

DCP 450 Working Group Meeting 02

03 April 2025 at 13:00 - Web-Conference

Attendee	Company
Working Group Members	
Chris Barker [CBa]	ENWL
Chris Ong [CO]	UKPN
Ed Grimsey [EG]	BUUK
Edda Dirks [ED]	SSE
Emma Clark [EC]	SSE
Georgia Preece [GP]	NPg
James Harvey [JH]	Ofgem
Joe Boyle [JB]	SPEN
Kara Burke [KB]	NPg
Nik Wills [NW]	Stark
Robbie Lees [RL]	Idcsl
Seun Adedapo [SA]	National Grid
Simon Vicary [SV]	EDF
Victoria Burkett [VB]	SSE
Code Administrator	
Craig Booth [CB]	Chair
Mel Kendal [MK]	Secretariat

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 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 discuss open actions and draft the DCP 450 draft Consultation document within the Working Group and agree next steps.

3. Discuss Open Actions

- 3.1 The Chair invited the Working Group to discuss the open actions from the previous meeting.
- 3.2 Key updates can be found below:
- 3.3 **Action 01/01** - ED noted that although additional wording has been added to Section 4 of the Change Proposal (paragraph 4.6 onwards), it does not show why the current mechanism is not working. The Secretariat made note of this and agreed to discuss this further and agreed to leave the action open for now.
- 3.4 **Action 01/02** – The Chair confirmed that this action has been completed and is now closed; however, it was noted that this is confidential to the Working Group only and will not be published on the DCUSA website or within the Consultation.

4. Review of Example Model

- 4.1 The Chair invited the Working Group to discuss and review the example model which was shared live on screen during the meeting.
- 4.2 The key updates can be found below:
- 4.3 CO explained that after inputting the data, the summary sheet produced a number of errors – when scaling the numbers, the vast majority went down (but not all of them). CO noted that the LV site specific no residual have reference errors within the banded tariffs, but the no residual does not. The view is that it is not proportioning the correct amount of revenue to the individual tariffs (even where a value is produced).
- 4.4 CO reminded the group that the model can be circulated within the Working Group, however, it will not be visible to those outside of the group. With that being said, the draft Consultation and Change Report illustrate and explain any conclusions reached from the model.

- 4.5 ED noted that the generation tariffs have reduced credits which is to be expected – CO stated that generation tariffs are the opposite to a demand tariff without the residual element applied and confirms this would be expected.
- 4.6 ED also mentioned that there are a number of values that have increased under the fixed charges (all no residual final demand tariffs) and this was unexpected – CO explained that the issue with the no residual is that it is more expensive to be on a no residual tariff than to be on the band 4 tariff. CO also confirmed that they do not have any non final demand Customers in London due to this reason.
- 4.7 Following the above discussion, CO mentioned that this has been previously discussed with Ofgem, and it was highlighted that if this change was further scaled, this could likely address the negative residual element with more logical tariffs; however, it was agreed at the time of discussion that this would need to be picked up as part of the DUoS SCR and review of cost allocations which Ofgem is currently looking at.
- 4.8 CO stated that this CP has been drafted in accordance with the Ofgem guidance note and not to take it that step further as this may cross over with the DUoS SCR.
- 4.9 ED pointed out that in row 24, there is no residual fixed charge that goes up and is higher than other tariffs – CO changing a couple of values (even if minor) can have impacts, but the movement is broadly consistent. Following this, EC suggested it may be worth involving CEPA/TNEI in relation to this as we need to establish the existing underlying cost allocation and how this was adjusted to reflect the TCR implementation. EC also stated that there is currently no knowledge of how to fix this.
- 4.10 Working Group members agreed that this would be beneficial and queried whether CEPA/TNEI could provide a written commentary with the information needed; however, the Working Group are also open to CEPA/TNEI attending the next Working Group meeting if this would be more beneficial.
- 4.11 ED reiterated that the fixed charges going up that do not include a residual does not make sense considering the residual is the largest part within the tariff, and if this not included than what else is the tariff made up of that would make it increase. This is what needs to be further understood as this could be a separate issue to what this change is trying to resolve. ED agreed to take an action to draft some words together that can be used when contacting CEPA/TNEI for further information.

ACTION 02/01: ED to draft wording in relation to the increase of fixed charges issue to be sent to CEPA/TNEI for further information.

ACTION 02/02: The Secretariat to contact CEPA/TNEI to request further information around the existing underlying methodology and potentially attend the next Working Group meeting.

- 4.12 The Secretariat also agreed to produce a Terms of Reference (ToR) for CEPA/TNEI which clarifies what the Working Group are looking to achieve from their attendance at the next Working Group meeting.

ACTION 02/03: The Secretariat to produce a ToR for CEPA/TNEI which clarifies what the Working Group are looking to achieve from their attendance at the next meeting.

- 4.13 Following the above discussions, both CO and KB stated that the changes in the fixed charges look like they are down to the iteration process – the variance is due to the difference in IDNO discount percentages that come through. Once the model is fully populated, adjustments can be made throughout which will impact all tariffs, not just those with residuals.
- 4.14 VB informed the group that CEPA/TNEI shared documentation with the closed panel on 19 March 2025 with an explanation of the models and suggested that it may be worth asking the panel if this documentation could be shared with the Working Group. The Secretariat agreed to take an action to request permission from the panel to share this documentation with the Working Group.

ACTION 02/04: The Secretariat to request permission from the DCUSA Panel to share the recent CEPA/TNEI documentation regarding the models with the Working Group.

- 4.15 EC noticed that depending on the scale of the negative residual, will depend on which tariffs error out due to a sequence. Some tariffs will start to populate, while others will start to error – EC queried what the basis of the allocation of the negative residual is. CO also noticed this and assumed it would be to do with the volume/scale of revenue it is trying to attach, i.e., smaller revenue would error first (however, this may not be correct). CBa also stated that it was an interaction between the size of the charge and the residual allocated to it.
- 4.16 Following the above discussion, members agreed it would be useful to get clarification on this from CEPA/TNEI.
- 4.17 ED suggested it may be beneficial to also ask CEPA/TNEI if there are any other improvements on the current proposed solution.
- 4.18 CBa stated that the service charge model charges move because they are based on a operating expenditure per pound of national asset value which is influenced by 500 Mw model asset values; as you lower the 500 Mw asset value, you increase the ratio within the service model charges – more service charges will be allocated to Customers relative to others within the service model, and therefore may affect the fixed charge allocation. Members discussed this and agreed that this sounds like a distortion and may be a negative of the solution (but the positives outweigh this overall).
- 4.19 CBa noted it may be worth considering scaling both the 500 Mw model and the service model assets together by the same percentage as this may be a better remedy than just the 500 Mw on its own. ED stated that CEPA/TNEI may be able to provide a better view of this.
- 4.20 The Chair noted that an Impact Assessment may be needed based on the chosen approach.

5. Draft Consultation Document

- 5.1 The Working Group agreed that it would be best to not progress the draft Consultation document until further discussions have been had with CEPA/TNEI; however, it was agreed to revisit the ongoing **Action 01/01** in relation to paragraphs 4.5 and 4.6.
- 5.2 The key updates can be found below:
- 5.3 ED reiterated that the current paragraphs 4.5 and 4.6 do not currently explain why the model has been exhausted.

5.4 CBa provided an extract from the Ofgem guidance document which addresses the issue which can be found below:

- *“We are similarly aware of limitations with how the CDCM seeks to manage a surplus residual. A process exists to reduce some of the forward-looking charges (discounting fixed charges and unit rates) to bring revenue recovery down to the target value. However, an especially large surplus residual may result in the CDCM exhausting the ability to apply discounting and failing to produce a complete set of charges for some network users. We do not consider that compliance with the Charging Methodology should result in the failure to produce a set of final tariffs.”*

5.5 ED stated that the current wording within paragraphs 94/94A is difficult to digest and would be beneficial for this to be spelled out for non-technical users. Following this, CO agreed to take an action to provide updated wording within these paragraphs for the Working Group to review. This will be included within the ongoing **Action 01/01**.

6. Agenda Items for Next Meeting

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

- ED to produce wording in relation to the increase of fixed charges issue to be sent to CEPA/TNEI for further information.
- The Secretariat to contact CEPA/TNEI to request further information around the existing underlying methodology and potentially attend the next Working Group meeting.
- The Secretariat to produce a ToR for CEPA/TNEI.
- CO to provide updated wording within the draft Consultation Document for the Working Group to review.

7. Any Other Business

7.1 The Chair asked the group whether there were any other items of business to discuss.

7.2 There were no other items raised.

8. Date of Next Meeting – TBC

8.1 The next Working Group meeting is currently TBC - a doodle poll will be issued in due course.

ACTION 02/05: The Secretariat to issue a doodle poll for the next Working Group meeting.

9. Attachments

- Attachment 1_DCP 450 Work Plan

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	Ongoing. <i>CO to provide updated wording for the Working Group to review.</i>
02/01	ED to draft wording in relation to the increase of fixed charges issue to be sent to CEPA/TNEI for further information.	ED	New Action.
02/02	The Secretariat to contact CEPA/TNEI to request further information around the existing underlying methodology and potentially attend the next Working Group meeting.	Secretariat	New Action.
02/03	The Secretariat to produce a ToR for CEPA/TNEI which clarifies what the Working Group are looking to achieve from their attendance at the next meeting.	Secretariat	New Action.
02/04	The Secretariat to request permission from the DCUSA Panel to share the recent CEPA/TNEI documentation regarding the models with the Working Group.	Secretariat	New Action.
02/05	The Secretariat to issue a doodle poll for the next Working Group meeting.	Secretariat	New Action.

Closed Actions

DCUSA

Action Ref.			Update
01/02	CO to check internally whether it will be possible to share an example to help illustrate the solution.	CO	Closed. <i>It was noted that this is confidential to the Working Group only and will not be published on the DCUSA website or within the Consultation.</i>