

DPCR5 Close Out – Overview of Working Group Meeting

This two day meeting of the DPCR5 Close Out Working Group focused on licence drafting for NOMs, HVP, LRE and the PAS.	From Date and time of Meeting Location	Grant McEachran 5-6 May 2016 9 Millbank, London; Cornerstone, Glasgow	16 May 2016
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1. Present

Grant McEachran, Clothilde Cantegreil, Aris Kalogeropoulos (5 th only), Kelvin Hui (6 th only)	Ofgem
Sarah Walls, Dave Ball (5 th only), Jonathan Booth (6 th only)	Electricity North West
Mark Nicholson, Keith Noble-Nesbitt (5 th only), John France (6 th only)	Northern Power Grid
Andrzej Michalowski, Katherine Bartlam	Western Power Distribution
Stephen Murray, Mikel Urizarbarrena Cristobal, Chris Elderfield (5 th only)	SPEN
Gill Hilton, Maz Alkirwi	SSE
Paul Measday, Ross Thomson (5 th only) Robert Friel (6 th only)	UKPN
Gregory Edwards	British Gas

2. Areas discussed – 5th May

Overall approach to licence drafting

2.1. GM provided an overview of the revised licence drafting. In particular, he noted that:

- All drafting has been reviewed since the last meeting of the groups and the revised versions sought to address many of the issues raised in the previous sessions.
- All of the methodologies had now been assigned an annex reference (A to E).
- The risk point methodologies had now been combined into a single annex (A2 – Risk Point Methodologies) rather than being treated as individual annexes to the Network Output Measures (NOMs) methodology.

2.2. GM noted the intention to publish an informal consultation on licence drafting. He noted that this would be a short consultation with the aim of addressing a number of the drafting issues in advance of the Statutory Consultation. Attendees supported this approach.

Timetable

2.3. GM presented a timetable outlining the various stages of Ofgem's assessment process for the DPCR5 close out. It was noted that versions of the table would be inserted at the start of Chapters 15 and 16 of the Handbook.

2.4. It was suggested that many of the dates of Ofgem's assessment process could now be removed from Chapters 15 and 16 and replaced with references to the timetable. One benefit of this approach would be that, if any future changes to dates were required, then these could be made in one place rather than the requirement to make changes in various different parts of the document.

High Value Projects (HVP)

2.5. The key comments raised in relation to HVPs were as follows:

- a new step should be added to the process to address how the Authority would make a decision whether to make an adjustment in the case of a delayed or deferred projects;
- the text for both the HVP Reopener and the HVP Outputs review should include reference to the fact that the Authority would be proportionate in requesting information under the Performance Assessment Submission (PAS); and
- a number of structural changes to improve the flow of the drafting.

Load Related Re-opener

2.6. The key comments raised in relation to HVPs were as follows:

- References to Load Related Expenditure should be replaced with references to Load Related Re-opener;
- the text should include reference to the fact that the Authority would be proportionate in requesting information under the Performance Assessment Submission (PAS); and
- a number of the structural changes highlighted for the HVP Reopener should also be reflected for Load Related Re-opener.

Performance Assessment Submission (PAS) – Load Related Re-opener, HVP and Traffic Management Act (TMA) sections

Load Related Re-opener

2.7. It was highlighted that:

- the requirement to provide summary information on schemes either completed, deferred or cancelled during DPCR5 should be removed on the basis that it was not clear why this was required
- a number of aspects of the proposed reporting on LVHC connections could be removed as these were either repetitive or they reflected areas where Ofgem already had the information

HVP

2.8. It was proposed that clarity be required where Ofgem may request information if a project had been deferred.

TMA

2.9. The section on qualitative information on permitting conditions, System Set Up costs and Incremental Administration Costs should be shortened to remove the requirement to provide information in a range of areas where the information has already been provided to the Authority.

3. Areas discussed – 6th May

Overview and overarching comments

3.1. The key comments raised on the overview were:

- to consistently use the same title for the methodology;
- the text should include reference to the fact that the Authority would be proportionate in requesting information under the PAS and, consequently, to be consistent in the use of 'may' and 'will' in referring to the reporting requirements under the PAS;
- to be clear upfront on the purpose of the methodology i.e. to determine whether a NOMs Network Outputs Gap has arisen and, where one has arisen, to calculate its value; and
- to be consistent in relation to the sources of evidence that the Authority will draw on as part of its assessment and, in doing so, to include any relevant information submitted by the licensee.

NOMs - HIs

3.2. The key comments in relation to HIs were as follows:

- to be clear upfront on the quantitative materiality threshold of the agreed risk point reduction for HIs;
- to simplifying the quantitative element of the HI assessment by referencing the HI Risk Point Methodology;
- to be clear that, where the Authority decides rebasing of the HI Target Delta is required, it will do so in line with the principles set out in the PAS annex; and
- to set out how the Authority will determine whether the licensee has met the HI component of its Qualitatively Equivalent Network Outputs.

NOMs - LIs

3.3. The key comments in relation to LIs were:

- to be clear upfront on the quantitative materiality threshold of the agreed risk point reduction for LIs;
- to simplifying the quantitative element of the HI assessment by referencing the LI Risk Point Methodology;
- to ensure outstanding references to a delta are removed from the LI section; and
- to set out how the Authority will determine whether the licensee has met the HI component of its Qualitatively Equivalent Network Outputs.

NOMs - Fault rates

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

- to be clear upfront on the quantitative materiality threshold of the agreed fault point reduction;
- to simplifying the quantitative element of the Fault Rate assessment by referencing the Fault Point Methodology; and

- to set out how the Authority will determine whether the licensee has met the Fault Rate component of its Qualitatively Equivalent Network Outputs.

Annex A2 – Risk Point Methodologies

3.5. The key comments on Annex A2 were as follows:

- references need to be checked against Annex A1 and, in particular, the references to the separate derivations of unit costs need to be made clearer by using different terms to denote them in Annex A1;
- references to calculating Agreed Network Outputs or Adjusted Network Outputs should be removed as the purpose should be to calculate risk points/fault rate points; and
- allowed unit costs should be used rather than benchmark unit costs for the purpose of deriving unweighted unit costs and volumes.

PAS – NOMs sections

3.6. It was highlighted that:

- a number of the areas where information was requested on HIs were repetitive and therefore that these could be rationalised
- for LIs the terminology should be consistent in referring to LI Agreed Network Outputs
- for fault rates the reference to data accuracy should be removed and replaced with the requirement to provide a justification of why the forecast was sensible.

Definitions

3.7. Ofgem welcomed written comments on the definitions.

4. Actions arising

4.1. The following table summarises the actions arising from the meetings.

NOMs Drafting	
<ul style="list-style-type: none">• To review drafting to consider all point highlighted above and to circulate a revised draft 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 in light of changes to other methodologies.	DNOs
Definition	
<ul style="list-style-type: none">• Attendees to provide comments on the proposed definitions	All

5. Date of next meeting

5.1. A conference call was arranged for 13th May with a focus on NOMs and the PAS.