

DCP 452 Working Group – Meeting 01

10 April 2025 at 10:00

Via MS Teams

Attendee	Company
Working Group Member	
Andrew Enzor [AE] (The Proposer)	Field Energy
Kara Burke [KB]	Northern Powergrid
Edda Dirks [ED]	SSE Generation
Alex Lam [AL]	National Grid Electricity Distribution
Lorna Murray [LM]	Scottish Power Energy Networks
Chris Ong [CO]	UK Power Networks
Code Administrator	
Dylan Townsend [DT] (Chair)	ElectraLink Ltd
George Kestner [GK]	ElectraLink Ltd

Apologies	Company
Joe Boyle [JB]	Scottish Power Energy Networks

1. Administration

Recording

- 1.1 The Working Group AGREED to record this meeting to aid the Technical Secretariat in producing an accurate report of the meeting. The recording will be deleted once the minutes for the meeting are approved.

Apologies

- 1.2 Apologies had been received from: JB.

Competition Law Guidance

- 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

Action Logs

- 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 Change Proposal (CP) within the Working Group and agree next steps.
- 2.2 One member NOTED that there was a potential conflict with the ongoing DUoS SCR and explained that they were of the understanding that the Panel had requested confirmation from Ofgem as to whether or not this CP could be progressed. In response the following observations were provided.
- The Chair explained that the above insight was correct in that upon conducting their Initial Assessment of DCP 452, the Panel was asked to assess whether the change interacts with the ongoing DUoS SCR, which has many unknowns.
 - The Chair went on to state that the Panel was happy for the change to be progressed at risk, pending Ofgem's confirmation and that they had directed the Secretariat to issue a request to Ofgem for their direction on the matter and that this was issued on 20 March 2025. The Chair noted that Ofgem had acknowledged receipt of the request and indicated there was enough information for them to make a direction, but no further response had been received to date.
 - The Proposer [AE] NOTED that he had discussed this issue informally with Ofgem representatives and no concerns had been raised in those discussions.
 - The Working Group NOTED that Ofgem representatives had participated in DCUSA Open Panel meeting where the Panel conducted their Initial Assessment and also at the February DCMDG meeting where DCP 452 had been discussed, and no objections had been received in either meeting.
 - The Working Group NOTED that the problem that DCP 452 was seeking to address was a technical methodological issue and was causing customer harm, and that neither the problem nor the proposed solution appeared to conflict with any policy directions.
- 2.3 The Working Group NOTED the absence of a direction from Ofgem and AGREED to proceed with the Working Group on an 'at risk' basis which had been the agreement reached by the Panel.

3. Overview of DCP 452 'Correct application of Forward Cost Pricing EDCM charges to users connected directly to a Grid Supply Point'

- 3.1 The Chair invited the Proposer (AE) to present an overview of the CP to the Working Group. AE highlighted key points, including the following:
- An oversight in the Forward Cost Pricing EHV Distribution Charging Methodology had been identified which was causing an unintended outcome for a small subset of customers.
 - The subset of customers in question were those that were connected to a GSP, and whose interface between sole use assets and the shared distribution network was a circuit breaker at a grid supply. These customers could be easily identified in the EDCM as they had the customer category of '0000'.
 - Under FCP charging methodology, these customers were incorrectly being exposed to all of the downstream network costs at that GSP, including that import customers were exposed to locational demand charge 'charge 1' and for export customers, customers were incorrectly being assigned a super red credit in respect of that voltage for the GSP.

- To illustrate the difference between charging methodologies, AE provided an example where charges calculated by the FCP model would lead to costs for a customer of c.£800k per annum, whilst for the same site, under the LRIC model, the amount was approximately zero.
- The proposed solution was to amend the formula such that it disappplies the FCP locational charge for these customers.

4. Review and Discussion of Change Proposal

4.1 The Working Group SCRUTINISED the Change Proposal.

4.2 One member queried whether such a large discrepancy between the two EDCM charging methodologies had been identified in the past. To which the following points were raised:

- There are some relatively well known differences between the two, specifically that the:
 - FCP (Forward Cost Pricing): Charges customers based on the entire network group they are connected to. If a customer connects within a network group, they are charged for all assets within that group.
 - LRIC (Long Run Incremental Cost): Charges customers based on the specific circuits they impact. It evaluates the impact of demand at a customer's location on individual circuits and charges accordingly.
- The Chair NOTED that DCP 287 '[Generation credits in the EDCM](#)' had examined aspects of FCP calculations which were different to those within the LRIC methodology, specifically around the asset lifespans for calculating reinforcement costs.
- Members AGREED to add additional commentary or examples to the consultation document to highlight the key differences between the methodologies/models.

ACTION 01/01: The Secretariat to add additional commentary or examples to the yet to be drafted consultation document to highlight key differences between the methodologies/models

4.3 One member questioned if there is a possibility where all DNOs might converge on the use of a single EDCM model, to which other the Proposer NOTED that attempting to dictate such a convergence was beyond the scope of this Change Proposal and FURTHER NOTED that there was no intention of favouring one charging methodology over another.

4.4 The Working Group NOTED that a movement towards a single EDCM charging methodology/model, or developing a completely new charging model, might be something that is picked up by the DUoS SCR but that this would be led by Ofgem.

4.5 One Working Group member recalled the development of the Extra High Voltage (EHV) Distribution Charging Methodology (EDCM) from around 2010, where initially, the LRIC version had been proposed, but concerns led to the adoption of FCP for some networks. The Working Group member emphasized that the split between the two methodologies has existed since then due to differing network needs and preferences. The member AGREED to provide some additional text explaining the context behind this.

ACTION 01/02: CO to provide some text to the Secretariat for the purposes of the yet to be drafted consultation, explaining the history for the split between the two different charging methodologies, LRIC and FCP.

5. Next Steps and Work Plan

5.1 The Working Group discussed next steps and agreed a future work plan.

Impact Assessment

5.2 The Working Group AGREED that an impact assessment would need to be conducted for the Working Group to identify the quantify the magnitude of the impact which will form part of the eventual consultation. In order to carry out an impact assessment, members agreed that it would be necessary to obtain data from DNO colleagues who utilise the FCP version of the EDCM, asking them to provide specific data from their populated models and as such a short Request for Information (RFI) was the likely next step.

Request for Information

5.3 The Working Group discussed whether a formal RFI would need to be issued, or whether a simpler and more informal information-gathering exercise would suffice and AGREED that a formal RFI request from the Working Group would be required, but that this could be less comprehensive than a full consultation and could take the form of an email to the relevant DNOs only.

5.4 The Working Group discussed what the RFI would need to contain for them to be able to confirm the impact on the subset of customers which this change impacts. The following worksheets and column references were agreed:

1. **Revenue Summary Transposed Worksheet:**

- **Column AI:** Charge One Capacity Charge.
- **Column R:** Export Super Red Unit Rate.

2. **Tariff Inputs Transposed Worksheet:**

- **Customer Category Column:** This column identifies the customer category, including the 0000 category.

5.5 The Working Group AGREED that it would be beneficial for a template to be created that includes the customer category from the Tariff Inputs Transposed Worksheet and the relevant columns from the Revenue Summary Transposed Worksheet. It was noted that such an approach was important as was providing clear instructions as doing both will ensure consistent data extraction across all DNOs who will be asked to provide data.

5.6 AE AGREED to pull together a RFI template containing the relevant fields for applicable DNOs to use and to circulate it for review/comment.

ACTION 01/03: AE to pull together a RFI template and circulate to the Working Group for scrutiny and approval

5.7 The Chair AGREED to pull together some text containing the background to the RFI and other necessary information like due date and how responses should be provided.

ACTION 01/04: DT to pull together some text containing the background to the RFI and other necessary information like due date and how responses should be provided and circulate to the Working Group for scrutiny and approval

5.8 Members agreed to review both the template and the explanatory text once provided and to confirm their agreement with this by 16 April 2025, such that the RFI could be issued after that point.

ACTION 01/05: Working Group members review both the template and the explanatory text once provided and to confirm their agreement with this by 16 April 2025.

Modelling request

- 5.9 The Chair asked whether there would be a need to update the FCP EDCM model, or if the change was purely within the methodology text. The Proposer confirmed that there would be a need for the model to be updated.
- 5.10 The Chair explained the process for the Working Group to ask the appointed modelling consultants (CEPA/TNEI) to provide an updated model, noting that approval for using the allocated weighted units per modelling request would need to be obtained from the DCUSA Panel, but that this could be agreed by ex-committee via email and so shouldn't hold the process up.
- 5.11 The Working Group noted that this should be a straightforward request, as it would be based on the red line text that was incorporated within the Change Proposal form itself.
- 5.12 The Working Group discussed whether CEPA/TNEI could simulate the impact of the proposed change using dummy data, rather than actual data, as the actual data is considered to be commercial confidential as it relates to both specific cost inputs of individual DNOs as well as customer specific charges for end users.
- 5.13 Members NOTED that, once the RFI data was provided, it would be relatively simple to use the revenue difference between current charges and the same charges but with the revenues from the impacted customers removed to model the impact. It was explained that this is because, any revenues not obtained via the EDCM are subsequently included as revenues to be recovered from CDCM customers.
- 5.14 The Proposer noted that his view was that the total impact upon CDCM customers would ultimately be calculated to a pounds per annum amount, potentially running into fractions of pence, but this would not be confirmed until the actual data was modelled.
- 5.15 The Chair agreed to create a draft modelling specification document ahead of the next meeting, so that members could review it during the next meeting with the aim of be able to issue the request to CEPA/TNEI shortly thereafter.

ACTION 01/06: DT to pull together a draft modelling specification document ahead of the next meeting, so that members could review it during the next meeting.

6. AOB

- 6.1 No items of 'Other Business' were raised.

7. Next Meeting – 01 May 2025

- 7.1 The Working Group AGREED to hold the next meeting between 14:00-16:00 on Thursday, 1 May 2025.

Appendix 1 – Actions Log

New and Open Actions

Ref.	Action	Owner	Update
01/01	The Secretariat to add additional commentary or examples to the yet to be drafted consultation document to highlight key differences between the methodologies/models	ElectraLink	
01/02	CO to provide some text to the Secretariat for the purposes of the yet to be drafted consultation, explaining the history for the split between the two different charging methodologies, LRIC and FCP.	Chris Ong	
01/03	AE to pull together a RFI template and circulate to the Working Group for scrutiny and approval.	Andrew Enzor	
01/04	DT to pull together some text containing the background to the RFI and other necessary information like due date and how responses should be provided and circulate to the Working Group for scrutiny and approval	ElectraLink	
01/05	Working Group members review both the template and the explanatory text once provided and to confirm their agreement with this by 16 April 2025.	Working Group	
01/06	DT to pull together a draft modelling specification document ahead of the next meeting, so that members could review it during the next meeting.	ElectraLink	

Closed Actions

Ref.	Action	Owner	Update
<n/a>			