

## DCP 463 Working Group - Meeting 05

02 March 2025 at 10:00 - Web-Conference

Attendee	Company
<b>Working Group Members</b>	
Chris Ong [CO]	UKPN
Ed Grimsey [EG]	BU-UK
Ryan Farrell [RF]	NPg
Blessing Ekpe [BE]	SSE
Ian Chadwick [IC]	AEN
Jo Brown [JB]	National Grid
John Harmer [JH]	Waters Wye
Nik Wills [NW]	Stark
Peter Waymont [PW]	UKPN
<b>Code Administrator</b>	
Andy Green [AG] (Chair)	ElectraLink
Hannah Proffitt [HP] (Technical Secretariat)	ElectraLink
<b>Apologies</b>	
Edda Dirks [ED]	SSE Gen

### 1. Administration

- 1.1 The Chair advised that the meeting would be recorded to aid the technical secretariat in producing the minutes.
- 1.2 Apologies are included in the table above.
- 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.

1.4 Updates on the actions are provided in **Appendix A**.

1.5 No comments were raised regarding the minutes of the previous meeting. These were agreed as final.

## 2. Purpose of the Meeting

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2.1 The Chair explained that the purpose of this meeting is to review the consultation responses and agree next steps.

## 3. Review Consultation Responses

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3.1 The Chair advised that 11 responses to the consultation had been received. A summary of the responses and Working Group discussion are as follows.

*Question 1 – What are your thoughts on the benefits and challenges to a process whereby the Distributors charged customers the fixed and capacity charges directly for the reserved capacity?*

3.2 Summary of benefits

- Fairness across all customers.
- Incentivising customers to give up unused capacity.
- May reduce network constraints as capacity is released.
- Currently a large number of customers, some with significant capacity which they are not using. Currently cannot charge DUoS for these customers and as a result other customers are effectively paying for them to remain connected to the network. Change addresses this.
- Would push Suppliers to improve the management of de-energised sites and request disconnections of long term de-energised sites.

3.3 Summary of challenges

- There is no way to temporarily avoid DUoS charges unless the supply is disconnected. This is costly and impractical.
- Even if the customer hands back their reserved capacity (i.e. reduces their MIC to zero) they will still face the daily fixed charge.
- Costly changes to billing system that are already going through updates to facilitate market-wide half-hourly settlement (MHHS).
- Billing issues where Suppliers are unable to recover the costs without pursuing legal issue.
- Departure from the Supplier Hub Principle for the charging and collection of distribution charges. Need more information to understand how Suppliers will manage customer engagement and potential dissatisfaction arising from the new process.

- A one size fits all approach is risky if there are genuine reasons why a site is deenergised (for e.g. safety issues, unpaid debt etc.).
- 3.4 One response noted that they have evidence of Suppliers charging de-energised customers and recently received a communication from a de-energised customer concerned that, as their invoices did not “pass through” capacity charges, the capacity maybe was not being reserved for them.
  - 3.5 RF argued that these situations are outliers and not all customers are being charged in this way. RF suggested that this situation could have been due to an error as they do not believe Suppliers should be charging de-energised sites.
  - 3.6 PW noted that they cannot confirm it is an error and suggested waiting to hear the thoughts of Suppliers. PW added that it may be the Suppliers policy to do this and that it is not outlined anywhere that Suppliers should not charge a de-energised customer for anything.
  - 3.7 One response noted that it would be at the Distributors discretion whether to contact non-consuming de-energised customers or not and therefore, without a clear procedure in place, some customers may be contacted and charged whilst others may not.
  - 3.8 Members questioned this statement, noting that Distributors would be contacting the Supplier as these costs would be passed through them. Members noted that DNOs would likely respond to customers who got in contact to query the charges but would be unlikely to proactively contact customers.
  - 3.9 The response also referenced charging for certain parts of the CDCM but not other. Members noted that this would be complicated.
  - 3.10 The response also suggested that only local assets should be funded by the non-consuming de-energised customers and this contribution should be equivalent to the value of an energised customer. One member agreed that this is a good point but would be impractical and would require tariffs to be calculated.
  - 3.11 Members noted that currently there are no other processes in which Distributors charge customers directly and therefore implementing this would be complicated.

*Question 2 – What are your thoughts on the benefits and challenges to a process that provides a grace period to these customers why there are no charges, and then after an amount of time the fixed and capacity charges are applied. What should this grace be i.e. 28 days, 6 months, 12 months etc.*

- 3.12 Responses included the following suggestions for a grace period:
  - 3-6 months
  - 6 months (3 suggestions)
  - 12 months (2 suggestions)
  - Up to 6 months but customer driven

### 3.13 Summary of benefits

- A grace period allows time for development work to be completed if the de-energisation is temporary.
- Allows time for reconnection.
- Allows customers who are not operating for a specific period of time to retain their capacity at no charge.
- Allows the customer the opportunity to amend their capacity before being charged.

### 3.14 Summary of challenges

- Challenge in identifying the sites after the grace period has expired.
- Contacting customers would be a challenge if the site has been unoccupied for a long time.
- May see customers challenging this as the grace period expiry approaches.
- Complex for Suppliers to manage.
- DNO billing systems may need to be upgraded so that the grace period can be monitored and MPANs billed in correct time period.
- Inefficient in terms of process and systems overheads but also in terms of network usage. It would require billing to be stopped and restarted, and the status of the site to be tracked for the grace period.
- Possibility of gaming.

3.15 Regarding the challenge of identifying sites who are coming to the end of their grace period, members discussed the possibility of running a report that highlights the sites that have been de-energised for certain number of days.

3.16 One member highlighted that in the registration system, making other changes can redate the energisation status so this may not be an accurate date of de-energisation.

3.17 Members discussed a situation in which the de-energisation occurred a year ago but the DNO was only just notified. Members questioned whether the notice period would have started on the actual date of de-energisation or when the DNO was notified. Several members felt it should be the date of the energisation change. One member highlighted the importance of Suppliers notifying the DNO in a timely manner.

3.18 Members acknowledged that if they do decide to progress with a grace period, further consideration would need to be given to the length and the justification behind that decision.

*Question 3 – What are your thoughts on the benefits and challenges to a process that amends the national terms of connection to allow a Distributors to remove the capacity after a site is de-energised for a set period of time. What should this period be i.e. 28 days, 6 months, 12 months etc.*

### 3.19 Summary of benefits

- Releasing reserved unused capacity back onto the network.
- Avoids any issues for the Supplier being able to identify who should be charged.

### 3.20 Summary of challenges

- Challenging to amend the terms.
- Process for TNUOS charges would also need to change.
- Risk that the customer subsequently re-energises and uses the capacity without any reference to the distributor.
- Removing capacity from a site does not prevent a customer from accessing energy in the future, and there is no practical way to stop them from recommencing consumption. Should this occur after capacity has been reallocated elsewhere, reinforcement of the network may be required to accommodate the renewed demand. As the costs of reinforcement were not agreed to be borne by customers, the distributor would ultimately be responsible for these expenses.
- Further clarification needed on the process customers would need to follow in order to reinstate a site's capacity. Possibility that the capacity is no longer available.

3.21 Regarding the TNUOS point, members noted that if they do not appear on the P402 report, they will not get any TNUOS charges. This has been confirmed within previous Working Groups, by St Clements and was also articulated within the consultation itself.

3.22 Regarding the risk that the customer recommences use and exceeds capacity, members acknowledged that this risk is not unique to this solution option. The Chair highlighted that there are consequences to exceeding capacity.

3.23 The response from SPEN stated '...This could cause issues if the site was re-energised in the future as the original capacity may no longer be available, but the supplier is still receiving invoices for the capacity.' Members clarified that they would be changing the contract terms with the customer for their capacity and would be billing to reflect the new capacity.

3.24 One response stated that they believe legislation would be required for this option as under the current rules there is no right to remove the capacity if it is safe and secure. The Chair clarified that at a previous meeting Gowling had confirmed no legislation would be required.

3.25 JH questioned what would happen if a customer contacted the DNO to advise that their redevelopment would take longer than the agreed amount of time and that they wanted to retain their capacity. RF suggested that the customer could energise the site and start paying for it. JH

noted that this may not be possible due to the stage of development. JH noted that this links back to the risk of gaming.

- 3.26 Members discussed a hybrid option, where the NTC is amended to include the right to disconnect after a certain period, but that the customer is given a certain number of days to appeal this and provide a legitimate reason to retain their capacity. The Chair suggested that this is revisited in future discussions on a grace period.
- 3.27 The SSE response stated 'If there is future use for the site, we expect Suppliers to send us a D0134 flow and if the customer wanted to re-connect, it would be raised as a new supply job.' RF questioned why this would be a new supply job rather than a re-energisation of the previous supply. PW noted that as the capacity has been taken away, it would require more than a re-energisation as they would also need an upgrade. Members clarified that an increase in capacity as a service alteration would be needed.

*Question 4 – What are your thoughts on the benefits and challenges to a process that amends the national terms of connection to allow a Distributors to disconnect a site after that site is de energised for a set period of time. What should this period be i.e. 28 days, 6 months, 12 months etc.*

### 3.28 Summary of benefits

- Would also enable capacity to be released without adding potentially unrecoverable charges to bills.
- Aligns with Ofgem's draft Strategic Direction Statement objectives, including Objective 1 (Ensure fair prices), Objective 6 (Expand electricity networks), and Objective 9 (Network performance and connections).
- Consistent across the board (i.e. it eliminates the need to provide exceptions).

### 3.29 Summary of challenges

- Could be less effective than option in Qu3 (removing capacity) as disconnecting the site could be more difficult to achieve (access issues, legal challenges, etc).
- Disconnection is an extreme measure for the issue attempting to be solved. A physical disconnection provides no benefit but would involve costs both for the disconnection and any reconnection.
- Disconnecting a site without having full and accurate information about their circumstances may lead to an inadequate or premature action.
- Any disconnection activity imposes a direct cost on the responsible distributor, who must then identify the customer to determine how those costs can be recovered.
- Should the customer wish to reconnect, and the original capacity has been reallocated elsewhere, reinforcement of the network may become necessary to accommodate the renewed demand. As reinforcement costs were not agreed to be borne by customers, the distributor would ultimately be responsible for these expenses.

- Risk of gaming to avoid disconnection.

3.30 Regarding the point around there being additional costs to the DNO if network reinforcement is required, RF questioned whether these costs would be borne by the DNO or by whoever is connecting. EG agreed to seek further clarity on this point.

05/01 – EG to take away the point regarding who pays for network reinforcement (DNO or customer who is connecting) – ENC response to Qu 4.

- 3.31 One response stated that this option could be implemented alongside option 1, and the customer could be charged for the capacity which is available to them by virtue of maintaining the connection (albeit de-energised). And then, subject to DNOs' existing policies, and any applicable more specific terms introduced into the NTC, consider disconnection after a specified period.
- 3.32 Members agreed that if the customer was being charged for their capacity, disconnection would not be needed.
- 3.33 Regarding the point that disconnection is costly for DNOs, RF highlighted that this solution would allow DNOs the option to disconnect rather than the obligation to. Therefore, it would be up to the DNO to decide if they wanted to pursue the disconnection or not.

*Question 5 – Do any of the above process allow customer an opportunity for gaming? Please provide rationale.*

- 3.34 7 respondents noted that there is a potential for customers to re-energise for a short period to 'restart the clock' and avoid charges/disconnection/reduced capacity. 1 respondent noted that they feel this is unlikely due to the costs involved to the customer. 1 respondent noted they believe customers may use delay tactics to avoid future costs. 1 respondent provided no comment and another provided no direct answer to the question.
- 3.35 One response raised the possibility that the customer could delay appointing a Supplier to avoid DUoS charges but has already agreed a network capacity. Members noted that these MPANs would not be traded and therefore would be out of scope of this change.
- 3.36 Two responses suggested that any legal text surrounding a grace period could be worded to protect against short term energisation gaming. RF noted that it would be important not to introduce anything that would prevent sites from de-energising due to safety aspects.

*Question 6 – What challenges do you foresee on the above process where the occupier of a site is unknown?*

- 3.37 Summary of the challenges identified.
- Making contact and gaining access.
  - If charges are invoiced to CT metered customers where the occupier is unknown, there is a risk they will become unrecoverable debts.

- For the disconnection approach, there is a risk that the DNO is unable to access site or gain authorisation.
- Under the solution to charge de-energised sites DUoS, this could lead to lengthy and costly legal disputes.
- Administrative burden associated with trying to contact customer.

3.38 One respondent noted that there will always be a landowner for the Supplier to pass charges on to, or the distributor to give notice to, even if the occupier is not known. The respondent noted they do not believe there are any challenges which cannot be easily addressed.

*Question 7 – What could the process for unknown occupiers look like?*

3.39 Respondents' suggestions are summarised below.

- When occupier is unknown, responsibility should fall to the land owner.
- Review of the current LTV process could support changes in the process.
- DNOs to engage with Suppliers and/or other codes to access information.
- DNOs should take responsibility for identifying the customer at a premises and invoicing them directly for fixed and capacity charges.
- De-energisations where no one requests the exemption should be passed to the DNO, MOP and supplier to co-ordinate a site visit to find out who the occupier is within a set time period (3 months for example).
- Need to be clear guidelines in the legal text on the process for unknown occupiers. Possibility that Option 4 could be applicable only to unmanned sites regardless of what ends up as the enduring solution.

3.40 No comments were raised by the Working Group.

3.41 Next meeting to finish review. Wednesday 11 March – 10am

## 4. Next Steps and Work Plan

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

- The group agreed to meet again on Wednesday 11 March at 10am to continue their review of the responses and to discuss the legal text and next steps.

## 5. Any Other Business

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5.1 The Chair asked the group whether there were any other items of business to discuss, to which nothing was raised.

## 6. Attachments

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- N/A

## New and Open Actions

Action Ref.	Action	Owner	Update
<b>01/04</b>	The Secretariat to seek legal advice (and Ofgem views thereafter) once the Consultation responses have been collated and reviewed.	Secretariat	<b>Action ongoing.</b> <i>This is ongoing.</i>
<b>02/04</b>	EG to seek clarity on their organisation's response to Question 13, regarding the reasoning that Charging Objective 6 is negatively impacted.	EG	<b>Action ongoing.</b> <i>Chair to check that EG has already shared this.</i>
<b>05/01</b>	EG to take away the point regarding who pays for network reinforcement (DNO or customer who is connecting) – ENC response to Qu 4.	EG	<b>New Action.</b>

## Closed Actions

Action Ref.	Update
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**02/05**

The Chair to refer the questions asked in The Electricity Network Company Ltd.'s response to Question 15, to Gowlings.

The Chair

**Action closed.**  
*This has been completed.*