

DCP 443 Working Group - Meeting 06

08 November 2024 at 10:00 - Web-Conference

Attendee	Company
Working Group Members	
Alex Lam [AL]	National Grid
Charles Mott [CM]	SSE
Chris Barker [CB]	ENWL
Chris Ong [CO]	UKPN
Donna Jamieson [DJ]	IDCSL
Ed Grimsey [EG]	BU-UK
Edda Dirks [ED]	SSE Gen
Karl Maryon [KM]	Drax
Michael Hewitson [MH]	Trident Utilities
Monique Pereira [MP]	Indigo Networks
Nik Wills [NW]	Stark
Peter Waymont [PW]	UKPN
Rachel Wallace [RW]	BU-UK
Robert Mottershead [RM]	Sedulity Energy
Ryan Farrell [RF]	NPg
Victoria Burkett [VB]	SSE
Code Administrator	
Andy Green [AG] (Chair)	ElectraLink
Dylan Townsend [DT]	ElectraLink
Mel Kendal [MK] (Technical Secretariat)	ElectraLink
Code Administrator	

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 The Secretariat was made aware of a couples of mis-typed action numbers within the previous meeting minutes. These typos were corrected live during the meeting.
- 1.4 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 discuss the draft RFI and Test Model within the Working Group and agree next steps.

3. Review Test Model

- 3.1 The Chair invited the Working Group to review and discuss the test model outcomes and narrative document, which was presented on screen.
- 3.2 The key points can be found below:
- 3.3 After testing the model with random figures, CO explained that if the cost of excess capacity increases, costs elsewhere will decrease (as expected). CO noted that this could play a fundamental part in where the costs are recovered from.
- 3.4 ED queried whether there is any allowed revenue for those exceeding – CO suggested that there was no exceeded capacity charge in the original CDCM model (2010), until DCP 161 ‘*Excess Capacity Charges*’ was approved in 2015.
- 3.5 ED queried whether this change could result in revenue over-recovery – CO explained that if over-recovery does happen, there is already a facility in place for dealing with that and noted that the DNO can only earn as much as the Authority allow them to earn.
- 3.6 In regard to the first table on the test model narrative document, ED suggested the current table of standard charge factors should be shown (before and after), and also the before and after tables of the exceeded capacity charges and unit rates. Without these suggestions, the narrative does not appear complete.
- 3.7 Following this, DT provided the Working Group with the current tables of the 2025/26 CDCM models so that these can be added into the narrative document.

- 3.8 CB joined the call, and ED was able to relay the queries mentioned earlier in the meeting.
- 3.9 CB explained that the model aims to increase the excess capacity charge, which should, in theory, reduce the fixed charges and unit rates slightly. This is because more revenue would be collected from the excess capacity charge, reducing the need to collect as much from other charges. However, he noted that the current model might not fully reflect these changes due to its rough nature.
- 3.10 Working Group members highlighted the need to understand any unintended consequences of altering the standing charge factors, as this could impact various tariffs and revenue recovery. The group acknowledged the importance of identifying these impacts to ensure the proposed changes are viable and do not introduce new issues.
- 3.11 CB acknowledged the importance of checking for unintended consequences of the proposed changes. While he did not anticipate any major issues, he agreed that a thorough review is necessary to ensure the changes do not introduce new problems.
- 3.12 The Working Group discussed the importance of maintaining cost reflectivity and avoiding revenue over or under-recovery when implementing changes to the model. This concern was raised in the context of shifting revenue recovery from unit rates to excess capacity charges and the challenges of forecasting capacity exceedance.
- 3.13 CB pointed out that collecting revenues through unit rates is the riskiest element for a DNO because it is affected by variable factors like weather and external events. Moving revenue recovery from unit rates to other elements, such as capacity charges, can increase the security of revenue recovery. However, introducing higher excess capacity charges might change customer behaviour, making them less likely to exceed their capacity, which is difficult to quantify.
- 3.14 After further discussion, it was agreed for the DNOs to take an action to test the model further and have a 'deeper dive' into the outcomes provided in the narrative document as it is important to find out the impacts on the other tariffs.

ACTION 06/01: The DNOs to test the model further and have a 'deeper dive' into the outcomes provided in the narrative document.

- 3.15 The Working Group agreed with the approach of issuing the RFI in parallel with further testing of the model.
- 3.16 The Working Group discussed the economic justification and observations section of the narrative document and agreed that this approach does need to be validated and ensure that it is justified.
- 3.17 The Working Group agreed to take an action to speak internally and request relative experts to join the Working Group meeting to help come to a resolution.

ACTION 06/02: Working Group members to speak internally and request relative experts to join the Working Group meeting to help come to a resolution.

4. Review of Draft RFI

- 4.1 The Chair invited the Working Group to review and discuss the draft RFI document, which was presented on screen.

- 4.2 The key points can be found below:
- 4.3 ED noted that the current draft RFI needs to be made clearer as it may be confused as a Consultation. With that being said, the Chair made the necessary amendments to the document live during the meeting. The Working Group were happy with these changes to ensure the clarity that the document is an RFI.
- 4.4 ED also suggested the information provided within the draft RFI should be further condensed. The proposer suggested condensing the current draft RFI and adding wording to the effect of 'following on from the previous Consultation, the Working Group has reached a stage where they need to ask additional questions in order to develop the solution – the Working Group agreed with this approach.
- 4.5 It was also agreed by all Working Group members to include additional questions in the RFI in regard to the modelling.
- 4.6 Whilst reviewing the RFI questions, ED stated that the current Q1 only requires a yes/no response and does not appear to be beneficial – instead, it was suggested that both Q1 and Q2 are merged and amended the question to ask 'What (if any) impacts, including the types of additional costs, does a Customer cause when they exceed their capacity, and under what circumstances?'
- 4.7 The Working Group were happy with both Q2 and Q3 of the draft RFI.
- 4.8 The Working Group agreed to add an additional question to the draft RFI – Q4 – *For DNOs and IDNOs that use the model, could you please complete Attachment X to present a before and after view of what the suggested modelling impacts would look like.*
- 4.9 The Working Group agreed that leading text needs to be included within the draft RFI prior to asking the new Q4 to explain how the solution was chosen for the test model, what the model is trying to do, and what the expected outcomes are. It should also explain which tariffs are affected by changing the standing charges factors and what those changed tariffs look like.
- 4.10 After further discussion, CB suggested that the model might need more work before it can be shared widely. CB offered to review and refine the model further to ensure it is more robust and accurately reflects the intended changes.

ACTION 06/03: CB to review and refine the test model further to ensure it is more robust and accurately reflects the intended changes.

- 4.11 Following the above action taken by CB to use publicly published DNO data to answer the drafted Q4, the Working Group agreed that this would negate the need for Q4 at the moment, and the RFI can be issued with the three only for now.

5. Agenda Items for Next Meeting

- 5.1 The Working Group discussed the next steps, and the following items were captured:
1. The Secretariat to issue the final version of the draft RFI to wider industry.
 2. CB to review and refine the test model and feedback to the group.

6. Any Other Business

- 6.1 The Chair asked the group whether there were any other items of business to discuss.
- 6.2 There were no other items raised.

7. Date of Next Meeting – 22 November 2024

- 7.1 The next Working Group meeting will be held on 22 November 2024 at 11am.

8. Attachments

- Attachment 1_DCP 443 Work Plan

APPENDIX A

New and Open Actions

Action Ref.	Action	Owner	Update
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'.	Secretariat	Ongoing. <i>Awaiting response from respondent.</i>
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.	Secretariat	Ongoing. <i>Awaiting response from respondent.</i>
06/01	The DNOs to test the model further and have a 'deeper dive' into the outcomes provided in the narrative document.	DNOs	New Action.
06/02	Working Group members to speak internally and request relative experts to join the Working Group meeting to help come to a resolution.	Working Group	New Action.
06/03	CB to review and refine the test model further to ensure it is more robust and accurately reflects the intended changes.	CB	New Action.

Closed Actions

Action Ref.	Update
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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.	Secretariat	Closed.
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.	Secretariat	Closed.
05/01	The Secretariat to invite the Chair of the DCMDG (Dylan Townsend) to the next Working Group meeting.	Secretariat	Closed.
05/02	CB to send the test model outcomes to the Working Group post-meeting.	CB	Closed.
05/03	The Secretariat to draft an RFI and circulate to the Working Group for further review at the next meeting.	Secretariat	Closed.