

DPCR5 Close Out – Overview of WG Meeting, 15 January

This meeting of the DPCR5 Close Out Working Group covered NOMs with a focus on Fault Rates and Materiality (HI and LI).	From	Grant McEachran	28 January 2016
	Date and time of Meeting	15 January 2016	
	Location	9 Millbank, London Cornerstone, Glasgow	

1. Present

Grant McEachran, Chris Watts, Aris Kalogeropoulos, Kelvin Hui	Ofgem
Jonathan Booth	ENWL
Gavin Howarth, Mark Nicholson	NPg
Phil Mann, Andrzej Michalowski (By phone)	WPD
Stephen Murray, Malcolm Bebbington, Mikel Urizarbarrena Cristobal	SPEN
Melanie Bryce, Gillian Hilton	SSE
Ross Thompson, Robert Friel	UKPN

2. Areas discussed

NOMs – Fault rates

2.1. Ofgem presented slides setting out its current thinking on fault rates. Key points from the subsequent discussion were:

- the difficulty in bringing together disaggregated fault rate analysis
- whether there should be a materiality consideration for fault rates i.e. need to determine when they become a concern
- DNOs sought clarity on what Ofgem's likely additional data requirements would be and on the form of the performance assessment submissions
- the approach to weighting, whether this was helpful and the need to achieve balance between qualitative and mechanistic approaches

2.2. ENWL referenced further work they had done on traffic lights to be used as a means to analyse a gap for materiality and measurement error. This was recognised as a helpful model for considering how fault rates differed from forecasts and the existence of particular assets that were of concern. It was further discussed how HI, LI and Fault rate analyses could be combined to create an 'in-the-round' qualitative view before assessing whether adjustments are necessary.

2.3. NPg suggested the need for two extra steps for fault rates: (1) linking the qualitative assessment with the volumes from the V1 table; and (2) material changes – using MTP reports.

2.4. Overall, attendees agreed on the need for an initial high-level assessment of fault rates with further quantitative and qualitative analysis being applied where concerns were identified. The key area for further development would be the focus on any quantitative analysis.

NOMs – Materiality (HIs)

2.5. Ofgem presented slides setting out its current thinking on HI Material Changes. Key points from the subsequent discussion were:

- Attendees argued a 'pass-go' test could be used to determine whether to rebase
- UKPN argued there was no need to rebase year on year as it would be possible to stress test by looking at what would happen if all HI4s were to go to HI5s and all HI3s to HI4s under various scenarios
- Ofgem need to undertake an initial high level stress test of options put forward by DNOs, it was recognised that the best solution may be a combination of all three
- WPD noted that there had been different reporting of deterioration vs. material changes and this has to be taken into consideration and assessed at a licensee level
- there was debate as to whether this process can be made sequential - like the fault rates drafting suggested by NPg

NOMs – Materiality (LIs)

2.6. Ofgem presented slides setting out its current thinking on LI Materiality. Key points from the subsequent discussion were:

- Material changes due to external factors, ie. demand drop, is captured in the LRE reopener
- Capacity material changes reported in the LI tables

2.7. ENWL set out an approach involving reviewing LI returns to adjust their original forecast positions to take account of 'technical' Material Changes and re-assess outturn LI performance against this new target. They argued this would be consistent with the FP and RIGs and that other external risk could be managed by the LRE re-opener.

3. Actions arising

3.1. The following table summarises the actions arising from the meeting.

NOMs – Fault rates	
• Circulate ENWL's potential fault rate analysis model	Ofgem
• To provide worked example on fault rates	NPg
NOMs – Materiality (HIs)	
• Circulate NPG's proposal for HI adjustments for material changes	Ofgem
• To consider whether this process can be made sequential - like the fault rates drafting	NPg
• Comments welcomed on Ofgem drafting and ENWL slides	All attendees
NOMs – Materiality (LIs)	
• Circulate ENWL's proposal for the LI material changes	Ofgem

4. Date of next meeting

- 4.1. The next meeting will be held on 22th January 2015 between 11am and 3pm and will focus on efficiency and the Traffic Management Act (TMA).