents understood the intent of the CP.

Question 2 – Are you supportive of the principles of this CP?

- 3.3 The Working Group noted that responses to this question were mixed, with some responders supporting the principles and some not.
- 3.4 One response suggested a dual approach, that the current notice period should remain in place as a default, and that a reduced period should only be applied on occasions where Ofgem make changes to the Price Control Financial Model (PCFM).
- 3.5 One member raised concerns that this could lead to some DNOs publishing at the end of December and some at the end of January. Another member raised that some changes directed by Ofgem would affect all DNOs and some would affect several or only one DNO.
- 3.6 Members discussed that the dual approach would create challenges for IDNOs as they publish one statement for all areas they operate in, so if one licence needs an extra month they would need to republish their data. An IDNO representative confirmed that this would double their assurance processes.
- 3.7 The Chair suggested a caveat could be added to the legal text stating that a change to any DNO licence area would mean that IDNOs would have an extra month and submit at 13 months at the end of February.

- 3.8 One member asked what the impact would be of always allowing IDNOs the extra month, noting that this could simplify the solution. The member questioned whether IDNO prices are different to DNOs prices. Another member clarified that only certain tariffs cannot exceed the DNO prices.
- 3.9 One member asked how often Ofgem direct DNOs to make changes. Another member noted that last year was the first year of the new PCFM process and therefore it is difficult to predict.
- 3.10 One member suggested that DNOs would be aware ahead of the publication date whether there are changes to be made and could therefore issue a communication to Suppliers notifying them that there have been amendments and therefore they have an additional month to republish their models. Suppliers would therefore be aware of the situation and would not need to chase.
- 3.11 The Chair suggested that a requirement could be added to the legal text for DNOs to contact Suppliers to let them know within 1 Working Day of being notified of the changes by Ofgem.
- 3.12 Members discussed the original solution and the dual approach solution and concluded that one solution is likely to be supported by DNOs and the other by Suppliers. Members considered whether an alternative solution should be raised and whether a further consultation would be needed.
- 3.13 One member asked whether it is likely that any unknown issues would be raised through a further consultation. Other members suggested that it is unlikely that anything additional would be raised.
- 3.14 Members agreed to review the remaining consultation responses and to decide later on in the meeting whether an alternative solution should be included in the Change Report to be voted on.

Question 3 – Do you agree with the Working Group’s approach of amending the notice period to 14 months for DNOs and 13 months for IDNOs and out of area DNOs? Please provide your rationale either way.

- 3.15 The Working Group highlighted a response that noted that the probability of Ofgem mandating amendments to the PCFM at an advanced stage is low. The Working Group questioned whether this is the case and reiterated the earlier point that it is difficult to predict how often changes will occur. The group discussed that this could be a question for Ofgem to consider when they review the Change Report.
- 3.16 One member noted that in the last few years, late changes to tariffs have been required due to Supplier of Last Resort (SOLR) and that industry have coped with this. Another member advised that this had led to charges being increased for customers.

Question 4 – To Suppliers, how would amending the notice period to 14 months for DNOs and 13 months for IDNOs and out of area DNOs impact Suppliers and consequently customers?

- 3.17 The Working Group noted the responses, including themes surrounding consumer choice being impacted and an increase in prices through the addition of risk premia.

Question 5 – Do you consider that the proposal better facilitates the DCUSA objectives? Please give supporting reasons.

- 3.18 The Working Group noted that the responses varied and agreed for a summary to be included in the Change Report.

Question 6 – Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

- 3.19 The Working Group noted the suggestions received, however agreed that there are no interactions that would halt the progress of the CP.

Question 7 – Are you supportive of the proposed implementation date? (Next issue of DCUSA following approval)

- 3.20 The Working Group noted that all responses except for two agreed with the implementation date, with one stating they do not support the change, and the other requesting two full charging years after the decision.

Question 8 – Do you have any comments on the draft legal text?

- 3.21 The Working Group noted responses, and agreed to ensure that the updated version of the legal text is included with the Change Report.
- 3.22 The Working Group reviewed the suggested legal text for a dual approach solution, and agreed for this to be amended to include the requirement for the DNO to send a notification to Suppliers of changes, within 1 Working Day of Ofgem's notification.
- 3.23 The Working Group acknowledged a comment relating to the legacy references around the timescales of the production of the rates in 2016. The group noted that action 02/02 addresses this.

Question 9 – Do you have any other comments on DCP 437?

- 3.24 The Working Group acknowledged a comment suggesting that rather than changing the notice periods permanently to 14 months, Ofgem should be given the ability to direct a reasonable reduction to the notice period should their intervention cause a material change to the PCFM. The Working Group acknowledged that Ofgem will be able to review this suggestion in the Change Report, however that it is outside the scope of this change.

4. Next Steps and Work Plan

- 4.1 The Working Group agreed for the Chair to contact the Proposer of the change to discuss the possibility of adding the dual approach solution to the Change Report to be voted on.
- 4.2 One member asked what would happen if the Proposer did not agree for the second solution to be added. The Chair advised that another party could raise an alternative Change Proposal.
- 4.3 The Working Group agreed the following next steps:
- The Chair to speak to the Proposer regarding adding the alternative solution to the Change Report.

- The Chair to draft a Change Report and issue to the Working Group for review.
- The Chair to draft legal text and issue to the Working Group for review. Once the Working Group have reviewed, this will be issued to Gowling WLG for legal review.

5. Any Other Business

5.1 No other business was raised.

New and Open Actions

Action Ref.	Action	Owner	Update
02/02	Chair to ask Gowling about removing unnecessary dates in the legal text when sending for legal review.	RC	<i>Action ongoing.</i> Will ask Gowling during legal review.
02/03	Chair to raise suggestion of a DCUSA housekeeping change internally.	RC	<i>Action ongoing.</i>

Closed Actions

Action Ref.			Update
02/01	Secretariat to check recording of previous meeting for references to CMP 244 and add to minutes if necessary.	HP	<i>Action closed.</i> Not added to minutes.