

EDCM Review Sub Group – Terms of Reference

Context and requirements for a DCMF MIG Sub Group

1. The DCMF Methodologies Issues Group (DCMF MIG) allows industry stakeholders to raise issues related to schedules 16, 17 and 18 of the Distribution Connection Use of System Agreement (DCUSA). These schedules contain the charging methodologies used by licenced Distribution Network Operators (DNOs) to set distribution use of system charges.
2. The DCMF MIG will act under the auspices of the DCMF and will have no powers to enforce changes to any existing industry agreements or associated systems.
3. The objectives of the DCMF MIG shall be to:
 - a) provide a pre-assessment process to scope and develop possible solutions for Charging Methodologies issues in order to develop Change Proposals that are reasonably capable of assessment under the DCUSA;
 - b) carry out an annual assessment in line with the DNOs' licence obligation to annually review the charging methodologies; and
 - c) carry out its business in an open and inclusive manner, assisting stakeholders interpret their issues with the charging methodologies into a feasible change request that the DCUSA process can consider.
4. The DCMF MIG shall make recommendations to the DCMF bearing in mind the requirements of the charging methodologies as laid out in the DNO licences.

Objectives and deliverables of the EDCM Review Sub Group

5. The EHV Distribution Charging Methodologies (EDCM) were introduced on 1 April 2012 for demand and 1 April 2013 for generation. There are two EDCM methodologies: FCP (DCUSA Schedule 17), used in six DNO areas; and LRIC (DCUSA Schedule 18), used in eight DNO areas.
6. A number of issues have been raised about the EDCM by stakeholders at the Distribution Charging Methodologies Forum Methodologies Issues Group (DCMF MIG) and the annual review of the DNOs' charging methodologies. Some have led to change proposals in the Distribution Connection and Use of System Agreement (DCUSA). The change proposals and issues seek to address matters related to cost reflectivity and the volatility of charges.

7. The DCMF MIG EDCM Review Sub Group has been established by the DCMF MIG to consider the following points:
- a) What feedback and data can be collected on the response of customers to connection and DUoS charges? If not, who should do this work?
 - b) Should the DCMF MIG develop piecemeal changes to the EDCM to address individual issues? If not, and if the Sub Group thinks that a long term single solution should be developed, when, how and by whom should this work be done?
 - c) Should future demand and generation led reinforcement costs be included or excluded in EDCM to provide locational cost signals. If so, are the current FCP and LRIC demand and generation approaches providing satisfactory cost reflective charges – if not, recommend how can we facilitate improvement including delivery timescales.
 - d) Is there sufficient transparency of the EDCM, and effective communications with customers, bearing in mind the requirement not to disclose individual customers' confidential data to others? If not, who should do this work?
 - e) Would it be desirable to ensure that all costs that are allocated on the basis of an estimate of super-red consumption should be recovered through super-red unit rates? If so, is this an urgent problem (either because of its impact on customers or because it would need to be solved as part of any long term solution)?
 - f) Should any work be initiated in relation to the year-on-year volatility of network use factors? If so, is this an urgent problem (either because of its impact on customers or because it would need to be solved as part of any long term solution)?
 - g) Should any other work be undertaken to minimise volatility? If yes, is it urgent (either because of its impact on customers or because it would need to be part of the development of any long term solution)?
 - h) Is there any urgent need to change the calculation of the target generation revenue pot? Do we need to reflect the impact of RIIO-ED1 price control revenue basis ?
 - i) Are there any other issues with the EDCM (whether already raised as DCMF MIG issues or not) which are urgent or important and are not already being considered as DCUSA change proposals?

8. The Sub Group shall prepare a report to the DCMF MIG setting out its findings on questions raised above.

Timetable

9. The Sub Group shall use reasonable endeavours to review and propose a way forward on each issue by 31 October 2014. It is envisaged up to 6 meetings will be required. Any extension to the timetable is subject to approval by the DCMF MIG. Given the role of the Sub Group in setting priorities, an extension will only be granted in exceptional circumstances. In deciding how to resolve any disagreements amongst its members, the Sub Group should not assume that it can rely on an extension to its timetable.

Membership

10. Membership of the Sub Group is open to all stakeholders who are prepared to take an active part in the work of the Sub Group.

Chairmanship

11. The DCMF MIG Chair will appoint a DNO member of the DCMF MIG as the Chair of the Sub Group.

12. The role of the Sub Group Chair will be to chair meetings, facilitate discussions and ensure the deliverables and timetables are met.

13. If the Chair is not available at the time for which a Working Group meeting has been convened, the Sub Group members present may appoint one of the group to chair the meeting.

Duties of Sub Group members

14. Sub Group members should:

- a) engage and participate fully in the DCMF MIG on issues raised;
- b) agree and or take actions to be completed outside of the DCMF MIG meetings; and
- c) report back on views and actions taken.

Conduct of Sub Group meetings

15. The business of Sub Group will be conducted on the basis of consensus of members and associate members present at the relevant meeting.

16. If no consensus of members present can be reached, the Sub Group's report must document the different points of view expressed.

17. The Sub Group may take votes, but any voting result or statement about majority in the Sub Group's report must treat DNO representatives and non-DNO representatives as separate constituencies.

Secretariat

18. The Sub Group will be supported by the DCMF MIG Secretariat, who shall be responsible for:

- a) booking, convening and circulating notice of meetings;
- b) circulating the agenda for each meeting at least 5 working days in advance of the meeting;
- c) circulating minutes of the meeting no later than 10 Working Days following the meeting; and
- d) publishing all meeting papers and minutes
- e) assist with the production of the report to the DCMF MIG.

ANNEX – EDCM Issues raised at MIG and DCUSA

Annual Review issues

“To request that feedback and data should be collected on the response of customers to connection and DUoS charges.”

“To request that piecemeal changes should not be introduced without consideration of developing a long term single solution.”

MIG Issues

MIG - 42 EDCM Customer Measure 3 - to assess measures to reduce volatility

MIG - 43 EDCM Customer Measure 4 - to provide visibility of cost signals

MIG - 46 The application of FCP charges to different customer categories

MIG - 49 EDCM Development Issue 3 - Customer Categories - consideration of assets below the voltage of connection

MIG - 48 EDCM Import Connections - Treatment of capitalised O&M (see DCP 189)

MIG - 62 Derivation of EDCM revenue target

MIG - 67 Review of EDCM generation target revenue - as a result of RIIO ED1 initial proposals

MIG - 63 The FCP and LRIC elements of the EDCM for demand are unfair (see DCP206)

MIG - 64 EDCM Double charging

DCUSA Change Proposals

DCP 183 - To convert super-red kWh to kVA when calculating EDCM tariffs

DCP185 - LDNO Discount on 20% of Residual Revenue

DCP 189 - Un-expired capitalised O&M (from MIG 48)

DCP 206 - Removal of charge 1 from the EDCM (from MIG 63)