

DCP 423 Working Group - Meeting 05

25 September 2024 at 13:00 - Web-Conference

Attendee	Company
Working Group Members	
Alexander Smith [AS]	
Charles Mott [CM]	SSE
Kara Burke [KB]	NPg
Liam Sweeney [LS]	Ofgem
Monique Pereira [MP]	Indigo
Tom Cadge [TC]	BU-UK
Code Administrator	
Andy Green [AG] (Chair)	ElectraLink
Mel Kendal [MK] (Technical Secretariat)	ElectraLink

1. Administration

- 1.1 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.
- 1.2 The Working Group reviewed the previous meeting minutes and agreed them to be an accurate reflection of the discussions held.
- 1.3 An action log has been created and all updates are provided in **Appendix A**.

2. Purpose of the Meeting

- 2.1 The Chair explained that the purpose of this meeting is to review and further discuss the modelling within the Working Group and agree next steps.

3. Review and Discussion of Modelling

- 3.1 The Chair invited the Working Group to discuss and review the collated Consultation responses. The document was shared live on screen during the meeting. The Chair noted that there were nine responses to the Consultation in total.
- 3.2 The key updates can be found below:
- 3.3 The Chair presented an email from KB on screen which showed further analysis into the issue that was highlighted around the variance only being £30k that was previously discussed. This can be found within **Attachment 1**.
- 3.4 KB informed the group that the £450k figure that CEPA/TNEI was referring to was found within a sheet at the back of their impact assessment which was comparing the variance with and without SoLR. KB stated that the original publications were initially picked up and this has since been republished in 2023/24 for SoLR.
- 3.5 With this, KB stated that when using the original publications within the DCP 423 models, it was found that the large variance was created.
- 3.6 KB provided a table which looks at the difference between the original models and the DCP 423 models, with and without SoLR. The table shows that the variance in the original models was minimal, but in the new DCP 423 models it highlights that there is a significant difference, and this may be the £450k that CEPA/TNEI were referencing.
- 3.7 KB noted that this variance only occurs when there is a negative residual and not with a positive residual.
- 3.8 TC queried whether the SoLR adders have had a discount applied to them – KB explained that additional analysis was carried out previously and explained that the change seems to be happening in the new models prior to the adders being added.
- 3.9 The Chair informed the group that himself and KB had a meeting with the modellers, however, the answer to the issue discussed above is not currently clear.

3.10 The Chair presented the email from the modellers on screen for the Working Group to further discuss – this can be found within **Attachment 1**.

3.11 The modellers provided the Working Group with the below summary:

- *The observation that the value of pass-through costs can affect the typical bill for ATW and LDNO tariffs differently is not a result of DCP 423.*
- *The size of the missing DNO revenue is increasing the size of the pass-through adder.*
- *This does not mean that the DNO is not permitted to recover the full pass-through cost from the DNO.*
- *DCP 423 would not have had any effect on SSE'S published 2025/26 charges.*
- *The combination of negative residuals and high pass-through costs is risky from a tariff-setting perspective.*

3.12 The modellers suggested an alternative approach to DCP 423 under which pass-through adders affect the typical bill for ATW, LDNO, HV and LDNO HV tariffs in exactly the same way would require potentially complex changes to the revenue-matching step and may not be possible without introducing major restrictions on other aspects of charge-setting.

3.13 KB stated that the current process is to publish with 15 months' notice, however, the SoLR claims are not received until the December in the year before they are due to be paid. Therefore, the SoLR claims are unknown at the time of setting tariffs.

3.14 TC stated that there is currently no obvious solution to resolve the issue that was originally identified, without causing further unintended issues.

3.15 After further discussion, the Working Group agreed to take some time offline to digest the information that was provided during the meeting and have a think about alternat solutions to discuss at the next meeting. The Secretariat agreed to take an action to circulate the documents shared live during the meeting to the Working Group post-meeting for review.

ACTION 05/01: The Secretariat to circulate the documents shared within the meeting to the Working Group post-meeting for review.

4. Agenda Items for Next Meeting

4.1 The Working Group discussed the next steps, and the following items were captured:

1. The Secretariat to circulate the documents shared within the meeting to the Working Group for review.

5. Any Other Business

5.1 The Chair asked the group whether there were any other items of business to discuss.

5.2 There were no other items raised.

6. Date of Next Meeting – 02 October 2024

6.1 The next Working Group meeting will be held on 02 October 2024 at 3pm.

7. Attachments

- Attachment 1_DCP 423 Modelling Issue and Con Responses
- Attachment 2_DCP 423 Work Plan

APPENDIX A

New and Open Actions

Action Ref.	Action	Owner	Update
04/01	The Secretariat to validate whether the calculation should be 0.13% and £500k or 0.01% and £30k.	Secretariat	Ongoing.
04/02	All members to review both UKPN and ENWL's suggested alternative approaches offline and feedback to the group at the next meeting.	Working Group	Ongoing.
04/03	The Secretariat to speak with the ENWL respondent offline.	Secretariat	Ongoing.
05/01	The Secretariat to circulate the documents shared within the meeting to the Working Group post-meeting for review.	Secretariat	Completed.

Closed Actions

Action Ref.			Update
04/04	All members to review Ofgem's open letter offline and feedback to the group.	Working Group	Closed.
04/05	The Secretariat to check the availability of the Proposer and issue a doodle poll to the Working Group for the next meeting.	Secretariat	Closed.