



## **DCUSA Change Report**

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DCP 167 - Additional Example(s) For The  
Common Connection Charging Methodology  
To Illustrate 'Remote Reinforcement' And  
'Network Reconfiguration' and DCP 167A  
Alternate Change Proposal

## 1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA and details DCP 167 – Additional example(s) for the Common Connection Charging Methodology to illustrate 'remote reinforcement' and 'network reconfiguration' and DCP 167A Alternate Change Proposal (Attachment 3).
- 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 (Attachment 2) and submit their votes using the form attached as Attachment 1 to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than **08 September 2014**.

## 2 EXECUTIVE SUMMARY

- 2.1 DCP 167 was raised by Eastern Power Networks on the 13 February 2013 to provide increased clarity within the DNO Common Connection Charging Methodology (CCCM) for the calculation of connection charges where it is proposed to carry out 'remote reinforcement' or 'network reconfiguration'.
- 2.2 Over a period of one year the DCP 167 Working Group met six times and issued one consultation. The consultation requested industry parties to consider the addition of new Examples 8C and 8D. Example 8C proposes for the adjacent network to be reinforced to allow for the transfer of a section of the existing network in order to provide sufficient capacity on the Relevant Section of Network for the connection to take place. Example 8D proposes the reconfiguration of the Distribution System in order to transfer demand or generation to a remote part of the Distribution System in order to make capacity available for the new connection.
- 2.3 The Working Group is split on the solution proposed by Example 8D and as a result some Working Group members chose to raise an alternate Change Proposal DCP 167A. The majority of the Working Group supports the original DCP 167 Change Proposal.

## 3 BACKGROUND

- 3.1 A member of the ENA Commercial Operations Group Connections Sub Group (COG CSG) identified that there is no common methodology explanation for

charging arrangements to apply in the scenario where a remote part of the Distribution System is to be reinforced so as to allow a transfer of existing demand or generation to provide for a new connection.

- 3.2 DCP 167 has been raised to address this requirement, following on from initial proposals developed within the COG CSG.

#### **4 INTENT OF DCP 167 – ADDITIONAL EXAMPLE (S) FOR THE COMMON CONNECTION CHARGING METHODOLOGY TO ILLUSTRATE ‘REMOTE REINFORCEMENT’ AND ‘NETWORK RECONFIGURATION’**

- 4.1 DCP 167 was raised by Eastern Power Networks, as a Part 1 Matter<sup>1</sup> to provide increased clarity within the DNO Common Connection Charging Methodology (CCCM) for the calculation of connection charges where it is proposed to carry out ‘remote reinforcement’ or ‘network reconfiguration’ through the addition of two worked examples 8C and 8D.

##### Remote Reinforcement

- 4.2 The purpose of example 8C ‘*Connection of housing development with remote network Reinforcement*’ is to add a provision within the CCCM clarifying the application of the Reinforcement Cost Apportionment factor where a remote part of the Distribution System is required to be reinforced in order to provide the connection but is not part of the network directly used by the connectee.
- 4.3 Example 8C illustrates the existing definition of Relevant Section of Network which states “that part or parts of the Distribution System that can be used to supply you in both normal and abnormal running arrangements”.
- 4.4 The situation represented by example 8C is where a Customer applies for a connection to the network for 900 housing plots requiring 2MVA. In this scenario the existing load on the circuit is 7.6MVA and cannot support the housing development connection. The example proposes for the adjacent network to be reinforced to allow for the transfer of a section of the existing network. This transfer will provide sufficient capacity for the connection to take place (Please see Attachment 2).
- 4.5 The existing methodology includes at DCUSA Schedule 22 clause 1.16:

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<sup>1</sup> DCP 167 has been classified as a Part 1 matter in accordance with Clause 9.5.5 as it is likely to amend the Common Connection Charging Methodology set out in Schedule 22. Once progressed, the CP will require Authority consent.

*Reinforcement is defined as assets installed that add capacity (network or fault level) to the existing shared use Distribution System.*

#### Network Reconfiguration

- 4.6 The purpose of Example 8D 'Connection of housing development with load transfer' is to illustrate the application of the charging methodology where the Distribution System is reconfigured by transferring demand or generation to a remote part of the Distribution System in order to make capacity available for the new connection.
- 4.7 Example 8D 'Connection of housing development with load transfer' conveys the operation of methodology paragraph 1.13 "Work required to reconfigure the Distribution System to meet your requirements where no additional Network or Fault Level Capacity is made available shall be charged in full to you. See Example 8B". It is proposed that methodology paragraph 1.13 will be amended to refer to Example 8D instead of 8B.
- 4.8 Example 8D illustrates an arrangement where a section of the existing network is transferred to an adjacent network in order to release capacity for the new connection to be made. In example 8D demand is transferred from Primary Substation A to Primary Substation B (Please see Attachment 2).
- 4.9 Further amendments to the DCUSA legal text to incorporate these examples is set out in Attachment 2.

## **5 DCP 167 – WORKING GROUP CONSIDERATIONS**

- 5.1 The DCUSA Panel established a Working Group to assess DCP 167. The Working Group met on six occasions and was comprised of DNOs, Ofgem and other (non-DCUSA) parties whose work involves electricity network connections.
- 5.2 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).
- 5.3 The majority of Working Group members were supportive of the general principle of DCP 167.
- 5.4 Most of the Working Group members are in agreement with the current version of the legal text and the content of the associated new examples. It is noted that the proposed example 8D seeks to provide clarity to the existing methodology rather than proposing any material change to the methodology.

- 5.5 A difference in views exists in the Working Group regarding the charging principles illustrated in proposed example 8D. Some members consider that example 8D represents a type of reinforcement and the Cost Apportionment Factor should apply. The majority of the Working Group believes that the example does not add capacity to the network. However, transferring the load and reconfiguring the Distribution System releases capacity to that part of the Distribution System where the connection is required to be made. Some Working Group members initially described this type of reinforcement as load transfer reinforcement.
- 5.6 Under example 8D as interpreted by the majority of the Working Group the customer would be required to pay the full cost of the works required to transfer capacity from one network to another as no new capacity is being added to the network for the work to be considered reinforcement.
- 5.7 One Working Group member's interpretation was that the Cost Apportionment Factor should be applied at a suggested 2/7.7 of the reinforcement costs.
- 5.8 The Working Group took in to consideration the alternate views within the Working Group when drafting the consultation.

## **6 DCP 167 CONSULTATION ONE**

- 6.1 The Working Group carried out a Consultation to give DCUSA Parties and other interested organisations (Attachment 4) an opportunity to review and comment on DCP 167. There were nine responses received to the consultation. Six respondents were Distributors, two respondents were large customers and one respondent was a large customer and a Private Network Operator. The Working Group discussed each response and its comments are summarised alongside the collated Consultation responses in Attachment 4.
- 6.2 A summary of the responses received, and the Working Group's conclusions are set out below:

### **Question 1: Do you understand the intent of the DCP 167?**

| <b>Respondent Party Type</b> | <b>Yes</b> | <b>No</b> | <b>Undecided</b> |
|------------------------------|------------|-----------|------------------|
| <b>DNOs</b>                  | 6          | 0         | 0                |
| <b>Customers</b>             | 3          | 0         | 0                |

- 6.3 All respondents understood the intent of the CP.

**Question 2: Are you supportive of the principles of the DCP 167?**

| Respondent Party Type | Yes | No | Partially |
|-----------------------|-----|----|-----------|
| <b>DNOs</b>           | 6   | 0  | 0         |
| <b>Customers</b>      | 1   | 0  | 2         |

- 6.4 Seven out of nine of the respondents were supportive of the principles of the change.
- 6.5 Two of the three customer respondents were supportive of parts of but not all elements of the change as they considered that examples 8C and 8D were treated in an inconsistent manner. The customer respondents pointed out that although additional capacity is created where it is needed under both examples the fact that no overall additional net capacity was created in example 8D<sup>2</sup> should not be relevant as the spare capacity being transferred had no foreseeable use at its original location.
- 6.6 The majority of the Working Group considered example 8D to be a reconfiguration of the network and therefore fully chargeable. Some Working Group members who were not supportive of this approach agreed to raise an Alternative Change Proposal.

**Question 3: Do you have any comments on the proposed legal text?**

- 6.7 Four DNO respondents had no further comments on the DCP 167 proposed legal text. One DNO respondent considered that the *“definition of the Relevant Section of Network will enable the DNO to consider the application of cost apportionment when dealing with remote parts of the network and not just those used to supply the customer”*. Another DNO respondent referred to their answer to question 9 and 11. The Working Group responds to their answer at questions 9 and 11.
- 6.8 One customer respondent referred to the comments made by the customer representative on the DCP 167 proposed legal text in the main body of the consultation and its appendix. In particular the Customer requested that:
- “any changes so implemented should be unambiguous, consistent and not open to any further interpretation”.*

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<sup>2</sup> Example 8D ‘Connection of housing development with load transfer’

- 6.9 Another customer respondent suggested adding new drafting at clauses 1.13 and 1.16 of DCUSA Schedule 23 (as shown underlined below). The respondent proposed the following legal text:

Clause 1.13

- *“Work required to reconfigure the Distribution System to meet your requirements where no additional Network or Fault Level Capacity is made available shall be charged in full to you” to “Work required to reconfigure the Distribution System to meet your requirements where no additional Network or Fault Level Capacity is made available or transferred from a network where it is not utilised to one where it is shall be charged in full to you”*

The Working Group noted that although clause 1.13 was being modified to refer to example 8D as opposed to 8B there were no other changes to this clause. The majority of the Working Group did not propose other changes to this clause. Those Working Group members who proposed changes agreed to raise an Alternative Change Proposal.

Clause 1.16

- *Change “Reinforcement is defined as assets installed that add capacity (network or fault level) to the existing shared use Distribution System” to “Reinforcement is defined as assets installed that add capacity (network or fault level) to the existing shared use Distribution System or allow such capacity to be transferred from a network where it is not utilised to one where it is”.*

The majority of the Working Group does not support this view as it is not proposed to change the definition of Reinforcement at 1.16 in this Change Proposal. Those Working Group members who were supportive of this approach agreed to raise an Alternative Change Proposal.

- 6.10 One respondent who represented the role of both a large Customer and a Private Network Operator (PNO) considered that the DCP 167 modifications were dependent upon the Relevant Section Of Network definition changes being approved under the DCP 162 Change Proposal. *“This is because the Relevant Section of Network is defined by reference to parts of the network used to supply the new customer”.*

The Working Group agreed that although there is a reference to DCP 162 changes at 2.5 of the consultation, DCP 167 is not dependent on DCP 162 changes in order to be progressed.

- 6.11 The respondent proposed the legal text below to replace the definition of Relevant Section of Network in the table after clause 1.24:

*“If the assets installed that add capacity (network or fault level) to the existing shared use Distribution System are not being used to supply you in either*

*normal and abnormal running arrangements, but instead are being used to supply other loads as part of a load transfer, then the Relevant Section of Network is that part or parts of the Distribution System that can be used to supply the transferred loads in both normal and abnormal running arrangements.*

*Otherwise, the Relevant Section of Network is that part or parts of the Distribution System that can be used to supply you in both normal and abnormal running arrangements.*

*There may be more than one Relevant Section of Network, e.g. at different voltage levels."*

- 6.12 The Working Group noted that changes to the definition of the Relevant Section of Network were not proposed as part of the DCP 167 change but under the DCP 162 change. Following consultation responses to the DCP 162 CP it is now proposed to change the definition of the Relevant Section of Network in such a way that it will better accommodate remote reinforcement than the proposed text from the respondent.

**Question 4: Do you agree with proposed example 8C as set out in this CP? (Please see 3.2 to 3.4 of this consultation) Do you have any comments on proposed example 8C? (Please refer to 3.3 to 3.4 of this consultation)**

| Respondent Party Type | Yes | No | Not indicated |
|-----------------------|-----|----|---------------|
| <b>DNOs</b>           | 6   | 0  | 0             |
| <b>Customers</b>      | 1   | 0  | 2             |

- 6.13 Seven of the nine respondents agreed with the proposed example 8C. Two respondents did not indicate whether they agreed with example 8C but proposed some points to provide clarity within the example.

- 6.14 One respondent suggested that the Relevant Section of Network on the diagram could be highlighted and specified in more detail in the text provided.

- 6.15 The Working Group considered the response but believed the Relevant Section of Network to be fully described within the text. The Working Group did not wish to also mark the diagram to highlight the Relevant Section of Network as this would be inconsistent with the other examples in the methodology.

*One respondent advised that while they were “looking for a section of network supplying the new development, I wrongly assumed that the first mention of “Primary Substation B” under “The RSN for the Reinforcement” was a typo and should read “Primary Substation A”. This kind of confusion would be avoided by*



*the change to the table after clause 1.24 suggested in my answer to Q3, and by changing the text in Example 8C under “The RSN for the Reinforcement” to read”:*

*“The Relevant Section of Network is the three-feeder network from Primary Substation B which supplies the loads on the existing two feeders from Primary Substation B as well as the loads at points C and D transferred from the network from the Primary Substation A. The Relevant Section of Network does not supply the new development in this case. The numerator [... continue as current draft]”*

- 6.16 The Working Group agreed to amend the text at example C to the respondents proposed text.
- 6.17 Another respondent proposed the allocation of the costs of joints at A, B, C, D, E and F to be considered reinforcement. The respondent suggested that *"whilst the cost of the new circuit breaker at A and the cable AF increases the capacity within primary substation B, the jointing in of the two substations being transferred from substation A does not and therefore if considered reinforcement (which we would support) can only be considered this if reinforcement includes work to transfer spare capacity from where it is not used to where it is used"*.
- 6.18 The respondent advised that this comment was to highlight the difference in treatment of identical work between examples 8C and 8D. The proposer explained that it was intentional as the jointing configuration is different in 8C where it provides reinforcement whereas in 8D it does not. Some members of the Working Group considered that capacity is being made available where previously the connections could not be made. This alternative view will be presented in the Alternate Change Proposal.

**Question 5: Do you agree with proposed example 8D as set out in this CP?**  
**(Please see 3.5 to 3.12 of this consultation)**

- 6.19 Five DNO respondents indicated by their comments that they were in agreement with example 8D as stated within the consultation. One Customer respondent agreed with example 8D but referred to their answers to questions 7-11. The Working Group addresses the customer respondent's comments at questions 7-11.
- 6.20 One DNO respondent noted that they did not agree with example 8D but provided no further explanation.

- 6.21 Two Customer respondents did not agree with example 8D as they requested for a consistency in treatment of example of 8C and 8D. The work described in example 8D *"is identical to that classed as reinforcement in example 8C and not necessary to provide additional capacity in that example but rather only to transfer capacity from where it is not used to where it is required. To be consistent with example 8C the work required to transfer capacity from Primary substation B to primary substation A should be classed as reinforcement"*.
- 6.22 The majority of the Working Group considered example 8D to be a reconfiguration of the network and therefore fully chargeable. Some Working Group members who were not supportive of this approach agreed to raise an Alternative Change Proposal.

**Question 6: Do you have any comments on proposed example 8D? (Please see 3.5 to 3.12 of this consultation)**

- 6.23 Two DNO respondents had no further comments on the example 8D. Four DNO respondents considered that no additional capacity has been created in the overall network through the transference of part of the adjacent network to the Relevant Section of Network to provide further capacity to meet the requirements of the consumer's connection. Instead this transfer was viewed as a reconfiguration of the network which allows for the efficient use of assets as part of the minimum scheme. Under example 8D these respondents considered that the customer should be charged in full.
- 6.24 One Customer respondent referred to their answers to questions 7-11. The Working Group addresses the customer respondent's comments at questions 7-11. Another customer respondent referred to their answer to question 5. The Working Group addresses the customer respondent's comments at questions 5. One customer respondent noted that they supported the views represented in Appendix A to the consultation.
- 6.25 The majority of the Working Group agreed with the DNO respondents views on example 8D and noted that the alternate view represented by some of the customer respondents would be raised as an Alternate Change Proposal.

**Question 7: Do you believe it would be more appropriate for example 8D to be considered to illustrate 'Reinforcement' such that the Cost Apportionment Factor may be considered to apply? (Please see**

**3.5 to 3.12 of this consultation)**

| <b>Respondent Party Type</b> | <b>Yes</b> | <b>No</b> |
|------------------------------|------------|-----------|
| <b>DNOs</b>                  | 0          | 6         |
| <b>Customers</b>             | 3          | 0         |

6.26 Six DNO respondents were not supportive of this 'Question 7' proposal and three customer respondents were supportive of the proposal that example 8D illustrates 'Reinforcement' so that the CAF may be applied. One DNO respondent referred to their answer to question 11. The Working Group addresses this response at question 11.

**Question 8: In example 8D do you believe that capacity has been created or transferred? (Please see 3.5 to 3.12 of this consultation)**

| <b>Respondent Party Type</b> | <b>Capacity Created</b> | <b>Capacity Transferred</b> |
|------------------------------|-------------------------|-----------------------------|
| <b>DNOs</b>                  | 0                       | 6                           |
| <b>Customers</b>             | 1                       | 2                           |

6.27 Eight respondents considered that the capacity had been transferred. One DNO respondent considered that *"the assets installed are there only to facilitate the transfer of spare network capacity. These assets do not add any capacity they just facilitate the use of available capacity on adjacent network"*. Another DNO noted that they did not see a *"reasonable case for the costs of the works in such a case to be apportioned and potentially partly funded by customers through use of system charges"*.

6.28 One customer respondent considered that *"Additional capacity to deliver power to the POC has been created by constructing additional network assets. This has been achieved by removing a load from points G/H, which in took advantage of the spare capacity to deliver power at points A/F, so it can be described as a transfer of capacity as well"*.

6.29 A Working Group member explained that capacity of a network at the point of connection (POC) is not changed by the removal of demand. Another Working Group member commented that the methodology should recognise how capacity is effectively created by the transfer of an existing demand.

6.30 The Working Group agreed that in example 8D the capacity had been transferred.

**Question 9: Do you consider that two types of Reinforcement ('conventional**

**reinforcement’ and ‘load transfer reinforcement) should be defined in the DCUSA? (Please see 3.5 to 3.12 of this consultation)**

| <b>Respondent Party Type</b> | <b>Yes</b> | <b>No</b> | <b>Other</b> |
|------------------------------|------------|-----------|--------------|
| <b>DNOs</b>                  | 0          | 6         | 0            |
| <b>Customers</b>             | 1          | 1         | 1            |

- 6.31 Six DNO respondents and one customer respondent indicated that they did not consider it necessary to define two types of reinforcement.
- 6.32 One customer respondent referred to their response to question 11. The Working Group address the respondents comments at question 11.
- 6.33 One customer respondent considered there to be a benefit to defining two types of reinforcement within the CCCM as set out in Appendix A of the consultation.
- 6.34 The majority of the Working Group did not consider it necessary to define two types of reinforcement. Some Working Group members who did not agree with this approach have agreed to raise an alternate Change Proposal incorporating a definition for two types of Reinforcement and those views set out in Appendix A to the consultation.

**Question 9: Do you believe that DCUSA Schedule 22 clause 1.13 of the Common Connections Charging methodology is appropriate or does it require to be changed (Please see 2.8 of this consultation)?**

**DCUSA Schedule 22 Clause 1.13**

*“Work required to reconfigure the Distribution System to meet your requirements where no additional Network or Fault Level Capacity is made available shall be charged in full to you. See Example 8B”.*

- 6.35 Three DNO respondents commented that the wording of Clause 1.13 was appropriate and did not require further amendment. One customer respondent considered that the clause should be amended as per their response to question 3. The Working Group addressed this comment at question 3.

- 6.36 Another customer respondent considered that if the definition of Reinforcement is clarified then there might be no need to change clause 1.13, since it relies on the same concept of additional Network or Fault Level Capacity.
- 6.37 The majority of the Working Group considered that the existing definitions of both 'reinforcement' and at Clause 1.13 are at an appropriate level of detail to be consistent with the remainder of the methodology. The Working Group considered that it is more appropriate for the additional clarity to be provided by way of worked examples, as proposed.

**Question 10: Where capacity is transferred as described in example 8D are there any circumstances where you believe that the costs should or should not be apportioned? Please describe.**

- 6.38 Six DNO respondents did not consider that costs should be apportioned where capacity has been transferred. One respondent referenced clauses 1.16 to 1.28 clauses of DCUSA Schedule 22 as defining the scenarios where costs should or should not be apportioned. The respondent considered that "*these clauses clearly distinguish when work is chargeable to either the LDNO or customer*" and as a result example 8D should not be apportioned.
- 6.39 Two customer respondents considered that transferred capacity should be apportioned and one respondent referred to the views as set out in Appendix A of the consultation.
- 6.40 One customer respondent requested for the Working Group to refer to their answer to question 7. The Working Group responded to the customers comments at this question.
- 6.41 The majority of the Working Group agreed with the majority of respondents that the transferred capacity should not be apportioned in any circumstances. The customer respondents agreed to raise an alternate Change Proposal based on the alternate view provided in Appendix A to this consultation.

**Question 11: Do you believe that any other parts of the methodology need to be revised in relation to this issue of transferring capacity – e.g. 1.16 ( Please see 2.9 of this consultation)?**

DCUSA Clause 1.16

*"Reinforcement is defined as assets installed that add capacity (network or fault level) to the existing shared use Distribution System. The costs of Reinforcement shall be apportioned between you and us. The methods used to apportion the costs of Reinforcement are set out in paragraphs 1.23- 1.28. There are five exceptions to this rule. Where an exception applies Reinforcement will be treated as Extension Assets and costs will not be apportioned. These exceptions are described below and the application of exceptions 1, 2, 4, and 5 is demonstrated in the Examples".*

6.42 Six DNO respondents considered that DCUSA Clause 1.16 should not be revised and did not propose any changes to other parts of the methodology.

6.43 One customer respondent considered that Clause 1.16 should be unambiguous and if the Working Group agreed to the customer respondent's response to question seven then the following additional wording to clause 1.16 would be appropriate (as shown underlined below):

*"Reinforcement is defined as assets installed that add Network or Fault Level Capacity to the existing shared use Distribution System or to any point within the existing shared use Distribution System."*

6.44 Two Customer respondents considered that there should be other changes to the methodology. One respondent referred to their response to question 3. The Working Group responds to this customer respondent's suggestion at question three. The other respondent referred to the view proposed at Appendix A of the consultation. Please see Section 8.

6.45 The Working Group noted that the alternate view will be raised as an alternate Change Proposal.

**Question 12: Which DCUSA General Objectives does the CP better facilitate?**

**Please provide supporting comments.**

1. The development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System.
2. The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity.

3. The efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences.
4. The promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it.
5. compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

| Respondent Party Type | Objective 1 | Objective 2 | Objective 3 | Objective 4 | Objective 5 |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
| DNOs                  | 5           | 0           | 4           | 0           | 0           |
| Customers             | 0           | 2           | 2           | 1           | 0           |

- 6.46 Five DNOs considered that DCUSA General objective one was better facilitated by this change. Four DNO respondents considered that DCUSA General Objective 3 was better facilitated by this change. One respondent advised that both objectives were better facilitated as they allowed *"an efficient development of the distribution system and the provision of reasonable economic signals. This CP also improves clarity and transparency for both customers and distributors"*.
- 6.47 Two customer respondents considered that DCUSA General Objective two and three were better facilitated by this change so long as the changes that they proposed in their responses were implemented by the Working Group. The Working Group noted that these objectives would apply to the alternate Change Proposal once it has been raised.
- 6.48 One customer respondent considered the DCUSA General Objective four was better facilitated by this change *"if the application of the connection charging methodology can be considered to be part of the implementation and administration of DCUSA"*.
- 6.49 The Working Group agreed with the majority of respondents that the DCUSA General Objectives One and Three were better facilitated by this change.

**Question 13: Which DCUSA Charging Objectives does the CP better facilitate? Please provide supporting comments.**

1. that compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence
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)
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
4. that, so far as is consistent with Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business
5. that compliance by each DNO Party with the Charging Methodologies facilitates compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

| <b>Respondent Party Type</b> | <b>Objective 1</b> | <b>Objective 2</b> | <b>Objective 3</b> | <b>Objective 4</b> | <b>Objective 5</b> |
|------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>DNOs</b>                  | 6                  | 0                  | 0                  | 0                  | 0                  |
| <b>Customers</b>             | 0                  | 2                  | 3                  | 1                  | 0                  |

6.50 Six DNO respondents considered that DCUSA Charging Objective 1 was better facilitated by this CP as the proposed additional text and examples improve the level of explanation of potential connection charges set out within the CCCM. This results in improved clarity and transparency for customers and Distributors and a more consistent application of the CCCM and methodology statement in accordance with the relevant licence conditions 13 and 14.

6.51 Two Customer respondents considered that DCUSA Charging Objectives 2 and 3 were better facilitated by this CP if the Working Group amended the CP as proposed within their responses. The respondent suggested that the CP for examples 8C and 8D would allow the cost of the connection to be apportioned and recovered between parties that have initiated the work and any parties who may make use of additional capacity created or transferred thus reflecting the costs incurred and not preventing or distorting competition.



- 6.52 One Customer respondent considered that DCUSA Charging Objectives 3 and 4 were better facilitated by this CP. The CP allows for apportionment costs to be incurred for remote reinforcement and to be shared as appropriate with other network users resulting in a clearer methodology which is more cost reflective in line with Objective 3. The respondent suggests that if the DNOs consider the improvements to the CCCM to be considered a development in their business then DCUSA Charging Objective 4 is also better facilitated.
- 6.53 The majority of the Working Group agreed with the majority of respondents that DCUSA Charging Objective 1 was better facilitated by this change. The Working Group noted that some Working Group members had agreed to raise an alternate Change Proposal to this CP.

**Question 14: 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.**

- 6.54 Eight respondents were unaware of any wider industry developments that would impact upon this CP other than the proposed changes to the Relevant Section of Network definition under the DCP 162 CP which was referenced within the consultation.
- 6.55 One Customer respondent considered did not indicate 'yes' or 'no' to this question but emphasised that may be an adverse impact upon DCP 167 due to deficiencies in the DCP 162 change.
- 6.56 The Working Group considered the points raised on the impact of the DCP 162 CP on DCP 167 and noted that the proposed Relevant Section of Network definition was modified to better accommodate remote reinforcement on review of the DCP 162 consultation responses.

**Question 15: Are you supportive of the proposed implementation date of the next DCUSA release following Authority consent?**

- 6.57 Five DNO respondents and one customer respondent indicated that they were supportive of the implementation date. This customer respondent who was supportive of the implementation date asked the Working Group to consider "*if the argument from price-controlled distributors at the end of paragraph 3.11 of the consultation can be shown to be valid then perhaps there would be some*

*grounds to defer the implementation of a clearer and wider definition of Reinforcement to 1 April 2015”.*

The majority of the Working Group believes that no amendment is required as the existing definitions of both ‘reinforcement’ and at Clause 1.13 are at an appropriate level of detail to be consistent with the remainder of the methodology. The Working Group considered that it is more appropriate for the additional clarity to be provided by way of worked examples, as proposed.

- 6.58 One DNO advised that they had no objection to the proposed date and one Customer respondent did not consider there to be a reason to delay implementation of the CP. One customer respondent abstained from commenting on the implementation date.
- 6.59 The Working Group agreed with the majority of respondents that the implementation date should be the next DCUSA release following Authority consent.

**Question 16: Are there any alternative solutions or matters that should be considered by the Working Group?**

- 6.60 Six DNO respondents and one customer respondent considered that there were no alternate solutions or matters to be considered. One customer respondent highlighted that they agreed with the views expressed in Appendix A to this consultation and that it should be considered by the Working Group. Another customer respondent referred to their suggestion to modify the definition of Reinforcement in their answer to question 3 to this consultation.
- 6.61 The Working Group noted that the customer respondents<sup>3</sup> agreed to raise an alternate Change Proposal which will capture the views proposed in Appendix A of the consultation. The Working Group note that they responded to the customer’s suggestion on the reinforcement definition at question 3 to this consultation.

## **7 DCP 167 – WORKING GROUP CONCLUSIONS**

- 7.1 The Working Group reviewed each of the responses received to consultation 1 and concluded that the majority of the respondents understood the intent of DCP 167.

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<sup>3</sup> During the course of this CP and the raising of the alternate proposal, one of these Working Group members has retired.

- 7.2 The Working Group agreed that the majority of respondents were supportive of the principle of the CP.
- 7.3 The Working Group noted that two Customer respondents indicated that they were either not supportive or partially supportive of its principles in the consultation responses. Two of the Customer respondents agreed that they had a different view to the Working Group and agreed to raise an Alternate Change Proposal for the Authorities consideration.
- 7.4 The Working Group noted that the majority of respondents felt that specifically DCUSA General Objectives 1 and 3 and DCUSA Charging Objective 1 were better facilitated by this change.
- 7.5 The Working Group concluded that the CP will provide the following benefits:
- by adding further clarity to the CCCM through the addition of examples to illustrate current practices.
  - by assisting users in understanding how connection costs are applied through the addition of example scenarios and the addition of detailed explanations of those scenarios.
  - Ensure the fulfilment of each of the DNOs obligation under Standard Licence Condition 13.1 to at all times have in force a Connection Charging Methodology which includes the Common Connection Charging Methodology. The DNO Licences define a Connection Charging Methodology as 'a complete and documented explanation, presented in a coherent and consistent manner, of the methods, principles, and assumptions that apply....in relation to connections, for determining the Licensee's Connection Charges'

## **8 ALTERNATE CHANGE PROPOSAL RAISED**

- 8.1 One Working Group member agreed with Example 8C but disagreed with the Working Group's preferred solution for Example 8D in regards to the charging principles and exercised the right to raise an alternate proposal (DCP167A, Attachment 3 to this report).
- 8.2 This alternate Change Proposal builds on the suggestion that transferring the load and reconfiguring the Distribution System releases capacity to that part of the Distribution System where the connection is required to be made. In

example 8D demand is transferred from Primary Substation A to Primary Substation B. The proposer considered this load transfer to be a type of reinforcement which should be cost apportioned and the Cost Apportionment Factor (CAF) would be applied at a suggested 2/7.7 of the reinforcement costs.

- 8.3 The proposer believes there to be an inconsistency in treatment of Example 8C in comparison to Example 8D in the Working Group preferred solution. In Example 8C the cost of joints at A, B, C, D, E and F are allocated as reinforcement. Whilst the cost of the new circuit breaker at A and the cable A-F increases the capacity within the network of primary substation B, the jointing in of the two substations being transferred from substation A does not add capacity. If Example 8C advises the cost of the jointing will be apportioned for their transfer from one network to another then the proposer suggests that the cost of the joints is being treated inconsistently in comparison with the load transfer in Example 8D. This alternate Change Proposal aims to introduce consistency in the treatment of both Examples. The legal text for the alternate proposal acts as Attachment 2 to this report.

## 9 EVALUATION AGAINST THE DCUSA OBJECTIVES

- 9.1 The majority of the Working Group considers that DCUSA Charging Objective 1 and DCUSA General Objectives 1 and 3 are better facilitated by DCP 167. Some Working Group members consider that DCUSA Charging Objective 2 and 3 and DCUSA General Objectives 2 and 3 are better facilitated by DCP 167A. The reasoning against each objective is detailed below:

### **Charging Objectives**

**Charging Objective One** *-That compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence.*

- **The Majority Working Group view on DCP 167:** The majority of the Working Group agreed that this DCP 167 better facilitates DCUSA Charging Objective 1, as it improves clarity for DNOs and customers in the consistent application of the CCCM and methodology statement in line with the Distribution licence conditions of SLC 13 and SLC 14 through the provision of new illustrative examples.
- **The Minority Working Group view on DCP 167A:** The minority of the

Working Group agreed that the impact on Charging Objective one is neutral.

**Charging Objective Two** - *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).*

- **The Majority Working Group view on DCP 167:** The majority of the Working Group agreed that the impact on Charging Objective one is neutral.
- **The Minority Working Group view on DCP 167A:** The minority of the Working Group considers that DCP 167A better facilitates DCUSA Charging Objective 2, as examples 8C and 8D would allow the cost of the connection to be apportioned and recovered between parties that have initiated the work and any parties who may make use of additional capacity created or transferred thus reflecting the costs incurred.

**Charging Objective Three**-*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.*

- **The Majority Working Group view on DCP 167:** The majority of the Working Group agreed that the impact on Charging Objective three is neutral.
- **The Minority Working Group view on DCP 167A:** DCP 167A better facilitates DCUSA Charging Objective 3, as examples 8C and 8D would allow the cost of the connection to be apportioned and recovered between parties that have initiated the work and any parties who may make use of additional capacity created or transferred and as a result will not prevent or distort competition.

**Charging Objective Four** - *That, so far as is consistent with Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business.*

- **The Majority Working Group view on DCP 167:** The majority of the Working Group agreed that the impact on Charging Objective four is neutral.
- **The Minority Working Group view on DCP 167A:** The minority of the Working Group agreed that the impact on Charging Objective four is neutral.

**Charging Objective Five** - *That compliance by each DNO Party with the Charging Methodologies facilitates compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators (ACER).*

- **The Majority Working Group view on DCP 167:** The Working Group agreed that the impact on Charging Objective five is neutral. DCP 167 was not raised as the result of a legally binding decision of the European Commission or ACER and therefore does not better facilitate Charging Objective five.
- **The Minority Working Group view on DCP 167A:** The Working Group agreed that the impact on Charging Objective five is neutral. DCP 167A was not raised as the result of a legally binding decision of the European Commission or ACER and therefore does not better facilitate Charging Objective five.

### **General Objectives**

**General Objective One** – *The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks.*

- **The Majority Working Group view on DCP 167:** The majority of the Working Group agreed that Objective one is better facilitated by this change as it adds clarity to the methodology and helps to ensure an efficient and co-ordinated network is developed through the provision of the relevant

economic signals.

- **The Minority Working Group view on DCP 167A:** The minority of the Working Group agreed that the impact on General Objective one is neutral.

**General Objective Two** – *The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity.*

- **The Majority Working Group view on DCP 167:** The majority of the Working Group agreed that the impact on General Objective two is neutral.
- **The Minority Working Group view on DCP 167A:** The minority of the Working Group agreed that General Objective two is better facilitated by DCP 167A as the CP would allow costs to be apportioned and recovered in an appropriate manner ensuring competition in the sale, distribution and purchase of electricity.

**General Objective Three** – *The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences.*

- **The Majority Working Group view on DCP 167:** The majority of the Working Group agreed that General Objective three is better facilitated by this change as licence condition 13 requires each DNO to have a connection charging methodology in force. This Change Proposal facilitates the fulfilment of this obligation in keeping the CCCM in line with current practices and clearly stating those charges to the customer.
- **The Minority Working Group view on DCP 167A:** The minority of the Working Group agreed that General Objective three is better facilitated by this change as licence condition 13 requires each DNO to have a connection charging methodology in force. This Change Proposal facilitates the fulfilment of this obligation in keeping the CCCM in line with current practices and clearly stating those charges to the customer.

**General Objective Four** – *The promotion of efficiency in the implementation and administration of this Agreement.*

- **The Majority Working Group view on DCP 167:** The majority of the

Working Group agreed that the impact on General Objective four is neutral.

- **The Minority Working Group view on DCP 167A:** The minority of the Working Group agreed that the impact on General Objective four is neutral.

**General Objective Five** – *Compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.*

- **The Majority Working Group view on DCP 167:** The majority of the Working Group agreed that the impact on General Objective five is neutral.
- **The Minority Working Group view on DCP 167A:** The minority of the Working Group agreed that the impact on General Objective five is neutral.

## 10 IMPACT ON GREENHOUSE GAS OMISSIONS

- 10.1 In accordance with DCUSA clause 11.14.6, the Working Group assessed whether there would be a material impact on greenhouse gas emissions if DCP 167 or DCP 167A were implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this Change Proposal.

## 11 IMPLEMENTATION

- 11.1 Subject to Party approval, DCP 167 or DCP 167A will be implemented in the next DCUSA release following Authority consent.

## 12 PANEL RECOMMENDATION

- 12.1 The DCUSA Panel approved the DCP 167 and DCP 167A Change Report on 20 August 2014. The timetable for the progression of the CPs is set out below:

| Activity                        | Target Date                  |
|---------------------------------|------------------------------|
| Change Report Agreed            | 20 August 2014               |
| Change Report Issued For Voting | 22 August 2014               |
| Party Voting Ends               | 08 September 2014            |
| Change Declaration Issued       | 10 September 2014            |
| Authority Decision <sup>4</sup> | 15 October 2014              |
| Implementation <sup>5</sup>     | Next DCUSA Release following |

<sup>4</sup> Indicative decision date based on the 25 Working Day KPI



|                   |
|-------------------|
| Authority Consent |
|-------------------|

**13 ATTACHMENTS:**

- Attachment 1 – DCP 167 and DCP 167A Voting Form
- Attachment 2 – DCP 167 Proposed Legal Text
- Attachment 2 –DCP 167A Legal Text
- Attachment 3 - DCP 167 Change Proposal
- Attachment 3 –DCP 167A Change Proposal
- Attachment 4 – DCP 167 Consultation Documents

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<sup>5</sup> Next DCUSA release is the 07 November 2014