

# Distribution Charging Methodologies Development Group (DCMDG) - Meeting 79

19 September 2024 at 10:00 via Microsoft Teams

Attendees	Company
Ahna Taylor [AT]	SSE Energy Supply
Felix Chou Hon Leong [FL]	Ofgem
Catherine Fearon [CF]	ESP Utilities Group
Charles Mott [CM]	SSEN
Chris Barker [CB]	ENWL
Dave Wornell [DW]	National Grid Electricity Distribution
David Fewings [DF]	Inenco
Diandra Orodan [DO]	BU-UK
Dimuthu Wijetunga [DW]	Shell
Donna Jamieson [DJ]	Independent Distribution Connection Specialists
Donald Preston [DP]	SSEN
Georgia Preece [GP]	Northern Powergrid
Harrison Hunter [HH]	Cornwall Insight
Hunter Morven [HM]	LastMile UK
James Knight [JK]	British Gas
Jen StClair-Hughes [JS]	ESP Utilities Group
Joe Boyle [JB]	SPEN
Kara Burke [KB]	Northern Powergrid
Karl Maryon [KM]	Drax
Kavya	Brook Green Supply
Lee Stone [LS]	EON
Matthew Smith [MS]	UK Power Networks
Michael Clark [MC]	UK Power Networks
Pamela Howe [PH]	Northern Powergrid
Ryan Farrell [RF]	Northern Powergrid
Sally Musaka [SM]	Optimal Power Networks
Simon Vicary [SV]	EDF
Victoria Burkett [VB]	SSE Energy Supply
William Jago [WJ]	NPower
<b>Secretariat</b>	
Dylan Townsend [DT] (Chair)	ElectraLink
Alysson Peña [AP] (TechSec)	ElectraLink
<b>Apologies</b>	
Edda Dirks [ED]	SSE Generation
Emma Clark [EC]	SSEN

## 1. Administration

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- 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 it was noted that all members agreed to be bound by the Competition Law Guidance for the duration of the meeting.
- 1.3 There were two 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.
  - 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. The Chair informed that other matters took priority and therefore this has yet to be actioned and will be done as soon as possible. Action ongoing
  - 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. The Chair noted the above statement applied to again and therefore this has yet to be actioned and will be done as soon as possible. Action ongoing.
- 1.6 Members had no further comments.

## 2. Introduction

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- 2.1 The Chair welcomed the DCMDG attendees to the 79<sup>th</sup> 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:**

- There were no new issues raised.

### **Charging Related Change Proposals:**

- With respect to DCP 325, The Chair noted that the Working Group last meeting was held on 16 September 2024, the change will be progressing, with a consultation or RFI to be expected soon.
- 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 02 October, where they will review a draft of the Change Report which is expected to be issued to the Panel in October.
- With respect to DCP 420, there was a meeting earlier in the week and in effect, the group have about 5 options on the table, and some of them are quite complex in terms of the required legal drafting and may also need updated models to be produced. Given this, the Working Group have agreed to do go out for an initial consultation seeking views on the principles of the options and developing one or more preferred solutions using that feedback and then consulting again to provide parties with site of the legal text for the option or options that are taken forward.
- With respect to DCP 421, the Change Report was approved by the Panel in August and was issued for voting for a period of 15 Working Days. The outcome of the Party voting was a that Parties approved DCP 421 and it will be implemented in 5 working days time.
- With respect to DCP 423, The DCP 423 Working Group will meet again on 25 September 2024 where they will review the previous modeling work following feedback from the consultation which identified a potential flaw in the logic that the Working Group progressed with.
- 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 a Change Declaration was issued to Authority for approval. Ofgem published their decision to approve DCP 425 on 17 September 2024 and the confirmed implementation date is 01 October 2024.
- With respect to DCP 433, whilst it's not a change that actually impacts the methodologies themselves, it does obviously impact the way charges are invoiced and so it has recently been issued to Ofgem for their decision. Members noted that DCP 433 links back to a derogation request in 2023 related to the implementation of DCP 389 and the Annual Allocation review process that it introduced. If it is approved, then there won't be a need for a derogation in future years.
- With respect to DCP 437, the Working Group met on 03 September 2024, where they reviewed the draft Change Report and proposed legal drafting. The Change Report was issued to the September Panel meeting and was approved by the Panel during their meeting and will be issued out for voting imminently.
- With respect to DCP 438, which relates to the rate of return calculations in the charging methodologies, it is awaiting an Ofgem decision, and that latest expected decision date is by 11 December 2024.
  - One member raised a concern related to the expected decision date for DCP 438, and that any decision at that point will be too late for the DNOs to use the correct rate of return value. It was noted that the one that the DNOs currently utilise in the CDCM is based on a RIIO-ED1 methodology and not the RIIO-ED2 methodology. The member explained that the DNOs will be setting prices in December and so a decision is needed well before then.

- The Chair acknowledged the concern and ensured this point was articulated to the Ofgem representative present during the meeting.
- With respect to DCP 439, the Change Report was approved by the Panel in August and was issued for voting for a period of 15 Working Days. The outcome of the Party voting was that Parties recommend that Ofgem approve DCP 439 and a Change Declaration has been issued.
- With respect to DCP 440, the Working Group last met on 29 July, where they reviewed the consultation responses and legal drafting. Further data had been requested from Elexon and this has now been received and therefore the Working Group are intending on issuing the Change Report to the September Panel meeting.
- With respect to DCP 443, the Working Group have met three times and have developed a consultation document which is scheduled to be issued on 13 September for a period of 3 weeks. The Working Group is scheduled to meet again on 14 October 2024 to review the consultation responses.

#### **Legal Text Overlap Tracker:**

- The Chair noted that this had been updated.

#### **DCMDG External Activities:**

- 3.2 In terms of external activities, the Chair noted that there were a number of updates that were needed but had yet to be captured within the relevant tab. The Chair went on to highlight the items that will be updated in time for the next meeting.

## 4. Ofgem Update

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- 4.1 FL explained that there still was not much in the way of an update on the DUoS SCR, but that Ofgem are going to provide some of the updates during the coming Charging Futures Forum regarding to the issues related to surplus residuals and are intending on also providing some direction of travel related to the DUoS SCR. Members noted that the CFF is scheduled for 02 October 2024.

## 5. Interpreting Schedule 32 and Capacity Charges

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- 5.1 It was noted that an item had been raised for discussion by way of an email received from UK Power Distribution related to residual charges.
- 5.2 There were two key items for discussion, with the first seeking to understand if any other distributors had encountered a scenario where a site has reduced their capacity by more than the 50% needed to be considered for reallocation but that the reduction occurred in the period between the end of the 24 month averaging period and the start of the next price control period. The issue was that such sites wouldn't be captured under Paragraph 4.2A of Schedule 32 as this appears to relate solely to situations where a site has made the reduction and changed band during the 24 month averaging period. The question, therefore, was what the best course of action would be for such a site, seeing as the customer would be reallocated to a lower band for the remainder of the current price control period but would then return to a higher band at the start of the next price control period. The second scenario was similar but related to sites that reduced their capacity by less than the 50% needed to be considered for reallocation but had made a reduction the most people would probably consider to be a substantial amount. Such a site would end up being locked into charges for a period of 8 years or so that, from the customer perspective would appear to not at all relate to the capacity they will hold over that period.

- 5.3 Members noted that the above scenarios are in part to do with Ofgem's decision to use a historical 24 month period on which to average a sites capacity but due to it being Ofgem's ultimate TCR decision, a change in this area would need to be considered with great care.
- 5.4 On the topic of the 50% materiality threshold applicable to the exceptional circumstances process, members views were that as 50% value was something decided by the DCUSA Working Group who were developing the required changes following Ofgem's TCR decision. It was therefore considered to be something that could be more easily amended if someone wanted to raise a change.
- 5.5 The Chair confirmed that the intent of the discussion was not to push a particular point but whether members had a view on whether such topics are worth having more thought and discussion on. The Chair questioned whether a more dynamic approach to residual banding was even possible and/or how feasible it would be in reality.
- 5.6 With respect to the second item, the Chair noted that this was meant to highlight something that has more than likely been discussed before in one form or another but that the customer impact may not have been quite as clear as it seems to be now. The Chair reiterated that, whilst it is understood that Ofgem went through a rigorous process to get their eventual decision on the TCR, they have more recently flagged that, they'd be open to considering, potential solutions where things may not be working in the customers interests and may have been missed when reaching their original decision.
- 5.7 Some members noted their view that this was the intentional design chosen by Ofgem and that a lot of customers will probably think that it's unfair to use an average over a 24 month period in the past. Those members reiterated that the process was working as intended and that there's no difference going to the next price control period as compared to when the initial banding allocations occurred.
- 5.8 Members noted that the issue was potentially compounded by the implementation of DCP 389, which meant the exceptional circumstances threshold of 50% went from being applied to the 24 month average to being applicable to the MIC which was held at the end of the averaging period. Some members considered this to make it even harder for people who had reduced their capacity throughout the average period to be considered for reallocation.
- 5.9 Members discussed a point around the way the process works now that industry is coming into the second round of allocations in readiness for the next price control period. One member pointed to the fact that any customers that had been through an exceptional circumstance or who had had a greater than 50% change in their MIC throughout that allocation window, that if they'd applied for reallocation, then that was taken into account. It was noted that the average used would have been over the period between when the reallocation took effect and the end of the allocation window.
- 5.10 Members also made the point that the opposite scenario could also be true where a site increases its capacity by say 40%, which would not be enough to trigger exceptional circumstances and so would be to the customer's benefit.
- 5.11 Some members voiced views that the current arrangements could be seen to be a bit perverse, insofar as a sites average capacity from a period many years in the past shouldn't be the determining factor for how much they pay in terms of residual costs for the following five years.
- 5.12 Members discussed this point and considered that there are two key points that are relevant, with the first being related to using a sites MIC at a point in time, noting that it would probably be quite doable as capacity changes can only occur once a year. The second point was that it likely wouldn't make sense to implement something like that as it would effectively be the same as a capacity based charge, and thus banding could be done away with altogether in that instance. It was noted that the final point would, in effect, also equate to the undoing the TCR.

- 5.13 Some members also pointed to the fact that the discussion so far had centred around sites whose residual banding is based on the MIC for the site but that for those sites whose residual banding is based on consumption, then it becomes a lot less clear how that would be dealt with.
- 5.14 One member pointed to the fact that there is, to some degree, a parallel to draw with how things are managed on the gas side. It was noted that for gas customers, they have capacity charges that are based on a snapshot taken in December and those customers are then charged based on that value over a 12 month period beginning in April the following year.
- 5.15 The Chair summarised the conversation, noting that there appeared to be space for consideration of a change in terms of the 50% materiality threshold applicable to the exceptional circumstances process but that there was little desire to consider anything more substantial at this stage.
- 5.16 The Chair noted that he'd feedback to UK Power Distribution the points that were covered during the discussion.

## 6. MHHS Update

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- 6.1 The Chair noted that DCP 445 'Implementation of Market-wide Half Hourly Settlement (MHHS) Arrangements' had been submitted by Ofgem on 04 September 2024 and that it was put before the DCUSA Panel during their meeting on 18 September 2024. During their meeting on 18 September 2024, the DCUSA Panel agreed to progress DCP 445 directly to the Change Report phase which was in line with Ofgem's desired timetable. The Change Report will be drafted and submitted back to the DCUSA Panel during their meeting on 16 October for agreement that it can be issued to Parties for voting.
- 6.2 Regarding MHHS update, one member explained that MHHS Change Request 55, will be release by the programme on Monday. It was noted the CR055 is effectively, looking to shift the current milestone out by 5 months and that could well mean things shift in terms of timelines for both MHHS but also for the associated prerequisite changes in this space, such as DCP 414 which is approved but because BSC modifications P432 and P434 are pinned to the relevant milestones, that any changes to those milestones would reflect those end dates.

## 7. Private Networks Subgroup Update

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- 7.1 In terms of an update related to the private network subgroup, the Chair noted that this had been covered briefly earlier in the meeting but reconfirmed that the intent will be to have what will likely be one final meeting to close off discussions for now but that this had not yet happened due to periods of annual leave
- 7.2 On the topic of private networks, the Chair explained that there is one small update to bring to the DCMDGs attention and that was that BSC modification P455, had recently been approved by Ofgem. The Chair explained the P455 was raised subsequent to a BSC Sandbox Derogation from Emergent Energy, who are also progressing through a second Sandbox Derogation that links into DUoS charges for private networks but is not itself a direct DCUSA Sandbox Derogation, rather, a licence derogation for their partner company, a DNO.

- 7.3 In terms of how this impacts the work of the subgroup, the Chair noted that if and when Emergent Energy raise a change proposal, then it would be seeking to introduce an additional arrangement to the three existing metering arrangements (being Shared, Difference and Full Settlement). Therefore, the sub-group would need to be mindful of this but it doesn't really change the fact that the three original arrangements need to be dealt with. It was further noted that the Sandbox trial is designed to only apply to microgrids with domestic and potentially small non-domestic customers on site and doesn't cover larger sites,

## 8. 'AAR Lessons Learnt' Subgroup Update

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- 8.1 In terms of the update on the subgroup formed to consider the lessons to be learnt regarding Annual Allocation Review the Chair noted that whilst there had been in a delay in progressing those discussions, he had taken another form of action that would hopefully assist. It was noted that the Chair had circulated an email to Parties explaining to DNOs/IDNOs what their obligations were and to inform Suppliers about the data they had or would shortly be receiving.
- 8.2 VB, who originally raised the issue, noted that data is still being received in an inconsistent manner and although too late for this year, explained that it will need to be carried out next year and so it would be prudent to finalise the discussions started within the subgroup.
- 8.3 Another member agreed that the recent submissions had been consistent across the DNOs but less so for the IDNOs and that the gap may relate to the IDNOs not having the template which had been agreed by the DNOs as something to use for the process.
- 8.4 Members discussed whether or not it was appropriate for DNOs/IDNOs to include a field which set out the effective from date for the change to banding and/or the LLFC. It was noted that at least one IDNO had raised a concern outside of the DCMDG that having to share that information when it wasn't mandated might put them in breach of data protection laws, and their preference was to only supply what was described in the DCUSA. It was noted that the IDNO was of the view that if the information was helpful, then a change proposal to be raised to mandate that being sent as well.
- 8.5 Some members agreed that the effective from date is helpful as it gives Supplies a bit more sight in terms of any changes they may or may not need to take into account for their customers.
- 8.6 Another member explained a further issue in the process, which was that on some occasions, MPANs had been included in the Annual Allocation Review data and they had been provided the old charging band and the new charging band, but that the change wasn't reflected in industry systems. The member went on to explain that this left them in a position of not knowing what to do in that scenario, and in part it was believed that this was the result of there not being a defined process on what happens in that scenario.
- 8.7 Members discussed whether there should be guidance documentation produced as part of changes like this that set out scenarios such as if something hasn't been updated in an industry system, then the supplier needs to wait x amount of days before they contact the relevant DNO/IDNO. Or that such a document would for example, set out that the changes will be updated in the next billing period, and so Suppliers would know to wait a little longer. The view from some members was that this would then help industry as a whole as Suppliers would know what they need to do, but also DNOs and IDNOs wouldn't be bombarded with Suppliers saying you haven't updated it and then the DNOs and IDNOs explaining that it is due to happen on x date.

- 8.8 Some members were of the view that in those circumstances, it would be entirely appropriate to get in touch with the DNO/IDNO Party as their understanding was that most of these changes should be going through fairly quickly after the data has been provided. This view was on the basis that there is a deadline that needs to be met in order to get these changes in and backdate them to the start of August in the prior year and that date is roughly 17 September so as to be picked up in the reconciliation run.
- 8.9 Members also discussed the issue of consistency, where it was noted that there was a requirement to include both the old LLFC and the new LLFC but some data was being received without those items. Another issue had been that some IDNOs had only sent Suppliers data for MPANs that they were the current registrant for (i.e., data for their portfolios only), rather than all MPANs in the DNOs/IDNOs own portfolios to all Suppliers.
- 8.10 One member noted that they attend the Independent Networks Association meetings, which are generally held about three days after the DCMDG meetings and so agreed to raise this point with the IDNOs.
- 8.11 The Chair summarised the discussion, noting that what he'd heard was a useful reminder and also something for Working Group members to maintain an awareness of, that in the event of a change seeking to obligate data to be provided by one Party to another that there really ought to be a prescriptive process for doing so. Having exact requirements and/or templates held on the DCUSA website and referenced in the legal text would avoid similar situations in the future.
- 8.12 The Chair asked if the e-mail he had issued recently had helped clarify what was needed and expected in terms of the data being issued to Suppliers as part of the Annual Allocation Review. Members agreed that it had been helpful.
- 8.13 The Chair went on to note that he'll pick up with VB separately the topic of whether or not there was a need to continue the discussion within the subgroup and determine next steps from there.
- 8.14 One member raised a separate item related to the Annual Allocation review process, explaining that they had sent an e-mail out to the DNOs ahead of the deadline to see if any of them had encountered the same thing that they'd encountered for a couple of MPANs. It was noted that the issue related to a small number of MPANs that had been allocated based on volumes, either using P0222 data or using the 12 month metered volumes for Measurement Class G sites and where the site had appeared in one data set for part of the period but moved to being within the other data set for another part of the period. It was explained that it wasn't clear what to do when it comes to the Annual Allocation Review as the DCUSA only sets out to use one set of data for the review process.
- 8.15 Members discussed this point and concluded that paragraphs 6.8 and 6.9 in Schedule 32 are too restrictive on what data can be used. It was noted that a simple change could be raised to amend the legal text to state that where this occurs, one set of data can be prioritised over the other but that if that's not available, then to use the other .

## 9. Any Other Business (AOB)

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- 9.1 The Chair asked if there were any other business to be discussed.

- 9.2 LS raised an AOB item which he explained had two parts, with the first part more around what contact information Suppliers need to provide to customers for as per the requirements that were implemented as a result of DCP 414. It was noted that the requirement was for DNOs/IDNOs to provide contact details to Suppliers for the purposes of giving this information to customers so that they are able to contact the DNOs/IDNOs in order to have a conversation about setting the import capacity associated with their site. LS went on to explain that he had received very few confirmations from the DNOI/IDNO community in this regard but didn't want to just assume that he could utilise whatever information was listed in the DNOs/IDNOs charging statements.
- 9.3 LS was seeking to confirm that where specific contact information for this process had not been provided that the DNOs/IDNOs are comfortable with Suppliers pointing customers to the details contained within their charging statements.
- 9.4 The Chair suggested that if there is a requirement in the DCUSA for DNO's and IDNOs to provide this information to Suppliers, then this really ought to be done and that by the sounds of it, Suppliers would appreciate it. The Chair noted that if anyone had any questions or concerns and didn't feel comfortable raising it during the meeting then to contact him or the DCUSA helpdesk.
- 9.5 LS then went on to describe the second part of the AOB item, which related to the requirement for Suppliers to provide customer contact details for customers impacted by P432 to the DNOs/IDNOs. LS explained that the text in the DCUSA is a little vague as to exactly how this should be done but that one idea, was that Suppliers just update the customer contact information via the relevant industry data flows and that the DNOs/IDNOs could then pick this information up from those flows.
- 9.6 Some members disagreed with this interpretation, and noted that an issue had been raised and discussed at a meeting of the Standing Issues Group on this exact topic. It was noted that that the net result of that SIG discussion was that Parties were of the view that the text was clear enough and the expectation was for Suppliers to provide the customer contact details via a separate process.
- 9.7 The Chair explained that the way the text reads for him, is that a separate process would be required and that it doesn't appear to be something that would be picked up under BAU, otherwise his view was that the text should have indicated as much. The Chair went on to suggest that from the networks side of things, and whilst the customer contact information can be found in a data flow, the question they'll have is, how will they know which ones are transitioning as part of the process and so there would need to be some way of flagging this. LS noted that it could be achieved by utilising the 'Connection Type' flag which will come into play as part of the data cleanse activity under the MHHS programme. It was noted that any such sites that are flagged correctly would all be applicable.
- 9.8 The Chair suggested that one way forward would be for the DCUSA Code Administrator to send an e-mail to Suppliers, DNOs and IDNOs just to clarify, both sets of obligations and to confirm then if any Parties have questions or concerns, then they can contact the DCUSA helpdesk for further information.
- 9.9 LS agreed that this would assist their company in complying with that requirement because as it stands, the text isn't clear and therefore the business could rightfully choose to use a different approach and that other Suppliers may be in the same position.

## 10. Agenda Items for the Next Meeting

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- 10.1 The standard standing items on the agenda.

## 11. DNO Operational Matters

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11.1 The Chair asked the DCMDG members if there were any DNO Matters to be raised, there were none.

## 12. Date of Next Meeting

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12.1 The next DCMDG meeting will be held on 17 October 2024 via Microsoft Teams / Teleconference.