

Meeting Session	Panel (Open Session)
Paper Reference	DCUSA_2024_1218_10_DCMDG 81 Headline Report
Action	For Information

Distribution Charging Methodologies Development Group (DCMDG) Headline Report 81

1. Synopsis

- 1.1 This report sets out the headlines from the 81st DCMDG meeting held on 21 November 2024 via Microsoft Teams. The full minutes and associated papers are available on the DCUSA website.
- 1.2 This meeting was chaired by Dylan Townsend and the technical secretariat for the meeting was Alysson Peña.
- 1.3 A total of 34 industry participants dialled into the meeting.

2. Forward Work Plan and Issues Log

- 2.1 The group reviewed the DCMDG Forward Work Plan and Issues Log but there were no substantive comments raised during this item.

3. Ofgem Update

CDCM and EDCM Issues

- 3.1 **Background:** Ofgem has been working on changes to the Common Distribution Charging Methodology (CDCM) and Extra High Voltage Distribution Charging Methodology (EDCM) to ensure sensible tariff production.
- 3.2 **Issues Identified:** Implementation of the Targeted Charging Review (TCR) and large changes in Distribution Network Operators' (DNOs) allowed revenue have caused errors in charging models, leading to unfair outcomes like negative fixed charges for some consumer classes.
- 3.3 **Guidance Provided:** Ofgem has issued guidance to affected DNOs on resolving these issues. There is consideration for raising a Change Proposal to codify a firm fix, but caution is advised due to potential future changes.

Cost Recovery Charges

- 3.4 **Ongoing Review:** Ofgem is reviewing how to treat cost recovery charges, considering ongoing work from the Review of Electricity Market Arrangements (REMA) and the Distribution Use of System (DUoS) Significant Code Review (SCR).

- 3.5 **Industry Feedback:** The review will incorporate feedback on standing charges and previous work done during the TCR.
- 3.6 **Current Changes:** Ofgem suggests that changes addressing pressing issues (e.g., DCP 412 and DCP 420) should proceed, while those related to TCR implementation (e.g., DCP 388 and Private Networks Subgroup) may need to pause pending further review.

Regulatory Arrangements for IDNOs

3.7 Transmission Connected IDNOs:

- **Challenges:** Some Independent Distribution Network Operators (IDNOs) are looking to connect directly to the transmission network, raising regulatory and charging questions.
- **Industry Collaboration:** Ofgem emphasizes the need for industry stakeholders to develop a consensus on regulating and charging for these connections to avoid market distortions and ensure fair contributions to transmission costs.
- **Forum for Discussion:** These discussions may be more suitable for a transmission-focused forum rather than the DCMDG or private networks subgroup.

3.8 EHV Charging Methodologies for IDNOs:

- **Current Methodologies:** Existing methodologies for IDNOs to charge for Extra High Voltage (EHV) connections include using the host DNO's models or mirroring the DNO's boundary tariff with an added reasonable rate of return.
- **Transparency and Standardization:** There is a need for greater transparency and potentially more standardized approaches. Ongoing communication with Ofgem and IDNOs indicates support for publishing more transparent prices.
- **Monitoring and Refinement:** The industry should continue to monitor and refine these methodologies to ensure fairness and transparency.

4. MHHS Update

- 4.1 Members noted that the DCP 445 'Implementation of Market-wide Half Hourly Settlement (MHHS) Arrangements' Party voting period had ended and that a Change Declaration had been issued to Ofgem for their decision.
- 4.2 Members also noted that MHHS Change Request (CR) 55, which is looking to shift the current M10-milestone out by 5 months, could, if approved, mean that DCP 445 is implemented later than originally expected due to its implementation date being pinned to the M8 milestone, which itself is linked to the M10 milestone which CR55 seeks to amend

5. Private Networks Subgroup Update

- 5.1 The Chair noted 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.

6. 'Annual Allocations Review (AAR) Lessons Learnt' Subgroup Update

- 6.1 It was agreed between the Chair and the proposer of this item that the work done to date and conversations during the October DCMDG meeting meant that there was less of a need to continue discussion within the subgroup itself, but that the next steps would be to formalise the content that was issued out via email into guidance that could be added to the website in due course and to involve the sub-group in the review and approval of said guidance.

7. Any Other Business (AOB)

Forward views on Impacts of Clean Power 2030 Plan on DUoS Charges:

- 7.1 A question was asked around whether, following NESO's recommendations to the government on how to achieve Clean Power by 2030, any DNO members were able share their views or any background work they are currently progressing on this subject and in particular, anything about the impacts on network costs.
- 7.2 A DNO member responded by explaining that as it currently stands, between now and the end of RIIO-ED2, it was unlikely for there to be much in the way of impacts to charges, as allowed revenues have already been set. It was explained that there may well be conversations happening within DNO organisations related to future investment in the networks but that such conversations happen at very senior levels and members are not privy to them. Further details will become clearer closer to the time that the DNOs start submitting information related to the RIIO-ED3 Price Control submissions.

8. Date of Next Meeting

- 8.1 The next DCMDG meeting will be held on 19 December 2024 via Microsoft Teams / Teleconference.

9. Actions

- 9.1 The DCUSA Panel is invited to:
- **NOTE** the contents of this Paper.

Dylan Townsend
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