

# DCP 443 Working Group - Meeting 03

14 October 2024 at 10:00 - Web-Conference

Attendee	Company
<b>Working Group Members</b>	
Alex Lam [AL]	National Grid
Charles Mott [CM]	SSE
Chris Barker [CB]	ENWL
Donna Jamieson [DJ]	IDCSL
Ed Grimsey [EG]	BU-UK
Edda Dirks [ED]	SSE Gen
Mark Bellman [MB]	ENWL
Michael Hewitson [MH]	Trident Utilities
Monique Pereira [MP]	Indigo Networks
Peter Waymont [PW]	UKPN
Rachel Wallace [RW]	BU-UK
Robert Mottershead [RM]	Sedulity Energy
Ryan Farrell [RF]	NPg
Simon Vicary [SV]	EDF
Victoria Burkett [VB]	SSE
<b>Code Administrator</b>	
Andy Green [AG] (Chair)	ElectraLink
Mel Kendal [MK] (Technical Secretariat)	ElectraLink
<b>Apologies</b>	
Kara Burke [KB]	NPg

## 1. Administration

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- 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 An action log has been created and all updates are provided in **Appendix A**.

## 2. Purpose of the Meeting

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

## 3. Review of Collated Consultation Responses

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- 3.1 The Chair invited the Working Group to review and discuss the collated Consultation responses which was presented on screen.
- 3.2 The key points can be found below:

### Q1

- 3.3 The Chair confirmed that out of nine respondents, all confirmed that they understand the intent of the CP.
- 3.4 One respondent stated that although they understand the intent of the CP, they highlighted that “the National Terms of Connection (NTC) give certain rights to the Distributor when a customer exceeds their capacity but in practice this can be a long-winded process, that endures long after the event and leaves the Distributor with no real sanctions”, and hence, the proposer considers that a price signal is needed in addition.

### Q2

- 3.5 The Chair confirmed that seven respondents stated that they are supportive of the principles of the CP. One respondent stated that are supportive of the need to disincentivise poor behaviours, however, there is also a need to avoid unintended consequences.
- 3.6 Another respondent stated that they are partially supportive of the principles of this CP. They agree that where a consumer has exceeded their capacity for several months the customers capacity should be increased to ensure they pay for the correct capacity. However, they stated that they do not agree that changes should be made to the customers MIC for the forthcoming 12 months.
- 3.7 The Working Group discussed this and confirmed that this change is not seeking to change a customer’s MIC and also suggested that giving a limit and/or grace period would be out of scope of this change.

### Q3

- 3.8 The Chair confirmed there were mixed views as to whether respondents believe the proposed solution of charging excess capacity charges each month based on the MD in the previous 12 months is suitable.
- 3.9 One respondent stated that they agree that there should be a financial incentive on customers to manage their demand in line with their agreed capacity, however, they are unable to assess whether charging the excess for a full 12 months is reasonable and they do not have the data to assess the true cost to the network when customers exceed their capacity. The Working Group noted that this data may be commercially sensitive and would be difficult to draw a like for like comparison due to each scenario being unique.
- 3.10 One respondent stated that they do not agree on the proposed solution and suggest it is unfair to charge a customer for a full year when they have only exceeded in one month. They also stated that if there was a change in tenancy, then if the excess capacity charges are passed through by the Supplier, then the new customer would be responsible for paying for the previous customers behaviour.
- 3.11 The Working Group discussed this and agreed that the Change of Tenancy (CoT)/Change of Supply (CoS) process may require further review/consideration. VB mentioned to the group that there is currently a lot of work being undertaken by REC to strengthen the obligations in regard to CoT/CoS's and this change may support that.
- 3.12 The Chair agreed to take an action to collate the highlighted themes and topics for further consideration in a separate document for the Working Group to review and work through once the collated responses have all been reviewed.

**ACTION 03/01: The Secretariat to collate the highlighted themes and topics for further consideration in a separate document for the Working Group to review and work through once the collated responses have all been reviewed.**

- 3.13 It was also suggested that it may be beneficial to seek how the CoT/CoS issue was dealt with prior to the EDCM/CDCM.
- 3.14 Another respondent stated that they did not agree with the proposed solution as this would require substantial changes to existing processes and systems. They suggested an alternative approach, that reintroduces the differential between the capacity tariff and excess capacity tariff, may be a more equitable solution for those customers that inadvertently breach their capacity. This would avoid automatically locking network capacity unnecessarily.
- 3.15 The Working Group discussed the suggested alternative approach and agreed that further clarity should be sought on 'automatically locking network capacity unnecessarily'.
- 3.16 One respondent stated that the current proposed solution could remove the current lack of incentive for at least some users to formally request a MIC increase. The Working Group agreed that there needs to be further consideration as to whether twelve months is long enough to encourage the correct behaviour.

- 3.17 The proposer stated that there may have been DNO data prior to 2010 whereby evidence may show whether 12 months is a sufficient period, however the billing systems have been changed since then and this data will most likely no longer be available.
- 3.18 Another respondent did state that they agree that the current proposed solution will help to discourage certain behaviour, however, they did raise a few issues:
- *If the customer had exceeded capacity in month 1 would the DNO need to ensure that excess was available for the following 11 months as the customer would be paying for it? This could cause issues during periods where spare capacity is higher.* The Working Group stated that this is a charging mechanism and is attempting to charge the customer the cost of going over their MIC.
  - *Will it impact customers who are frequently exceeding capacity enough compared to the current process or would it mainly impact customers who occasionally exceed capacity. The customer who exceeds 10 months out of the 12 is less impacted by this change than the customer who only exceeds once a year.* The Working Group agreed that this is to be considered when discussing the length of the excess charge (less or more than 12 months) to ensure that it incentivises the correct customers.
  - *Can it be argued as being cost reflective if the customer is charged a full year for a single months' excess, if there is no additional excess then there is no additional costs that the later months cover.* The Working Group agreed that further consideration is required to cost reflectivity. The CP does not prohibit working with the capacity charge as well as the excess charge. It is specifically about both.
- 3.19 One respondent stated that since the exceeding capacity charge was set to the same as the capacity charge, they have seen an increase in customers happy to exceed the agreed MIC and pay the excess for the month. The Working Group noted that it was the capacity charge that was increased to match the excess charge. The Working Group also highlighted that it may be possible to look back to pre-differential behaviour (2018) to see if the behaviour changed at that point or whether there were any other triggers that may have drove changes in behaviour.
- 3.20 The Working Group noted that the Access SCR drove changes in behaviour. It was mentioned that the Access SCR related change which makes the standard capacity charge and the exceeded capacity charge equal will not be coming into effect until 2025/26, and therefore seems unlikely that the effect the respondent describes is based on the change. The Working Group highlighted that the CP does provide some examples of sub optimal customer behaviour in the current year and concerns about charges in the future.

#### Q4

- 3.21 The Chair confirmed there were mixed views as to whether an alternative process that reintroduces the differential between the capacity tariff and excess capacity tariff be a more suitable solution.
- 3.22 The Working Group reviewed the responses and highlighted that the cost reflectivity was something that requires further consideration (as mentioned previously) and was not a 'showstopper'. MB also

suggested that the costs arising from excess capacity could potentially constitute an over recovery if treated as allowed revenue.

- 3.23 After further discussion, it was noted that the cost to be recovered could be considered to not be part of the allowed revenue since a DNO is not planning to incur the cost of exceedance. If it was taken out of DUoS, then it could be dealt with in price reviews.
- 3.24 It was agreed that a further Consultation and/or RFI may be needed moving forward, but this can be discussed as and when necessary.

#### Q5

- 3.25 The Chair informed the group that there were a couple of options provided by respondents that had not yet been mentioned that would discourage customers from exceeding their MIC.
- 3.26 One respondent suggested that where the MIC is being exceeded, DNOs should be contacting customers to highlight this and putting in place processes to agree new MICs where required. The Working Group discussed this and noted that if a DNO contacted every customer who has exceeded their MIC, this would require a lot of resource and could be a long process due to customer contact element.
- 3.27 Another respondent suggested that a possible alternative would be to reduce the MIC on a sliding scale based on the percentage of excess capacity used. They did note that such a solution would carry contractual issues which may make it less feasible. The Working Group were provided further clarity on the meaning of 'reducing their MIC on a sliding scale' – it was noted that this was specifically the volume, i.e., physically restricting their demand to the supply capacity. The Working Group also noted that whilst this was a possible solution, it was mentioned by the responder that this would not be an ideal solution.

## 4. Agenda Items for Next Meeting

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- 4.1 The Working Group discussed the next steps, and the following items were captured:
  - 1. The Working Group to continue reviewing the DCP 443 collated Consultation responses at the next meeting.

## 5. Any Other Business

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- 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 – 22 October 2024

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- 6.1 The next Working Group meeting will be held on 22 October 2024 at 1:30pm.
- 6.2 An additional Working Group was also scheduled to be held on 23 October 2024 at 2pm if needed.

## 7. Attachments

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- Attachment 1\_DCP 443 Collated Consultation Responses\_WG Comments v1.0
- Attachment 2\_DCP 443 Work Plan

## APPENDIX A

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### New and Open Actions

Action Ref.	Action	Owner	Update
<b>03/01</b>	The Secretariat to collate the highlighted themes and topics for further consideration in a separate document for the Working Group to review and work through once the collated responses have all been reviewed.	Secretariat	<b>New Action.</b>

### Closed Actions

Action Ref.			Update
<b>02/01</b>	The Secretariat to cross check all paragraph references to ensure they are correct prior to issuing the Consultation.	Secretariat	<b>Closed.</b>
<b>02/02</b>	KB and ED to develop further wording for the current para 4.5 and to add this to the PDF of examples offline for the Working Group to review.	KB/ED	<b>Closed.</b>
<b>02/03</b>	The Secretariat to circulate a clean version of the draft Consultation to the Working Group for a final review offline.	Secretariat	<b>Closed.</b>
<b>02/04</b>	The Secretariat to issue the Consultation to wider industry on 13 September 2024 once finalised by the Working Group.	Secretariat	<b>Closed.</b>

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**DCUSA**