



DCUSA Consultation

DCP 162 – Non-Secure Connections in the Common Connections Charging Methodology

1 PURPOSE

- 1.1 The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity Distributors, electricity Suppliers and large Generators. Parties to the DCUSA can raise Change Proposals (CPs) to amend the Agreement with the consent of other Parties and (where applicable) the Authority.
- 1.2 This document is a consultation issued to all DCUSA Parties and the Authority in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 162 'Non-Secure Connections in the Common Connections Charging Methodology'. The consultation is also to be issued to customer representatives, inviting their comments.
- 1.3 Parties are invited to consider the proposed legal drafting set out in Attachment 2 to this document and the associated questions within this consultation. Comments should be submitted using the response form provided as Attachment 3 to DCUSA@electralink.co.uk by **02 October 2013**.

2 DCP 162 – NON-SECURE CONNECTIONS IN THE COMMON CONNECTIONS CHARGING METHODOLOGY

- 2.1 DCP 162 has been raised by Scottish Hydro Electric Power Distribution plc, following on from initial proposals developed within the Connections Sub Group of the Commercial Operations Group and the Connection Charging Methodologies Forum (CCMF).
- 2.2 The CP seeks to amend the common 'Statement of Methodology and Charges for Connection' to specify the connection charging arrangements to be applied by Distribution Network Operators (DNOs) in cases where there is a 'non-secure' element to a connection. The CP also seeks to add three worked examples to the Statement template to assist users by illustrating the application of the charging principles for such non-secure connections in a range of situations, including the calculation of the associated connection charges (on an illustrative basis).
- 2.3 The purpose of this change is to provide the basis for consistent charging in

relation to non-secure connections by extending the level of detail within the common Statement template used by DNOs. The CP aims to reflect principles outlined by Ofgem in a Determination decision which related to a connection of this type. The Determination reference is RBA/TR/A/DET/160, dated 7 July 2011.

- 2.4 The purpose of the worked examples is to further assist users of the Statements by illustrating the operation of the extended charging principles in different situations. As with all examples in the Statement template, these examples are not intended to provide any technical indication of actual connection design solutions which may be deployed, as this is outside the scope of the Charging Methodology.

3 WORKING GROUP ASSESSMENT

- 3.1 The DCUSA Panel has established the DCP 162 Working Group which currently consists of representatives from DNOs, Ofgem and other (non-DCUSA) parties whose work involves electricity network connections.
- 3.2 The Working Group has considered the CP and although most aspects of the current version of the proposed legal text are agreed by the Working Group parties, a difference of views exists in relation to the detail of the new Example 13 which the CP proposes.
- 3.3 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. However, some members disagree with certain elements of the detail of the proposed example 13, principally in relation to the number of feeder circuits which are taken into account in the Cost Apportionment Factor (CAF) calculation. This calculation is important because it establishes the share of the total cost of the Reinforcement works which is directly chargeable to the connecting customer.
- 3.4 The majority view in the Group is that the maximum number of feeder circuits which should be taken into account in a CAF calculation in a situation of this nature is three. This point was the subject of significant debate within the CCMF when the draft CP was under development.
- 3.5 In practice, actual networks may be significantly more complex and there may

be multiple interconnections, potentially involving far in excess of 3 or 4 feeders, as local circumstances and/or individual DNO design/operational policies have determined. The proposal to consider a maximum of three feeders in the CAF calculation was initially developed with the intent of providing a reasonably balanced approach for charging purposes only which could be readily and universally applied by DNOs, whilst avoiding excessive levels of complexity and/or regional variations.

- 3.6 One of the Working Group members disagrees with the 'three circuits' approach and has put forward an alternative case for four circuits to be the maximum number of circuits to be considered in such calculations. This case is based on this member's experience of typical generic technical network design standards and practices to provide security of supply. A customer representative letter including a counter proposal is included as Appendix A to this document.
- 3.7 Another Working Group member has expressed a case to have no pre-determined maximum number of circuits to be taken into account in the CAF calculation. This alternative proposal is based on each DNO determining the relevant feeder data for the CAF calculation on a case-by-case, project-specific basis, with each DNO reflecting its own network design and operational policies, assuming that these policies are reasonable for the particular circumstances.

4 ASSESSMENT AGAINST THE DCUSA OBJECTIVES

- 4.1 The majority of the Working Group consider that the CP better facilitates DCUSA Charging Objective 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".

Each DNO is obliged 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'

The Working Group considers that this CP better facilitates DCUSA Charging Objective 1, as implementation within DCUSA would significantly extend the level of explanation set out within the Common Connection Methodology. Charging arrangements for 'non-secure' connections are not currently explicitly explained in the Methodology, so implementation of the CP would assist in achieving a more complete explanation of potential charges for users in such cases. By providing further worked examples for the Common Methodology, users would also be provided with illustrations showing the application of the charging principles for non-secure connections in a variety of scenarios, and these would also better facilitate the provision of complete explanation of the charging arrangements.

- 4.2 The majority of the Working Group parties also consider that the CP better facilitates DCUSA Charging 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)"

The CP is also felt to better facilitate DCUSA Charging Objective 2, as the consistency of charging applied by the DNO Licensees for non-secure connections should be enhanced through the provision of specific detail within the Common Methodology explaining and illustrating the charging principles to for this type of connection.

5 LEGAL DRAFTING

- 5.1 As the existing Methodology does not differentiate between secure and non-secure arrangements, the CP proposes to amend the definition of 'New Network Capacity' and to replace the definition of 'Relevant Section of Network' within Clause 24 of the Common Connection Charging Methodology. The proposed text is within Attachment 2 to this consultation.
- 5.2 To further embed and illustrate the concepts of secure and non-secure connections within the Methodology, the CP proposes amendments to existing Examples 4, 5, 6, 8A, 8B, and 10.
- 5.3 Three new worked examples are proposed, these being:
- (a) Example 11: Non-Secure Connection With Non-Secure Reinforcement;
 - (b) Example 12: Non-Secure Connection With Secure Reinforcement;
 - (c) Example 13: Secure Connection With Secure Reinforcement.

6 IMPLEMENTATION

- 6.1 The proposed implementation date for DCP 162 was June 2013 at the point when the CP was raised. As this timescale is no longer achievable, the revised implementation date is proposed as the first release of an updated version of the DCUSA following Ofgem approval of the CP.

7 CONSULTATION

- 7.1 The Working Group is seeking views on the questions set out below:
- 1. Do you understand the intent of the CP?
 - 2. Are you supportive of the principles of the CP?
 - 3. Do you agree with the revised definition of 'New Network Capacity'? Please provide supporting reasons for your view.
 - 4. Do you agree with the new definition of 'Relevant Section of Network'? Please provide supporting reasons for your view.

5. Do you agree with the amendments to the existing Examples? Please provide supporting reasons for your view.
6. Do you feel that the proposed new Examples 11, 12 and 13 adequately illustrate appropriate charging principles for connections with a non-secure element? Please provide supporting reasons for your view.
7. In Example 13, do you support applying a maximum number of feeders in the CAF calculation? Please provide supporting reasons for your view.
8. If you do support applying a maximum number of feeders in the CAF calculation, should the value be 3, 4 or some other value? Please provide supporting reasons for your view.
9. Are there any alternative solutions or matters that should be considered by the Working Group?
10. 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.
11. 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.
12. 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.
13. Are you supportive of the revised implementation date which is proposed?

14. Do you have any additional comments on the proposed legal text?
- 7.2 Responses should be submitted using Attachment C to DCUSA@electralink.co.uk no later than **02 October 2013**.
- 7.3 Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate any parts of a response that are to be treated confidentially.

8 NEXT STEPS

- 8.1 Responses to the Consultation will be reviewed by the DCP 162 Working Group. The Working Group will then determine the progression route for the CP.
- 8.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA Help Desk by email to DCUSA@electralink.co.uk or telephone 020 7432 2842.

9 ATTACHMENTS

Attachment 1 – DCP 162 Change Proposal

Attachment 2 – Proposed legal text

Attachment 3 – Response form

10 APPENDICES

Appendix A - Working Group customer representative letter

APPENDIX A – WORKING GROUP CUSTOMER REPRESENTATIVE LETTER**DCP 162: RESPONSE TO DRAFT CONSULTATION****DATE: 05 SEPTEMBER 2013**

I remain concerned that the consultation document does not make any reference to the fact that, as part of the Group discussions and fact finding process, the Group was provided with technical papers supporting the technical argument behind the 4 circuit arrangements.

It remains my view that the technical argument should, in turn, support the commercial argument and this will not be the case if these proposals are accepted and amendments made to the Charging Statement.

I therefore believe that the following should be included within the text of the consultation.

“The majority view in the Group is that the maximum number of feeder circuits which should be taken into account in a CAF calculation in a situation of this nature is three”.

By reducing the number of circuits to 3 (for commercial and contribution purposes only and excluding any technical reasoning) this would be to the financial detriment potential new connectees.

As part of the debate a customer’s representative has previously provided copies of the original submissions relating to the technical background behind the cost apportionment and the associated technical considerations.

As a result of this:

1. All of the DCUSA Workgroup were party to the discussions relating to the technical considerations behind a 4 circuit group; noting that they were both technically compliant and otherwise acceptable.
2. All of the DCUSA Workgroup were party to the discussions noting that a 4 circuit group provide a co-ordinated and efficient network.

3. It was further suggested to all DCUSA delegates that by reducing the group to a maximum of 3 circuits (and under n-1 considerations) all that would actually be achieved would be to increase in connection cost to the customer whilst still allowing the DNO to potentially minimise costs by installing a group of 4 circuits.
4. In effect by sanctioning this Change Modification it was agreed that there would be no actual technical benefit to the distribution networks.

Within the CCMS There are 2 sections that are relevant to this Distribution Change Proposal

- That the Charging statement should provide a common approach to charging regimes, and,
- the the DNO's will make available design policies and standards as appropriate.

Based on the above we consider that it would be appropriate for the DNO's to independently declare (in advance of the consultation) whether it would be their intentions to apply a 3 or 4 circuit group (maximum) within both this DCP 162 submission and also their own Charging Statements.

I note that the DNO's have declined to provide this information even though, in my opinion this should be part of the CCMS and therefore within the public domain.

Legal Text: New Network Capacity

With regard to the proposed amendment to New Network Capacity it will be appreciated that this was discussed as part of the DCP 172 on 7th August.

There is little within the actual consultation document explaining the background behind this part of the proposals and even less explaining the consequence to DG customers or customers requiring a connection with both DG and demand connection elements.

The relevant section is detailed below in blue.

'If both power flows determine the Reinforcement, then the larger power flow will be used.'

On the basis that any customer has the right to be treated in a fair and equitable manner (see Licence obligations) is it acceptable to deny the 'demand component' of a connection their due allowance under the CAF apportionment simply because there is an associated DG element?

I would again suggest that I believe that this requires a detailed debate with a review of the implications - especially in view of the recent Ofgem determination.

I WOULD FORMALLY REQUEST A LEGAL VIEW ON THIS QUESTION BEFORE
INCLUSION WITHIN THE CONSULTATION DOCUMENT