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DP218 ‘Review of the SEC Charging Methodology’

12 pm on 14 December 2023 Ad hoc meeting – Meeting Summary

Attendees

Attendee	Organisation
Ali Beard (AB)	SECAS (<i>Chair</i>)
Elizabeth Woods (EW)	SECAS (<i>Lead Analyst</i>)
Rachel Black (RBI)	SECAS
David Kemp (DK)	SECAS
Kev Duddy (KD)	SECAS
Alastair Cobb (AC)	British Gas
Emma Johnson (EJ)	British Gas
Julie Brown (JB)	British Gas
Beth Tatton (BT)	Calvin Capital
Paul Clark (PC)	DCC
James Ringrow (JR)	DCC
Benny Parker (BP)	DCC
Robin Seaby (RS)	DCC
Neil Smith (NS)	DCC
Michael Szalma (MS)	DCC
Christina Wilcockson (CW)	DCC
Danny Holt (DH)	DESNZ
Peter Morgan (PM)	DESNZ
Alex Hurcombe (AH)	EDF
Amy Cox (ACo)	EDF
Adam Mordey (AM)	EDF
Paul Saker (PS)	EDF
Jonathan Watson (JW)	EDF
Daniel Davies (DD)	ESG Global
Aurora Phillips (AP)	Frontier Economics
Hélène Roth (HR)	Frontier Economics
Mike Huggins (MH)	Frontier Economics
Zhuo Guan (ZG)	Frontier Economics
Carmen Strickland (CS)	Horizon
Ben Dhesi (BD)	Hugo Energy
Matt Roderick (MRo)	N3rgy

Attendee	Organisation
Tereza Borges (TB)	N3rgy
Jamie Lowe (JL)	Northern Power Grid (MAP)
Ralph Baxter (RB)	Octopus
Jamie Flaherty (JF)	Ofgem
Emslie Law (EL)	Ovo Energy
Mahfuzar Rahman (MRa)	Scottish Power
Jeff Studholme (JS)	Smart Meter Assets
Shuba Khatun (SK)	SSE Networks
Nik Wills (NW)	Stark
Kevin Clark (KC)	Utilita

Overview

The DCC (NS) provided an overview of where DP218 is at this point, introduced the DCC consultants from Frontier Economics, and their plans going forward.

Ad hoc meeting discussion

A meeting attendee (RB) advised there is an extra piece of significant context which needs to be thought about. They noted that the DCC licence is up for renewal and that Ofgem is considering what the future Board of the DCC should look like. Their approach is a balance of influence of 'people who pay' versus 'people who don't pay' for the DCC. The meeting attendee added that this leads to potential bigger consequences than just the detail of how charges are worked out and how it affects future players, it could also alter how the DCC is governed.

Frontier Economics (MH) noted that they have touched on governance issues with the DCC, and other ways traffic can be managed. They added that they are aware of the trade-offs mentioned by meeting attendee (RB).

A meeting attendee (MRo) queried what the business objectives are for the DP218 initiative and asked if it is exclusively looking at charging reform. They asked why the DCC are not considering demand management and capacity in totality and queried the logic in going directly to a financial solution rather than considering alternative options to manage the network traffic. Frontier Economics (MH) confirmed that the main focus requested by the DCC is charging reform, although it is becoming clear that this is linked to many other things. They added that slide 10 in the slide pack looks at more traffic on the network. They noted that if the DCC is able to find an efficient and effective solution to encourage DCC Users to change their behaviour through administrative means or a charging signal could be cheaper than requesting more capacity from Service Providers. Frontier Economics (MH) noted their recommendations will be largely focused on charging reform but realise it is an area that touches on wider topics.

A meeting attendee (EL) noted that any expansion to the DCC network will be paid for by Suppliers and Network Parties in isolation, no matter the driver or cause. They added that it's not clearly referenced in the slides nor dialogue. Another meeting attendee (MRo) countered that many of the new DCC Users had no hand in the design of the DCC System and therefore, they suggested, significant efficiencies can be achieved in advance of any economic measures that are proposed.

Frontier Economics (MH) noted this and understood that they are dealing with set of legacy charges that have rigid structure.

A meeting attendee (RB) noted that the recent facilitation of the Meter Data Retrieval (MDR) role under the market-wide half-hourly settlement (MHHS) has led to an increased capacity spend of approximately £10m, which will be paid for by Suppliers and Network Parties, and how this would be an interesting example of how this would look in Frontier Economics' forthcoming model. They added that even if costs stay flat or go down that doesn't stop the need to allocate costs. A meeting attendee (DD) noted that any complex methodologies which will require a modification and changes to the DCC systems, would be paid for by DNOs and Suppliers under the current methodology. Frontier Economics (MH) stated that they are looking at incremental costs to provide better or more traffic capability, as a guiding principle.

A meeting attendee (RB) noted that there is ambiguity around term 'fixed' and whether it should have a capital 'F' or small 'f'. They queried whether the slide is referring to it as per DCC definition or the more widely recognised definition. The Chair (AB) noted that the Fixed charges that the DCC refer to are not true fixed charges in true economic definition but put into a pot called 'Fixed Charges' and divided out, which is part of problem.

The Chair (AB) queried if Frontier Economics will have conversations with SEC Parties directly. The DCC (PC) noted that today's session was to establish high level principles around the work being carried out by Frontier Economics, also highlight key principles that DCC Users think may or may not be addressed as part of that. They added that it is helpful to have DCC User feedback, but the next update will be February 2024, when we can move into discussions about potential solutions. The DCC (PC) noted that any questions or feedback be directed to SECAS (sec.change@gemserv.com). A meeting attendee (EL) raised a point that not all DCC customers are DCC Users.

A meeting attendee (EJ) queried why this modification is still a DP. The Chair (AB) advised that we are still at the stage where we are determining if this modification should be split into two which was discussed at the early stages, but this will depend on the solutions that are proposed. They added that until it is determined which direction we are going, we cannot progress past the development stage of the modification. They also confirmed that the slides will be shared to all attendees.

Next Steps

The following actions were recorded from the meeting:

- SECAS to share slides with attendees.
- SECAS to arrange another meeting once the DCC and Frontier Economics have provided an update for the next stage in their plan.