



## **DCUSA Change Report**

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### DCP 108 - Availability of the Non-Intermittent Generator Tariff

## **1 PURPOSE**

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA and details DCP 108 – Availability of the Non-Intermittent Generator Tariff.
- 1.2 The voting process for the proposed variation and the timetable of the progression of the Change Proposal (CP) through the DCUSA Change Control Process is set out in this document.
- 1.3 Parties are invited to consider the proposed amendments (Appendix B) and submit their votes using the form attached as Appendix D to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than 02 March 2012.

## **2 BACKGROUND TO DCP 108**

- 2.1 DCP 108 has been raised by UK Power Networks.
- 2.2 UKPN considers that whilst it is appropriate to make available a single rate generation tariff (based on a uniform probability of operations across the year) to intermittent generators (where the operator has or may have little control over operating times), it is not appropriate to deny such operators access to the three rate tariff with the potential for materially greater generation credits (during red time band periods) if exports coincide with the expected periods of high demand.
- 2.3 Providing intermittent generators access to the higher DUoS credits at time of system peak in the non-intermittent tariff will provide an additional incentive for operators to have their generation available at these times. It is intended to be particularly appropriate for generators with some control over the time of their generation, for example hydro generators with limited storage or true intermittent generators combined with a small capacity storage technology to give them an incentive to make generation available when it is of most benefit to the DNO.
- 2.4 This CP proposes to permit meter registrants (primarily suppliers) acting as the agent of the intermittent generator (and as the use of system counterparty to the final DNO) to selectively opt for the non-intermittent generator tariff for individually nominated intermittent generator MPANs from a future date and to revert back to the intermittent generator tariff in a similar manner.

### **3 INTENT OF DCP 108**

- 3.1 The intent of DCP 108 is to make the non-intermittent generator tariffs available to intermittent generators on request to the final DNO by the Supplier (or directly by the Generator if the Generator is the Party to the DCUSA) subject to appropriate administrative arrangements.

### **4 DCP 108 – CONSULTATION**

- 4.1 A consultation on DCP 108 was issued to all DCUSA Parties and interested parties on 24 November 2011 for a period of 11 Working Days.
- 4.2 Seven responses were received by the closing date of 9 December 2011. A summary of the responses received and the DCP 108 Working Group's response to them is set out below. The full responses from each Party are attached as Appendix C.
- 4.3 Do you understand the intent of DCP 108 - Availability of the Non-Intermittent Generator Tariff? All seven respondents confirmed that they understood the intent of the DCP 108.
- 4.4 Are you supportive of the principles of DCP 108 including the implementation date? If not, do you believe there are alternative ways of meeting intent DCP 108? Four respondents agreed with the principles and implementation date. Three respondents were not supportive of the principles but did not indicate whether or not they supported the implementation date.
- 4.5 The main issue cited by Parties who were not supportive was the principle of allowing customers and/or suppliers the choice of which tariff to apply. One Party noted that this could lead to 'cherry picking' and customers picking the tariff which is most advantageous to them regardless of which is the most cost reflective. The three Parties felt that this CP undermines the underlying principle of the Common Distribution Charging Methodology (CDCM) which is that customers should be allocated to a tariff that most closely reflects the cost of supplying that customer.
- 4.6 Do you agree that the legal text meets the intent of DCP 108? Six of the seven respondents agreed that the legal text met the intent of DCP 108. One Party noted that the legal text is confusingly worded and would need to be redrafted for clarity. The Working Group discussed this point and felt that

the legal text which was reviewed by the DCUSA legal representatives fully captured what the Working Group had agreed and agreed to contact the group to clarify what part(s) they felt were confusingly worded.

4.7 Do you agree that DCP108 better meets the DCUSA Charging Objectives?

Seven respondents provided general comments confirming as documented in the table below:

	Charging Objective
Objective #1	1
Objective #2	5
Objective #3	3
Objective #4	0

4.8 Do you feel that by providing this type of tariff to intermittent generators provides more cost reflectivity to the CDCM model? Three Respondents

thought that the implementation of this CP would bring more cost reflectivity to the model. The responses from the other four Parties were mixed and felt that DCP 108 would not enhance cost reflectivity within the model.

4.9 One Party noted that cost reflectivity would not be increased as customers will choose the tariff that is most advantageous to them given their expected running regime. Another respondent raised the possibility that the benefit of providing this type of tariff to intermittent generators could be outweighed by the costs placed on Distributors to facilitate the switching; therefore not providing more cost reflectivity. It was also noted that it was unclear whether the impacts would add additional cost reflectivity calculated within the model or not.

4.10 If DCP 108 is accepted and implemented, how do you think that there should be guidelines or restrictions associated with the movement between tariffs? This can include allowing intermittent generators only to be able to move tariffs once, once a year or any other timeframe that you feel is appropriate. All respondents agreed that there should be restrictions placed on Generators for moving between the tariffs. The range from Parties was between 1 year and 5 years.

4.11 If DCP 108 is accepted and implemented, would there be any System and/or Regulatory Changes that will need to be made? What are the costs

and timelines associated with these changes? No respondents foresaw any significant system changes or costs associated with the implementation of this CP.

- 4.12 Could it be considered unduly discriminatory to only provide optionality to one group of customers – intermittent generators? This will be the only set of customers that have the option of a different tariff; do you agree that this is compliant with the CDCM methodology? Mixed responses were received from Parties. It was noted by one respondent that they believe DCP 108 could be considered discriminatory as the intermittent generators will be picking the tariff based on their expected income under each tariff and this option will not be available to non-intermittent generators. Another Party also noted that there is a potential to be discriminatory to other generators, if one type of intermittent generators are allowed to switch over another.
- 4.13 However, it was noted by two respondents that they do not believe it is unduly discriminatory to only provide the option to change tariffs for intermittent generators. One respondent felt that DCP 108 will be discriminatory but not unduly discriminatory.
- 4.14 Will this incentivise intermittent generators to generate more in the red time band? If this is the case, what type of generation would be able to react to this type of price signal? The majority of respondents thought that the implementation of this CP would incentivise intermittent generators to be available to generate during the red time bands; however it was a common opinion that whether or not they are actually able to generate will be dependant upon the intermittent availability of the underlying energy source and/or their storage capabilities.
- 4.15 Should the single rate tariff be abolished and all generators are on a red/amber/green tariff? The overall view of the respondents was that this is not a viable solution. It was further considered by one Party that this option was outside the scope of the Working Group.
- 4.16 For Generators: If this type of tariff was available to you would you take advantage of it? Only one Party responded to this question, noting that whilst currently there are few, for example some wind generators, with auxiliary storage, a change as suggested under this DCP may encourage the fitting of such devices in the future.

- 4.17 Please provide any other comments or general views on DCP 108. Two respondents provided additional comments on DCP 108. One noted that they support the proposal because it will allow all degrees of intermittency to be catered for without having to make a judgement centrally about how to define how intermittent particular plant types or generator and storage combinations are. The other respondent noted that the change proposal needed to set out how the generator will change from one tariff to another.

## **5 DCP 108 – WORKING GROUP CONCLUSIONS**

- 5.1 The DCP 108 Working Group comprised Supplier and Distributor Parties, supported by Ofgem and DCUSA Legal Counsel. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – [www.dcusa.co.uk](http://www.dcusa.co.uk).

### Consultation Responses

- 5.2 The Working Group concluded that all respondents to the Consultation understood the intent of the DCP 108, however it was noted that not all agreed with its principles and implementation date.
- 5.3 The Working group agreed that there was no further area of work needed to address these points as the intent of the CP was understood by all Respondents and the mixed responses from Parties reflect different industry opinions rather than seeking additional clarification.
- 5.4 The Working Group agreed with the majority of respondents that limiting a Generators' ability to switch between tariffs to one occasion per year would be the most pragmatic way forward. The Working Group concluded that DCP 108 would likely incentivise intermittent generators to generate more in the red time band. However, in practice this would depend upon the type of generation energy source and technology available to the Generator.
- 5.5 The full responses to these questions are detailed within Appendix C.

## **6 PROPOSED LEGAL TEXT**

- 6.1 The draft legal text has been reviewed by Wragge & Co and is attached as Appendix B.
- 6.2 The legal text sets out the procedure for intermittent generators to access the non-intermittent generator tariffs. The text sets out how to request the

tariff, when the new tariff will take effect and also that intermittent generators may request a switch in tariffs not more than once in any twelve-month period.

## **7 EVALUATION AGAINST THE CHARGING METHODOLOGY OBJECTIVES**

- 7.1 Whilst a unanimous decision was not reached, the majority of the Working Group considers that the following Charging Methodology Objectives are better facilitated by DCP 108:

Objective 2 – that compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences).

- 7.2 The implementation of the CP will better facilitate competition in the generation of electricity by making peak rate credits available to more generators. This better facilitates the competition of supply by creating more opportunities for suppliers to differentiate their services whilst not restricting, distorting or preventing competition elsewhere.

Objective 3 - That compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business.

- 7.3 The implementation of the CP will allow an intermittent generator that selected the three rate option to build up a record of availability for peaks which could be recognised in a future P2/7 planning standard. Additionally, on the three rate tariff the lower rates for other periods than the single rate average is more cost reflective than the single rate average charge.

## 8 IMPLEMENTATION

- 8.1 As this CP does not affect either the CDCM Model or the prices charged its implementation does not require DNOs to revise prices and so it does not need to be restricted to a 1 April or 1 October implementation date.
- 8.2 Subject to Parties and Ofgem approval, DCP 108 will be implemented in the next DCUSA Release following Authority consent.

## 9 PANEL RECOMMENDATION

- 9.1 The Panel approved this Change Report on 15 February 2012.
- 9.2 The timetable for the progression of the Change Proposals is set out below:

Activity	Date
Change Report issued for voting	17 February 2012
Voting Closes	02 March 2012
Change Declaration	06 March 2012
Authority Determination	06 April 2012
CP Implemented	June 2012

## 10 APPENDICES:

- Appendix A – DCP 108 - Availability of the Non-Intermittent Generator Tariff
- Appendix B – DCP 108 Legal Drafting
- Appendix C – Consultation documents
- Appendix D – Voting Form