

## DCP 443 Working Group - Meeting 04

22 October 2024 at 13:30 - Web-Conference

Attendee	Company
<b>Working Group Members</b>	
Alex Lam [AL]	National Grid
Charles Mott [CM]	SSE
Chris Barker [CB]	ENWL
Chris Ong [CO]	UKPN
Ed Grimsey [EG]	BU-UK
Edda Dirks [ED]	SSE Gen
Kara Burke [KB]	NPg
Karl Maryon [KM]	Drax
Michael Hewitson [MH]	Trident Utilities
Monique Pereira [MP]	Indigo Networks
Peter Waymont [PW]	UKPN
Simon Vicary [SV]	EDF
Victoria Burkett [VB]	SSE
<b>Code Administrator</b>	
Andy Green [AG] (Chair)	ElectraLink
Mel Kendal [MK] (Technical Secretariat)	ElectraLink
<b>Code Administrator</b>	
Robert Mottershead [RM]	Sedulity Energy

## 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 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 continue to review and discuss the collated Consultation responses within the Working Group and agree next steps.

## 3. Continue Review of Collated Consultation Responses

- 3.1 The Chair invited the Working Group to continue to review and discuss the collated Consultation responses which was presented on screen.

- 3.2 The key points can be found below:

### Q6

- 3.3 The Chair informed the group that the majority of respondents agreed that a change in the MIC (whether an increase or decrease) would reset the capacity charges.
- 3.4 Based on the responses to this question, one member reiterated that this change does not seek to incentivise MIC reduction. The proposer echoed this point stating that this is not what this change is encouraging people to do.
- 3.5 One member also noted that the way in which Change of Tenancy’s (CoTs) would work with this change moving forward, will need to be further considered.
- 3.6 Overall, the responses suggested that increasing the MIC will have the outcome of what this change is looking to achieve.

### Q7

- 3.7 In regard to whether this change should include both import and export capacity charging, the Chair informed the group that there were mixed reviews provided by the respondents.
- 3.8 Members queried whether there was a typo within one of the responses as it currently states that Import CDCM customers do not currently incur capacity charges, when in fact they do. Following this, the Chair agreed to take an action to follow this up with the responder for further clarification.

**ACTION 04/01: The Secretariat to follow up a potential typo with the responder (SPEN) in regard to Q7 of the Consultation to seek further clarification around ‘import CDCM customers incurring capacity charges’.**

### Q8

3.9 The Chair confirmed that the majority of respondents (5) agreed that this change should include EDCM excess capacity charging. Those that did not agree stated that the method of calculating the capacity charges in the EDCM is fundamentally different to in the CDCM.

3.10 One respondent commented the Working Group to see their response to Q7 – the Working Group queried this and suggested that their answer for Q7 is not applicable to Q8. The Working Group discussed this further, and the responder (within the Working Group) stated that it was not clear initially whether the change was going to include EDCM changes or not.

#### **Q9**

3.11 Respondents were asked what system changes would be required for the proposed solution (or any alternate solution).

3.12 One respondent within the Working Group clarified that there may be a misunderstanding within their response to this question – their response currently states ‘the calculation of the MIC for invoicing purposes would require a system change’, where it should state ‘the calculation of the chargeable capacity’.

3.13 Following the responses, it appears that one solution may be simple enough to implement in regard to the system changes needed; however, the 12-month solution appears to be a bit more complex and may require a longer lead time to implement.

3.14 The Working Group agreed that there will be more considerations in relation to system changes moving forward.

#### **Q10**

3.15 Respondents were asked does this change suitably incentivise customers not to exceed their MIC – the Chair confirmed that the majority of respondents (5) agreed that this change will incentivise customer not to exceed their MIC.

3.16 One respondent stated they are not sure for infrequent customers who exceed their capacity, but for those 12-month cases are unlikely as there will not be a difference to their existing bills. Another respondent stated that it is difficult to quantify without a clear incentive and how successful it would be in changing user behaviour.

#### **Q11**

3.17 Respondents were asked if they are aware of any unintended consequences of A) Billing Excess Capacity based on the highest MD over 12 months B. Creating a differential rate for excess capacity. C. Any alternative solution you have suggested.

3.18 In relation to A), one respondent suggested that if a site had an erroneous spike in data that was not caught and withdrawn by DNO pre-billing checks, and if the spike was not corrected in a timely manner by the Suppliers data collector, then this could lead to excessive capacity charging for up to 12 months. The Working Group discussed this and stated that this situation is likely to be mitigated by MHHS due to erroneous settlement data being removed.

- 3.19 One member noted that the impacts of this change on suppliers will need to be taken into consideration, as there may likely be an increase in complaints raised when there are unexpected charges on their bill.
- 3.20 One respondent stated that they do not believe there is a robust way of effectively resetting the excess where a new customer takes on responsibility (i.e., CoT) – as previously discussed within the group, it was noted that REC have been looking into ways of mitigating this risk, but it is still a risk that needs to be considered.

## **Q12**

- 3.21 Respondents were asked whether they have a view on what consequences there could be of customers exceeding MIC, for long-term and/or short-term DNO planning and/or DSO services.
- 3.22 One respondent stated that they would have liked the Consultation to include some analysis from the DNOs on the impacts of past and current incidences of MIC exceedance – the Working Group agreed this is a topic for further consideration as it would be beneficial to have some analysis included as it would strengthen the support for this change.

## **Q13**

- 3.23 The Chair informed the group that the majority of respondents (7) agreed that this change better facilitates the DCUSA Charging Objectives. One respondent stated that they believe this change has a negative impact on DCUSA Charging Objective 3 as it is not cost reflective, and another respondent stated that they were unable to make an assessment at this time (due to multiple proposed solutions and ongoing queries regarding the scope of this change).
- 3.24 It was noted that the original question within the Consultation mentioned the 'DCUSA General Objectives' and it was noted by a respondent that this should have stated 'DCUSA Charging Objectives'. The Chair confirmed that moving forward, only the relating objectives will be listed and questioned about to avoid any ambiguity.

## **Q14**

- 3.25 Respondents were asked whether they are aware of any wider industry developments that may impact upon or be impacted upon by this CP.
- 3.26 The main points that were mentioned by respondents was the impacts of the DUoS SCR and also the MHHS programme. Working Group members agreed that they cannot see any cross impacts with the MHHS programme.

## **Q15**

- 3.27 The Chair confirmed that the majority of respondents (6) are supportive of the proposal's implementation date.
- 3.28 One respondent stated that the proposed implementation date of 01 April 2026 does not seem achievable for one solution (doubling) but may be possible for the 12-month solution if there was a derogation to change the statement wording. The Working Group discussed this response and

queried why the respondent believes the implementation date will be achievable for one solution, but not the other. The Chair agreed to take an action to follow this up with the respondent to gain further clarity.

**ACTION 04/02: The Secretariat to follow up with the responder (NGED) in regard to Q15 of the Consultation to seek further clarification around why they believe there is a difference in lead time for solutions A and B.**

- 3.29 Another respondent stated that the proposed implementation date would not be achievable without a derogation to charges since 2026/27 tariffs will be published in December 2024. They also suggested that if the alternate solution is adopted and 'new' Excess Charge introduced, the date will be driven by the date Distribution Prices have to be published (i.e., 15 months prior to effective date).

#### **Q16**

- 3.30 The Chair informed the group that the majority of respondents (7) agreed that the legal text does suitably and clearly deliver the proposed solution.
- 3.31 One respondent stated that the solution is not yet sufficiently developed to judge this, and no legal text has been proposed for the reintroduction of the differential tariffs. The Working Group discussed this, and the respondent (within the Working Group) confirmed that it is currently too early to tell.
- 3.32 Another respondent stated that they would welcome additional wording to make the proposed mechanism much more transparent to the average reader.

#### **Q17**

- 3.33 The Chair confirmed that the majority of respondents (6) did not have any further feedback on the draft legal text.
- 3.34 One respondent suggested that a further review would be required for the alternative solution, and two other respondents referred back to their previous answer to Q16 whereby they do not believe the legal text is suitable at this current time.

#### **Q18**

- 3.35 Respondents were asked whether the legal text should explain the impact of this change – the Chair confirmed that 5 respondents agreed that the legal text should explain the impact of this change.
- 3.36 One respondent suggested that a separate guidance document could be produced if necessary. Another respondent suggested that this could be included in the LC14 as additional guidance if it is not included within the legal text. Other members of the Working Group agreed with this approach.
- 3.37 One respondent stated that this is not an approach taken within DCUSA with other elements of charges and the impact is often given in more simplified language in the charging statement.

#### **Q19**

3.38 The Chair informed the group that all respondents did not have any further comments on the proposed wording regarding the impact, besides one respondent stating that it is not needed and another respondent stating that consumers will not see this.

## Q20

3.39 Respondents were asked how the legal text should deal with changes in MIC.

3.40 One respondent suggested that the legal text should ensure any consequences from changes in MIC are well-defined and outlined.

3.41 One respondent suggested the below wording for the legal text:

- *For the first scenario (MIC increase), one could add: "Where an increased MIC has been agreed, at or above the level of the exceedance, the exceeded capacity charge in relation to that exceedance will cease. Where the increased MIC is below the level of exceedance, the exceeded capacity charge will continue to apply for the full 12 months, applying the same, unchanged, exceeded capacity charge."*
- *For the second scenario (MIC decrease), one could add: "Where a reduced MIC has been agreed, the exceeded capacity charge will continue to apply for the full 12 months, applying the same, unchanged, exceeded capacity charge."*

3.42 Another respondent suggested the below amendments for the legal text:

- *"Chargeable capacity = max (actual capacity utilised in that month or in any of the preceding 11 months during which the MIC value was the same), as set out below".*

3.43 The Working Group discussed the above suggested changes and agreed that before any amendments are made to the legal text, a decision on the most preferred solution to take forward needs to be agreed.

## Q21

3.44 Respondents were asked for any additional comments.

3.45 One respondent suggested that it would be helpful to see some kind of quantification of the size of the issue. Both in terms of the number of sites exceeding their capacity and the number of sites exceeding on a long-term basis so that the necessity to change to either charging based on the 12 month MD or reintroducing a differential between the capacity and excess capacity tariffs can be understood.

3.46 They stated it would also be to see if the introduction of the differential between the capacity caused a reduction in the number of sites exceeding their MIC, either on a short or long-term basis.

3.47 Following this, the Working Group discussed DCP 161 '[Excess Capacity Charges](#)' which introduced the differential between the capacity and excess capacity tariffs. It was agreed that if any of the data gathered from the DCP 161 RFI could be gathered, it may be useful to use the current data gathered

from the DCP 443 RFI as a comparison. It was also suggested that the same RFI used within DCP 161 could be issued again to allow for a direct comparison.

- 3.48 The Chair agreed to take an action to look for the original DCP 161 RFI response form and data in order to potentially re-issue for comparable data.

**ACTION 04/03: The Secretariat to look for the original DCP 161 RFI response form and data in order to potentially re-issue for comparable data.**

- 3.49 Following today's discussions, the Chair took the Working Group to a vote for which solution is the most preferred at this current time. These can be found below:

- *12-month Solution – 0 Votes*
- *Differential Solution – 4 Votes*
- *Abstain – 4 Votes*
- *Against any solutions – 5 Votes*

Commented [MK1]: Could you double check these numbers please?

- 3.50 Following the voting on a preferred solution, members suggested that as the Consultation was weighed more towards a 12-month solution, perhaps a second Consultation weighed more around the differential solution would be beneficial prior to progressing this change further. The proposer agreed that this would be the best approach, and the Working Group needs to work on how this solution will work and meet the objectives.

- 3.51 After further discussion, the Working Group agreed to meet again on 23 October 2024 to look at next steps and to also start developing an RFI.

## 4. Agenda Items for Next Meeting

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

1. The Working Group to discuss next steps at the next Working Group meeting.
2. The Working Group to develop an RFI.

## 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 – 23 October 2024

- 6.1 The next Working Group meeting will be held on 23 October 2024 at 2pm.

## 7. Attachments

- Attachment 1\_DCP 443 Collated Consultation Responses\_WG Comments v2.0

- Attachment 2\_DCP 443 Work Plan



## APPENDIX A

### 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>Ongoing.</b>
<b>04/01</b>	The Secretariat to follow up a potential typo with the responder (SPEN) in regard to Q7 of the Consultation to seek further clarification around 'import CDCM customers incurring capacity charges'.	Secretariat	<b>New Action.</b> <i>Awaiting response from respondent.</i>
<b>04/02</b>	The Secretariat to follow up with the responder (NGED) in regard to Q15 of the Consultation to seek further clarification around why they believe there is a difference in lead time for solutions A and B.	Secretariat	<b>New Action.</b>
<b>04/03</b>	The Secretariat to look for the original DCP 161 RFI response form and data in order to potentially re-issue for comparable data.	Secretariat	<b>New Action.</b>

### Closed Actions

Action Ref.			Update

A green banner with a wavy, layered texture, featuring the DCUSA logo in white.

DCUSA