

DNO/IDNO Steering group minutes 24 November

Notes from the IDNO/DNO steering group meeting on 24 November

From

Mark Askew

26 November 2009

1. Present

Nigel Cornwall

Mike Harding

Robert Wallace

Mo Sukumaran

Nigel Turvey

Chris Allanson

Oliver Day

Andrew Neves

Mark Askew

Paul Smith

Rob Bradley

Maria Liendo

Russel Ward

David Speake

Louise Kennerley

Independent Chair

ENC

ESP Electricity

SSE

WPD

CE Electric

EDF

Central Networks

Ofgem

Ofgem

IPNL

SP Energy Networks

IPNL

ESP

ENA

2. Workgroup Administration

2.1 AN welcomed the group and stated that the CNA had managed to secure Nigel Cornwall (NC) to Chair the meetings on an ongoing basis. He asked if any parties had any concerns over this arrangement. ML commented that she was happy with NC chairing the meeting but enquired as to who he would be contracted to. The group agreed that the ENA could draw up a contract and that they could invoice any parties not belonging to the ENA. CA agreed to contact Andy Phelps at the ENA to progress this.

Action: CA to ask ENA about drawing up a contract with the independent Chair and invoicing parties who are not members of the ENA

2.2 NC outlined that his costs per meeting would be £800 and that this would include reading all background material and preparing the agenda. The group decided that these costs (plus any transport costs) should be split between parties on a per company basis i.e. between the ten companies represented at these meetings. RW expressed a desire that Ofgem continued to record the minutes of the meetings. MA agreed to do so, but noted that Ofgem would be very happy to forgo this role in the future if an alternative arrangement could be agreed.

2.3 NC asked for comments on the terms of reference for the group. The group agreed 4 main areas which these meetings should cover:

- Overseeing the work DNOs undertake to address the outstanding IDNO charging issues subject to conditional approval in Ofgem's CDCM decision document. This work is likely to be completed by 31 December.

- Provide a forum whereby IDNOs can be updated and contribute to decisions taken by DNOs in WSB looking at developing an EHV IDNO charging methodology for the ECDM. DNOs are required to submit the ECDM to Ofgem by 1 September 2010.
- Provide a forum for an update on the development of the interim portfolio billing methodology and progress to develop an enduring portfolio billing methodology, and to progress any work not undertaken by other workstreams.
- Provide a forum for IDNOs and DNOs to discuss any ad hoc IDNO related use of system charging issues which emerge and to progress work to agree solutions to these issues.

2.4 For the avoidance of doubt it was noted that connection charging issues were out of scope for the group. NC agreed to circulate the agreed terms of reference for comments.

Action: NC to circulate draft terms of reference for any comments.

3. Interim portfolio billing arrangements

3.1 NT provided an update from a meeting held on 19 November to try and develop an interim workaround to allow DNOs to bill IDNOs on a portfolio basis from 1 April 2010. NT outlined that there were two main options; i) for IDNOs to aggregate their supplier invoices and submit these to DNOs in a tabular format for each settlement run; ii) for Elexon to provide the aggregate IDNO settlement data to DNOs in a format that could potentially be inputted to the DNOs billing engine. The cost associated with this was £17,000 start up plus £200 annual fee.

3.2 NT outlined that funding of the second option was not discussed and that the group had decided that whatever option was adopted must be able to work whether DNOs wished to reconcile to boundary metering or not. NT explained that both options were currently being progressed; IDNOs were investigating how they would aggregate data under option 1; and DNOs were exploring whether Elexon's output could be fed into their billing systems. He explained that there was a further meeting on 7 December which would follow on from the DCUSA group looking at the enduring approach for portfolio billing.

3.3 AN enquired as to the implications of this work for the existing derogation requests and whether there was a specific date by which other DNOs would have to submit derogation requests to Ofgem. PS responded by stating no decision was currently being taken on these derogation requests and wouldn't be until the conclusion of the interim portfolio billing meetings. He stated that Ofgem had been encouraged that these meetings appeared to indicate that robust billing methods were available. He went on to state that there were no deadlines for derogation requests but obviously DNOs should consider that it may take Ofgem time to process them ahead of 1 April 2010.

4. Enduring portfolio billing

4.1 ML provided an update from the DCUSA working group meeting on 13 November. She outlined that there was some debate over whether the processes identified in WS2's code of practice document could be carried out by Elexon under the BSC. She explained that the DCUSA group consulted on this and received mixed responses and at the last meeting MA had outlined that making a case for these processes better achieving the BSC relevant objectives looked 'quite tough'. However, ML explained that Elexon had received informal feedback from elsewhere in Ofgem that it may be able to take a broader view of the BSC objectives.

4.2 MH stated that the mixed messages from Ofgem could be down to the different proposals it was being asked to comment upon. MH outlined that there were four processes associated with the code of practice produced by WS2; 1) Aggregation of settlement data;

2) Maintenance of look up tables to map settlement data onto DNO LLFC's; 3) Reconciliation of individual consumption data for losses; and 4) Reconciliation of individual consumption data to boundary metering. He speculated that it may be easier to make the case for some of these better achieving the BSC objectives than others and that John Lucas was currently developing a mod proposal which would be shared with the group.

4.3 ML went on to state that the DCSUA group was also raising a proposal to allow DCUSA to contract third parties. She said that in the event that Elexon were unable to carry out the portfolio billing processes under the BSC, this DCUSA mod would allow DCUSA parties to contract a third party to undertake these activities. NC commented that it appeared to make sense for the BSC to undertake these distribution activities but noted Ofgem's veto decision on P70 which related to similar activities. He asked Ofgem for further guidance on whether it was worth developing a BSC modification to permit Elexon to undertake these portfolio billing activities under the BSC. PS and MA agreed to look into what further guidance they could provide.

Action: Ofgem to provide guidance on merits of BSC mod proposal for portfolio billing

4.4 ML stated that there was a further meeting on 7 December and that the group was currently consulting on whether the portfolio billing system needed to reconcile to boundary metering. She stated that Ofgem's recent minded to consultation appeared to place this choice with the DNO in so far as the DNO would have to fund any boundary metering it wished to install. NT commented that it was important to separate the debate between installing boundary metering and using that metering for billing purposes.

5. Enduring CDCM application to LDNO

5.1 NC outlined that Ofgem had recently published its decision document on the CDCM which outlined a number of conditional approvals concerning the IDNO aspects of the charging methodology. OD commented that the document threatened severe financial penalties if these conditions were not met by 31 December. MA commented that whilst the deadline was 31 December, ideally Ofgem would receive a revised methodology by 11 December to allow them to turn a decision around ahead of its publishing moratorium which commences prior to 31 December. MA also stated that a submission by this date would also allow DNOs to have the revised CDCM drafting in place and approved prior to raising the necessary modification to insert the CDCM into DCUSA.

5.2 On the calculation of the 'HV split' AN stated that he had fulfilled his action from the last meeting to circulate a template for IDNOs and DNOs to complete illustrating the respective lengths of their HV networks. He stated that once he had received responses from all distributors, DNOs would have to take a view on whether to use a DNO average split figure for the CDCM or a DNO specific. AN and ML outlined their preference to use an average figure. SB stated that ENW may have legal issues with this and OD enquired as to why, if the DNO specific data was robust, you wouldn't use it. AN stated that once DNOs had received the data DNOs would email the results to the group and outline whether they would adopt a specific or average HV split figure.

Action: DNOs to collate data on HV network length and email results around IDNOs prior to taking final decision for 11 December submission

5.3 RB stated that DNOs also had to address applying the HV split figure to the calculation of LV IDNO tariffs where the boundary with the DNO was at HV. MA stated that this was not a conditional approval in the CDCM as the issue had not previously been consulted upon. However, it was expected that this issue would be progressed urgently through open governance post April 1 2010.

5.4 ML stated that the DNO position on IDNO generation credit had been outlined in her email to the group of 11 November. This provided the IDNO with a 100% discount on the fixed charge and 0% discount on the unit credit which would be passed on to the generator. She commented that this appeared to be consistent with what Ofgem had outlined in its September consultation on the CDCM.

5.5 ML went on to state that the remaining conditional approval relating to input data was EDF specific and did not affect the other DNOs. OD stated that whilst this was true, EDF would require a loosening of the wording surrounding the use of input data in the CDCM to allow them to use alternative capex data rather than FBPQ data. SB stated that he took an action at the last CMG meeting to compose this new wording.

6. Interim EHV modifications

6.1 SB reminded the group that he presented his way forward on an interim IDNO EHV methodology back in September. He stated that he would look to discuss this further with DNO colleagues in the next few weeks and see if it could form a basis for a joint submission. MS stated that he also developed an interim EHV methodology which was similar to ENW's in that it extended the CDCM portfolio tariffs to IDNOs connected at EHV.

6.2 NT commented that if portfolio tariffs were to be extended to EHV, it was important for IDNOs to ensure that their LLFC's not only distinguished between LV and HV boundary points but also identified EHV boundary points.

7. A.O.B

7.1 The ENA agreed to provide a meeting room for the next meeting and the group agreed that a further meeting was not required until 28 January.

Date of next meeting: Thursday 28 January 2010