



## **DCUSA CHANGE REPORT**

### **DCP 174 - Qualification and Application of LV Sub-Station Tariffs**

## 1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 174 'Qualification and Application of LV Sub-Station Tariffs'. The voting process for the proposed variation and the timetable for the progression of the Change Proposal (CP) through the DCUSA Change Control Process are set out in this document.
- 1.2 Parties are invited to consider the proposed amendment (Attachment B) and submit their votes using the Voting form (Attachment D) to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) by **1 November 2013**.

## 2 BACKGROUND

- 2.1 DCP 174 was raised by Northern Powergrid following discussions at the Distribution Charging Methodologies Forum (DCMF) Methodologies Issues Group (MIG).
- 2.2 DCP 174 seeks to change the application of the LV Sub CDCM tariff by making the tariff applicable to all customers who meet the definition of LV Sub regardless of their date of connection.
- 2.3 This proposal will also clarify the definition of the LV Sub tariff and remove any ambiguity in relation to the application of this tariff.

## 3 WORKING GROUPASSESSMENT OF DCP 174

- 3.1 The DCP 174 Working Group met on two occasions. The Working Group was comprised of Distributor, Supplier and other interested Parties, as well as Ofgem representation. It is noted that all DCUSA Parties were invited to attend the Working Group. Meetings are held in open session and the documents of each meeting are available on the DCUSA website – [www.dcusa.co.uk](http://www.dcusa.co.uk).

## 4 CONSULTATION RESPONSES

- 4.1 The Working Group carried out a consultation to give DCUSA Parties an opportunity to review and comment on DCP 174.

- 4.2 There were 12 responses received to the consultation from DNOs, IDNOs, Suppliers and an Industry Consultant. The Working Group discussed each response and its comments are summarised alongside the collated Consultation responses in Attachment C.
- 4.3 A summary of the responses received, and the Working Group's conclusions are set out below:

**Question 1 - Do you agree with the intent of DCP 174?**

- 4.4 The Working Group noted that an overall majority of all respondents, apart from one IDNO respondent, agreed with the intent of DCP 174.
- 4.5 The IDNO respondent noted that whilst they agree that the LV sub tariff should apply to customers irrespective of connection, they disagree with the definition of LV Sub.
- 4.6 The Working Group discussed the response and agreed that this is outside the scope of this DCP, as the intent of DCP 174 is only to clarify the existing definition.

**Question 2 - Do you agree with the principles of DCP 174??**

- 4.7 The Working Group noted that the overall majority of respondents to the consultation were supportive of the principles of the CP. The following table provides a break down by respondent type.

Respondent Type	Are you supportive of the principles of the CP?		
	Yes	No	Total
<b>DNO</b>	6		<b>6</b>
<b>Supplier</b>	4		<b>4</b>
<b>IDNO</b>		1	<b>1</b>
<b>Other</b>	1		<b>1</b>
<b>Total</b>	<b>11</b>	<b>1</b>	<b>12</b>

- 4.8 The IDNO respondent noted that they did not agree with the principles of the CP for the same reasons listed in their response to Question 1 of the consultation; that whilst they agree that the LV sub tariff should apply to customers irrespective of connection, they disagree with the definition of LV Sub.

- 4.9 The Working Group discussed the response and reiterated that this is outside the scope of this DCP, as the intent of DCP 174 is only to clarify the existing definition.

**Question 3 - Does the CP better facilitate the DCUSA General Objective 4? Please provide supporting comments about this and any other DCUSA Objective you feel that this CP will impact.**

- 4.10 The Working Group noted that the overall majority of respondents agreed that DCP 174 will better facilitate DCUSA General Objective 4<sup>1</sup>.
- 4.11 The following table outlines the respondents' views on which DCUSA Objectives are better facilitated by the CP:

DCUSA General Objectives	Number Of Respondents that agree it is better facilitated
Objective 1	
Objective 2	
Objective 3	1
Objective 4	11
Objective 5	

- 4.12 One DNO Party respondent noted that DCP 174 will provide a clear guideline for all DNOs regarding the qualification and application of tariffs for LV Sub-Station connections and therefore better meets DCUSA objective 4.
- 4.13 Another DNO Party explained that by clarifying the definition of LV sub tariff, this will remove any varied interpretations that may otherwise occur.
- 4.14 One Supplier Party respondent noted that the revised wording provides greater clarity and leaves less room for misinterpretation.
- 4.15 Another Supplier Party highlighted that they believe it is appropriate to remove any vagueness or uncertainty of meaning relating to this specific tariff.
- 4.16 A response from an Industry Consultant explained that the CP better facilitates DCUSA General Objective 4 because it increases efficiency by improving understanding and removing ambiguity which has led to different practices being applied by different DNOs.

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<sup>1</sup> The promotion of efficiency in the implementation and administration of this Agreement

They further explained that in their opinion DCP 174 also better facilitates DCUSA Charging Objective 3 because it improves cost reflectivity.

- 4.17 One IDNO respondent disagreed and did not think that the DCP 174 better facilitated DCUSA General Objective 4. In their response they noted that in their opinion DCP 174 perpetuates the inconsistency where a customer who connects his assets (LV cable) to the outgoing bars of the LV substation has to pay charges towards LV assets because his meters may be outside the Transformer chamber (for whatever reason).
- 4.18 The Working Group discussed the response and noted that these are valid comments, but outside the scope of the Working Group as the CP only intends to clarify the existing definition, not to redefine it.

**Question 4 - Do you have any comments on the proposed legal drafting of DCP 174?**

- 4.19 The Working Group noted that the majority of respondents did not have any further comments on the legal text, however, the comments that were submitted were all considered in full by the Working Group.
- 4.20 One Supplier Party explained that they had no comments on the legal text as such but would like to understand the number of MPANs / sites impacted by this change. They further added that they would also like to know if new LLFCs (site specific or new groups) would be created.
- 4.21 The Working Group discussed this response and agreed that these are valid questions, but out of scope of the Working Group as DCP 174 is only about the clarification to the definition.
- 4.22 Another Supplier Party noted that in their opinion the amended legal text stipulates that:
- ‘Administration charges, (to cover reasonable costs) may apply if a technical assessment is needed or a site visit is required’
- and they believe this is somewhat ambiguous and feel DNOs should bear the cost.
- 4.23 The Working Group discussed this response and agreed that the DNOs are only

recovering costs that they would incur.

- 4.24 A DNO respondent noted that in their view, the last sentence in revised Note 5 of the legal text does not improve the change proposal and consideration should be given to remove it: 'Where a customer is already registered on either an LV or HV substation tariff they will remain so.'
- 4.25 The Working Group discussed this point and agreed to remove the HV reference in the note for further clarity.
- 4.26 Another DNO Party explained that in their opinion there should be a potential re-wording to the revised Note 5: instead of 'if a customer or his supplier' to 'if a customer or their supplier'.
- 4.27 It was further explained that in their view there will still be a slight ambiguity over the phrase 'immediately adjacent to' in reference to defining the location of the CTs used in settlement metering are 'at the substation'. However, this proposed additional text generally provides a better understanding of where the tariff is applicable.
- 4.28 The Working Group noted the comments and discussed all the points raised in the response, but did not feel that there is anything that should be taken forward within DCP 174 as the intent is only to clarify the existing definition.

**Question 5 - Are you aware of any wider industry developments that may impact upon or be impacted by this CP? If so, please give details, and comment on whether the benefit of the change may outweigh the potential impact and whether the duration of the change is likely to be limited.**

- 4.29 The Working Group noted that the overall majority of respondents were not aware of any other industry developments that would impact this CP.

**Question 6 - Do you agree with the implementation date of DCP 174?**

- 4.30 The Working Group noted that all respondents agreed with the implementation date of DCP 174.

**Question 7 - Are there any alternative solutions or matters that should be considered by the Working Group?**

- 4.31 The Working Group noted that the overall majority of the respondents were not aware of any other matters that the Working Group should consider.
- 4.32 An Industry Consultant who responded to the consultation noted that there are many customers who have LV substations on site, with meters within very close proximity to the substation. These customers use a minimum level of the LV Network and it is likely that LV Network charges are not in any way cost reflective for these customers. They explained that looking forward, it is their belief that the definition of LV Substation should be changed to somehow encompass these customers.
- 4.33 The Working Group noted the comments within the response, but explained that the CP is only about clarifying the current definition and not redefining the term, and that these issues are out of scope for the current Working Group.
- 4.34 A DNO Party noted that they believe the working group has explored many alternatives and have arrived at a solution that will improve understanding and remove any legacy anomalies.

## **5 WORKING GROUP FINAL CONCLUSIONS ON DCP 174**

- 5.1 The Working Group's conclusion, reflecting Party opinion as presented in the Consultation responses and Supplementary Questions, is that the proposed drafting meets the intent of DCP 174 and therefore should be issued for voting and Party determination.

## **6 ENGAGEMENT WITH THE AUTHORITY**

- 6.1 Ofgem has been engaged in the progression of DCP 174 as a member of the Working Group.

## **7 ASSESSMENT AGAINST THE DCUSA OBJECTIVES**

- 7.1 Working Group considers that the following DCUSA Objectives are better facilitated by DCP 174.

### **General Objective 4 - The promotion of efficiency in the implementation and administration of this Agreement**

- 7.2 DCP 174 Working Group unanimously agree that the CP will improve understanding and remove any ambiguity in relation to the qualification and application of CDCM tariffs for LV sub-station connections and ensure there is no scope for different interpretations to be applied, therefore better facilitating DCUSA General Objective 4.

## **8 DCP 174 – LEGAL DRAFTING**

- 8.1 The DCP 174 legal drafting has been reviewed by the DCUSA legal advisors and is provided as Attachment B.

## **9 ENVIRONMENTAL IMPACT**

- 9.1 The Working Group unanimously agreed that there is no environmental impact associated with DCP 174 and, therefore, no environmental impact analysis is required on the implementation of this CP.

## **10 IMPLEMENTATION**

- 10.1 The proposed implementation date for DCP 174 is the first release following Authority consent.

## **11 PANEL RECOMMENDATION**

- 11.1 The Panel approved this Change Report at its meeting on 16 October 2013.
- 11.2 The timetable for the progression of the CP is set out below:

<b>Activity</b>	<b>Date</b>
Change Report issued for voting	18 October 2013
Voting closes	1 November 2013
Change Declaration	5 November 2013
Authority Determination	10 December 2013
DCP 174 Implemented	First Release Following Authority Consent



## 12 NEXT STEPS

- 12.1 Parties are invited to consider the proposed amendments (Attachment B), together with the Consultation documentation (Attachment C) and submit their votes using the Voting form (Attachment D) to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) by **1 November 2013**.
- 12.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA by email to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) or telephone 020 7432 3014.

## ATTACHMENTS

- Attachment A – DCP 174 CP Form
- Attachment B – DCP 174 Legal Text
- Attachment C – DCP 174 Consultation Responses
- Attachment D – Voting Form