

DCP 450 Working Group Meeting 01

11 March 2025 at 10:00 - Web-Conference

Attendee	Company
Working Group Members	
Joe Boyle [JB]	SPEN
Kara Burke [KB]	NPg
Victoria Burkett [VB]	SSE
Chris Ong [CO]	UKPN
Emma Clark [EC]	SSE
Edda Dirks [ED]	SSE
Ed Grimsey [EG]	BUUK
James Harvey [JH]	Ofgem
Nik Wills [NW]	Stark
Georgia Preece [GP]	NPg
Seun Adedapo [SA]	National Grid
Code Administrator	
Craig Booth [CB]	Chair
Hannah Proffitt [HP]	Secretariat

1. Administration

Recording

- 1.1 The Chair asked members if they were comfortable for this Working Group to be recorded. No members objected to this request. The purpose of this recording is purely to aid the Technical Secretariat in producing an accurate report of the meeting.

Apologies

- 1.2 No apologies were received ahead of the meeting.

Competition Law Guidance and Terms of Reference

- 1.3 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.

2. Purpose of the Meeting

- 2.1 The Chair advised that the purpose of the meeting was to review DCP 450 and to consider the next steps.

3. Overview of DCP 450 ‘Managing the effects of surplus residual charge in the CDCM’

- 3.1 The Proposer provided background information on the proposal, advising that London Power Networks has had negative residual since the CDCM was introduced due to the DRM model which calculates the cost of an additional 500MW to be put onto the network.
- 3.2 These costs are taken from the model that DNOs manage themselves and populate into the CDCM. As opposed to other areas, there are additional costs for London due to dense population. Once scaled up this often results in a calculated cost for the 500MW of being in excess of what their allowed revenue is. This therefore leads to the negative residual in the vast majority of years.
- 3.3 CO noted that this has meant that London charges have appeared unusual, with zero unit rates especially for the amber and green rates. Other examples such as the non final demand sometimes being a more expensive cost for anyone who has to submit a certificate for that.
- 3.4 CO advised that for the last two years, because of the size of the negative residual, there have been issues with the model not calculating the charges or creating errors in the calculation of charges which required manual intervention.
- 3.5 CO advised that when this occurred in late 2023 for the 2025/25 charging year, they only noticed early in December which led to discussions with Ofgem and an agreement to allow them to modify their inputs in order to be able to calculate charges.
- 3.6 CO noted that for 2026/27 Ofgem produced some guidance on the approach to be taken ‘[Managing the effects of surplus residual charges guidance | Ofgem](#)’. This guidance allows the DNO to reduce their 500MW model inputs into the CDCM, which would then allow calculation of charges without errors in.
- 3.7 CO noted that they had received feedback from DNOs suggesting that the change proposal should go one step further and address the reasons for the negative residual which would lead to more logical charges. CO advised however that Ofgem disagreed and wanted a solution that removed the errors, but left the negative residual as is.
- 3.8 CO advised that the change seeks to mirror what they did last year but to codify the process in the DCUSA so there is full visibility of when the charges can be expected to be published. This will also mean that derogations will not need to be raised which can be time consuming.

- 3.9 CO advised that the proposed additional text would be added as paragraph 25A of Schedule 16 and state 'Where the model is not able to produce charges for all elements of all tariffs, then the values will be scaled back by an equal percentage across all assets until all tariffs are fully populated.'
- 3.10 CO added that his change is focused solely on the CDCM and does not change anything for the EDCM.

4. Review and Discussion of Change Proposal

- 4.1 ED asked whether the intention of the change is to codify Ofgem's intervention option 1A as per their guidance. CO agreed that it is.
- 4.2 ED noted that the wording of 1A and the wording in the proposal is slightly different. CO agreed and noted that they had sent the legal text to Ofgem for review who had raised a couple of points for further consideration. CO noted that this would be considered later in the meeting when the Working Group review the change in detail.
- 4.3 ED highlighted section 4.1 of the Change Proposal form and suggested that more detail should be added to explain why the current mechanism is not working. CO agreed to add further detail to the consultation document.

Action 01/01 – CO to expand on Section 4 of the Change Proposal to explain why the current mechanism is not working. This wording to be included in the Consultation.

- 4.4 ED asked where in the CDCM the change is to be made and asked for some illustrative examples of what happens to the tariffs when the scalar is applied. CO agreed to investigate internally what it will be possible to share.

Action 01/02 – CO to check internally whether it will be possible to share an example to help illustrate the solution.

- 4.5 ED highlighted that four DNOs had applied for a derogation this year and noted that it would be helpful to ensure they have all applied the method in the same way.
- 4.6 CO noted that two DNO regions had issues with the EDCM which is a separate matter. CO noted that they would hope the two DNOs in question both applied the method in the same way as the guidance was clear, however the percentage movement would potentially have differed depending on the size of the problem they were trying to address.
- 4.7 The group clarified that two DNO regions had issues with the EDCM and six with the CDCM. ED suggested this is included in the consultation as it illustrates the extent of the issue.
- 4.8 EC advised that the direction letters published to the DNOs by Ofgem stipulated the amount by which they had to adjust the asset costs by. EC noted that the information can be found at the following link: [Managing the effects of surplus residual charges: derogation requests and directions | Ofgem](#)

4.9 CO highlighted that this Change Proposal is time sensitive as the guidance provided for last year was a temporary solution for that year only.

4.10 CO presented the below feedback provided by Ofgem on the legal text.

'the legal text of "not able to produce charges for all elements of all tariffs" be clarified, as it only takes some charges in some tariffs (e.g. just p/kWh and p/MPAN charges for HV Band 4 users) having a reference error to cause the issues we've seen – noting what we've heard about one reference error being as administratively complicated to resolve as multiple

the issue is not a problem with the model's (spreadsheet's) ability, but with the methodology's ability to allocate leftover residual surplus subject to the OpkWh floor'

4.11 Regarding the first point, CO noted that there only needs to be a single error in the calculated charges for a review to take place. CO noted that this point can be addressed by adding clarification on what was included in the Change Proposal.

4.12 Regarding the second point, CO advised that there is a floor in the model meaning that it will not calculate negative charges. Without a floor some customers would be paying other customers to take energy from the network which would not be appropriate.

4.13 ED asked what amendments need to be made to the wording that has been included in the proposal. The Working Group reviewed the legal text.

4.14 EC suggested that the wording is amended to say that where the model has any instances of a hash reference, the values will be scaled back. CO agreed with this.

4.15 The group also agreed to amend 'values' to 'network model asset values' in the legal text for clarity.

4.16 An Ofgem representative, JH, confirmed that these amendments would help address the concerns raised.

4.17 The group agreed on the wording below.

'Where the model produces error [values/codes] for any elements of the tariffs, then the network model asset values will be scaled back by an equal percentage across all assets until all tariffs are fully populated.'

4.18 ED asked why Ofgem do not want the Working Group to explore alternative solutions that could be better than option 1A. JH clarified that Ofgem wanted the solution to align as closely as possible to the current arrangements in the output that was given, as they believe implementing any wholesale changes would not be appropriate through the derogation process.

4.19 JH advised that they want to leave it open to the Working Group to discuss whether there are other options that would be better than option 1A. JH reiterated that this change is a temporary fix until the issues with cost allocation can be addressed, which they do not believe this change would be able to cover.

- 4.20 ED asked whether a reduction in asset values would lead tariff changes to go in a downward direction in all cases. CO advised they are unsure and would need to check. CO added that if it is possible to share a model, this will allow parties to go over the individual elements of the individual charges to see what the impact was between applying the fix and not applying the fix.
- 4.21 ED raised that if the original inputs are unscaled returns tariffs that are flawed, comparing with the scaled model may not draw a conclusion. ED asked if the approach of scaling could be used on a CDCM where the errors don't occur, to allow a meaningful comparison. CO agreed that they could try this.

5. Review/Update Work Plan

- 5.1 The Working Group agreed to meet again on Thursday 03 April 2025 at 1pm to review the actions taken in this meeting and to produce a draft consultation.

6. Any Other Business

- 6.1 No other business was raised.

New and Open Actions

Action Ref.	Action	Owner	Update
01/01	CO to expand on Section 4 of the Change Proposal to explain why the current mechanism is not working. This wording to be included in the Consultation.	CO	New Action.
01/02	CO to check internally whether it will be possible to share an example to help illustrate the solution.	CO	New Action.

Closed Actions

Action Ref.			Update