

## DPCR5 Close Out – Overview of WG Meeting, 8 January

This meeting of the DPCR5 Close Out Working Group covered overarching areas, NOMs, LRE, HVP and Flood Prevention.	From Date and time of Meeting Location	Grant McEachran 8 January 2016 9 Millbank, London Cornerstone, Glasgow	28 January 2016
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### 1. Present

Grant McEachran, Chris Watts, Clothilde Cantegreil, Aris Kalogeropoulos, Tess Quinton, Kelvin Hui	Ofgem
Sarah Walls, Jonathan Booth	ENWL
Keith Mawson (By phone), John France (By phone), Keith Noble-Nesbitt, 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, Paul Measday	UKPN
Andy Manning	British Gas

### 2. Areas discussed

#### Overarching areas

2.1. The group discussed the following three overarching areas:

- **Efficiency** – Ofgem presented some slides on the treatment of efficiency which incorporated a series of boxes to identify different behaviours and their treatment. All agreed that it must be considered in the context of information at the time and not with hindsight. It was recognised that customer interest must be reflected in any definition. It was also noted that additional boxes may be required to reflect all potential outcomes.
- **Real Price Effects (RPEs)** – Many considered that the pragmatic approach was to do nothing on RPEs as the focus was not on cost but volume issues. However, others noted the need to consider the materiality of any impacts. It was agreed that an additional bilateral meeting was needed.
- **Innovation** – There was general consensus on the need to expand the definition beyond just demand side response (DSR) to ensure all forms of innovation are rewarded at sharing factor.

#### High Value Projects (HVP)

2.2. WPD and ENWL presented approaches on avoiding double counting for HVP. The group agreed that one of the WPD options and the ENWL approach were essentially equivalent but further work may be needed to refine them. All considered that it was not necessary to apply the NOMs methodology to HVPs as this would be too detailed for these bespoke projects.

2.3. UKPN presented a specific approach for BT 21<sup>st</sup> Century ('BT21C') Networks. This was based on weighting the different elements of the BT21C work to capture how much of the overall output had been delivered. There was a general consensus that this approach seems sensible.

2.4. The DNOs agreed to provide feedback on these suggestions.

## **Flood prevention**

- 2.5. Ofgem noted that the mechanism applied only to SSEH and was fairly mechanistic. It was agreed that Ofgem would progress the development of the licence drafting with SSEH through bilaterals.

## **Network Output Measures (NOMs)**

- 2.6. NPg presented a view of revised licence drafting but noted it did not attempt to capture double counting, interactions with other closeout mechanisms or monetisation of fault rates. This revised draft was recognised as very helpful in progressing thinking.

## **Fault rates**

- 2.7. There were different views on fault rates. On the one hand, a number of DNOs expressed concern about the ability to monetise fault rates and that the focus should be on qualitative analysis. On the other hand, BG highlighted that qualitative only analysis would be a watering down of commitments. Ofgem indicated that fault rates were an important part of the overall package of outputs measures and therefore it considered it should be included as part of the outputs gap valuation.

## **Material changes**

- 2.8. The group debated the challenge in quantifying material changes. UKPN proposed a test to see if there is a shift in material changes at an overall level to see if it does not have a significant impact on whether or not the overall risk delta has been delivered.
- 2.9. It was recognised that links to the Common Methodology would need to be further considered.

## **Load Related Expenditure (LRE)**

- 2.10. Ofgem set out the view that primary substations and circuit reinforcement would require a scheme by scheme review. However, secondary substations would be a more qualitative approach focusing on the narrative provided from the DNOs and for LVHC we would only intend to sample schemes.
- 2.11. DNOs cautioned that the current draft licence drafting would require a significant amount of information i.e. a number of scheme papers and that this would necessitate a data request.
- 2.12. It was recognised that further discussion was needed on which schemes Ofgem will need to review for the LR reopener and on how to evaluate innovation in this context.

## **Timetable**

- 2.13. Ofgem set out a plan for the next four meetings of the group with the focus on detailed discussions on each work area at separate meeting i.e. separate meetings for each of HVP, LRE, NOMs and TMA.
- 2.14. Ofgem also recognised the challenge with the existing timetable for finalising the methodologies and welcomed views. ENWL suggested that 3 months' further development work would be needed to enable a Stat Con in late April/early May. All parties broadly agreed with this suggestion.

### 3. Actions arising

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

<b>Overarching areas</b>	
• To further consider Ofgem's slides on efficiency and particularly the proposed boxes analysis and come back with comments for how to progress	DNOs (ENWL noted intention to further consider this area)
• Ofgem to develop the drafting further to reflect discussions during the meeting	Ofgem
• To further consider the materiality of RPEs	Ofgem (with support from NPg)
<b>HVP</b>	
• To provide comments on UKPN's proposed approach for BT 21 <sup>st</sup> CN	All DNOs
• To consider whether the drafting for HVPs should focus on generic principles only or what detail is required for different categories of projects.	Ofgem
<b>NOMs</b>	
• To consider how to reflect ENWL traffic light analysis	Ofgem
• To provide sensitivity analysis on HI material changes	UKPN
• To provide worked example on fault rates	NPg
<b>LRE</b>	
• To suggest alternative methodologies for LR reopener	Ofgem
<b>Timetable</b>	
• To review the timetable for the process and to keep attendees up to date with the process.	Ofgem

### 4. Date of next meeting

4.1. The next meeting will be held on 15<sup>th</sup> January 2015 between 1pm and 5pm and will focus on NOMs.