

DPCR5 Close Out – Overview of Working Group Meeting

This meeting of the DPCR5 Close Out Working Group focused on licence drafting for NOMs.	From	Grant McEachran	4 April 2016
	Date and time of Meeting	31 March 2016	
	Location	9 Millbank, London SSEPD, Perth	

1. Present

Grant McEachran, Chris Watts (part), Aris Kalogeropoulos (part), Kelvin Hui	Ofgem
Sarah Walls, Dave Ball	Electricity North West
John France, Mark Nicholson	Northern Power Grid
Katherine Bartlam, Phil Mann	Western Power Distribution
Stephen Murray, Chris Elderfield (part)	SPEN
Melanie Bryce, Gill Hilton	SSE
Robert Friel, Paul Measday	UKPN
Gregory Edwards	British Gas

2. Areas discussed

Overall position of drafting

- 2.1. GM recognised that significant additional work was required on the NOMs licence drafting. In particular: (1) there are areas where the drafting does not currently fully reflect the policy; (2) the flow needs to be improved; (3) definitions needed to be tightened; and (4) typos and other grammatical issues need to be address.
- 2.2. GM confirmed that regardless of whether drafting for the methodologies was in the main body of the handbook or in annexes, all aspects should be regarded as having the same legal status. He noted that Ofgem would consider how to reflect this in the drafting.

Chapter 16 – DPCR5 NOMs drafting

2.3. The group raised the following comments on the drafting:

- the name of the methodology should be consistent throughout;
- reference needs to be added to the Performance Assessment Submission;
- some paragraphs were not required and should be removed; and
- the data quality hook should be removed from here, but the requirement for such a section was recognised.

2.4. The introduction of the table setting out the stages of the review was welcomed but the group questioned whether this was the right place for it. There was a suggestion that it should be put right at the start of Section 15. Further changes are needed to the table to:

- reference bilaterals in June/July;
- provide clarification that the 28 day consultation on preliminary views should be licensee only; and
- remove reference to supporting information “supporting the preliminary view”.

3. NOMs Annex

Overarching comments

3.1. The following points apply to all areas of drafting, these are summarised here so individual points are not repeated later:

- there are a number of area where drafting is repetitive and can be dropped;
- all bullet lists should correctly indicate whether the information is 'and/or';
- defined terms need to be used consistently throughout;
- a number of spelling and grammar issues need to be addressed; and
- where Ofgem is to make a decision, the Handbook should set out the principles that it will apply and the tests that will require to be met in order for an adjustment to future revenues to be determined.

Definitions

3.2. All definitions should be checked carefully to ensure they are providing the rigour of defined terms as required in licence drafting. One test of this is whether the definitions could be slotted into the text where the defined term is used.

3.3. The definitions should not be setting out the details of the methodology as such detail should be in the body of the drafting.

3.4. Unused definitions should be removed.

Overview section

3.5. This should be shortened to outline what the annex does and the steps the Authority will follow. The term Initial High Level Analysis should first be used here and then used consistently throughout the document.

3.6. To consider reflecting unit costs per licensee in a table in the Handbook.

HIIs section

3.7. The key comments in relation to HIIs were as follows:

- remove a number of unnecessary paragraphs;
- for accuracy remove reference to an overall profile for HI assets; and
- Ofgem to be more precise on the tests it will use to assess whether the HI Adjusted Network Outputs meet its principles.

LIIs section

3.8. The key comments in relation to LIIs were as follows:

- remove a number of unnecessary paragraphs;
- recognise that the range of sources Ofgem uses for its assessment 'may' include 'other DPCR5 RIGs submissions';
- clarify where some tests will only apply if the licensee fails other tests; and
- for accuracy remove reference to LIIs being represented by a delivered movement in asset loading.

Fault rates

3.9. The key comments in relation to Fault Rates were as follows:

- remove a number of unnecessary paragraphs;
- consistently refer to 'Fault Rate Weighted Unit Costs' or equivalent term; and
- recognise that relevant sources of evidence should include the Interruptions Incentives Scheme (IIS).

Annexes

3.10. The key comment on Annex A was that the methodology could be simplified.

3.11. The key comments in relation to Annex B were:

- the view was expressed that 'asset replacement' unit costs should be replaced by references to 'repair' unit costs;
- the view was expressed that exceptional events should be removed from measurement of fault rates; and
- the view was expressed that the level of the incentive was low as fault rates were more volatile.

3.12. The key comments on Annex C were:

- the purpose of any sensitivity analysis was questioned; and
- it was suggested that reference to voltage level totals should be removed.

4. PAS Annex

4.1. The licence drafting should confirm that DNOs will not be required to submit all areas of information set out in the Performance Assessment Submission Annex. Rather the companies will require information where Ofgem has identified issues or outstanding queries following its Initial High Level Assessment.

4.2. It was noted that in some cases DNOs were not clear what information could be provided in order to meet some of the current requirements or indeed whether it was possible to meet some of the requirement e.g. to provide a 'reconciliation between asset replacement and refurbishment interventions'.

5. Actions arising

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

NOMs Drafting	
<ul style="list-style-type: none">• To review drafting to consider all points highlighted above and to circulate clean copies to all attendees in advance of the next meeting.	Ofgem
Performance Assessment Submission	
<ul style="list-style-type: none">• To review the proposed PAS information requirements to identify areas where the requirements are not clear or need better context.	DNOs
Overall	
<ul style="list-style-type: none">• To circulate flow diagrams showing the interactions between the different parts of the methodologies.	Ofgem

6. Date of next meeting

6.1. No date has been set for the next meeting. The meeting on 13th April will be cancelled.