

### **DCUSA DCP 161 Consultation Responses – Collated Comments**

<b>Question One</b>	<b>Do you agree with the intent of DCP 161?</b>	<b>Working Group Response</b>
		The Working Group noted that the majority of the respondents agreed with the intent of DCP 161.
<b>British Gas</b>	Yes	
<b>Electricity North West</b>	Yes	
<b>E.ON</b>	Partially. We agree there may be some merit in the first sentence of the intent if this creates a more cost reflective charge. We cannot agree with the second sentence of the intent as we see no evidence to support this.	The Working Group noted that they will look at the intent at a later point in order to determine if there is a need for a change to it.
<b>NPower</b>	Yes	
<b>Scottish Power Energy Retail Ltd</b>	We are broadly supportive of the intent of this DCP.	
<b>SSE Distribution</b>	Yes	
<b>SP Distribution &amp; SP Manweb</b>	Yes	
<b>SSE Energy Supply Ltd</b>	No	
<b>UK Power Networks</b>	Yes	

<b>Western Power Distribution</b>	The Options suggested are either overly complex and would require IT development of our billing system (Options 1-3) or are not fair to the customers (Option 4).	The Working Group reviewed the response and noted the comments.
<b>Question Two</b>	<b>Do you agree with the principles of DCP 161?</b>	
<b>British Gas</b>	Agree with the principle of improving cost reflectivity	
<b>Electricity North West</b>	Yes	
<b>E.ON</b>	See answer to question 1 above.	The Working Group noted the comment
<b>NPower</b>	<p>We agree that if there is a proven impact on the DNO network then it is appropriate to incentivise customers to only utilise their agreed capacity. However, we remain to be convinced that the DNO's have made the case that this impact is large or real.</p> <p>In addition to this the utilisation of the Charging Methodology is not necessarily the most appropriate place for these charges to be recovered. We suggest that other options are considered.</p>	<p>The Working Group reviewed and noted the comments. The Npower Working Group representative explained that they are still keen to examine the terms and conditions and relationship with the connection agreement, rather than the charging methodology. It was explained that their concern is in principle, where should this charge be located; and would like this view explored further.</p> <p>It was also noted by the Ofgem representative that the Working Group should also consider the impacts of DCP 114<sup>1</sup> and DCP 115<sup>2</sup>, as these are all not mutually exclusive.</p> <p>The Working Group noted that they are aware of the interaction between the CPs, and will</p>

<sup>1</sup> NTC Amendments - Capacity Management (Over Utilisation)

<sup>2</sup> NTC Amendments - Capacity Management (Under Utilisation)

<b>ScottishPower Energy Retail Ltd</b>	<p>We are supportive of the principles established by this change proposal to improve cost reflectivity around excess capacity charge. We also support the objective to incentivise customers to use their capacity more effectively.</p> <p>We believe that it would be helpful if clarification can be provided on any impacts on allowed revenues values as a result of avoided reinforcement costs resulting from the implementation of this CP. In addition further clarification would be helpful on whether it is perceived that there will be an overall net reduction in DUoS costs and the implications of shifting costs from one customer group to another.</p> <p>We believe that it cannot be assumed that the majority of customers who regularly breach their agreed MIC level are prepared to accept excess capacity charges rather than have their load requirements reassessed which could result in reinforcement costs being necessary. Customers may genuinely exceed their MIC without realising or due to a temporary increased load.</p>	<p>bear this in mind as the CP progresses.</p> <p>The Working Group then discussed the impacts on allowed revenues, and it was noted that it was something that would only be able to be confirmed once the CP was implemented. However, Working Group members thought that the impact analysis would be useful and necessary to fully understand the impact of DCP 161. It was countered that it will be difficult to fully understand the impacts until it is implemented.</p> <p>It was highlighted by Working Group members that the change needs to be justified in order to make the case for it to be implemented.</p> <p>A Working Group member noted that a benefit is that once Smart technologies come into effect, the capacities need to be accurate as it is more difficult to plan for a breach than accurate capacity usage.</p> <p>It was also queried whether the situation of when a customer exceeds their capacity, whether it could be the result of circumstances that have changed rather than a one-off occurrence. If this is the case it could be the case that it would be better addressed/resolved by speaking to the customer to determine their</p>
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		needs. It was explained by DNO representatives that they do communicate to customers when this happens; however, it does not always remedy the situation.
<b>SSE Distribution</b>	Yes	
<b>SP Distribution &amp; SP Manweb</b>	Yes	
<b>SSE Energy Supply Ltd</b>	We have some sympathy with the principles of the change. However the econometric reasons given for changing the Available Capacity price calculations are inadequate, and the billing workload created by the change has not been given proper consideration.	The Working Group reviewed the comment, and explained that the potential solutions for this will be developed later in the Working Group, once an option is agreed to progress.
<b>UK Power Networks</b>	Yes	
<b>Western Power Distribution</b>	See 1	The Working Group noted the comment.
<b>Question Three</b>	<b>Do you think that instead of levying higher exceeded capacity charges, DNOs should enforce the connection terms on customers breaching the MIC/MECs?</b>	
<b>British Gas</b>	Both. In the event of a customer exceeding their capacity, excess charges should be applied for the month in breach, and the terms of the connection agreement reviewed to align the capacity for the site.	The British Gas representative noted this would be their preferred approach to progress in regard to the CP.
<b>Electricity North</b>	No. We consider that enforcing connection terms is	The ENWL representative noted that enforcing

<b>West</b>	complementary to this proposal rather than an alternative. DNOs currently monitor their customers' MIC/MECs and liaise with a customer when it is breached. This does not remove the need for a cost reflective excess capacity charge which will encourage customers to speak to their DNO and put in place a realistic MIC/MEC. Consequently, this change proposal will complement the existing contractual arrangement with customers and assist DNOs in managing their connection terms.	the connection terms is complementary to the CP, and it would be the use of both in order to effectively manage the network.
<b>E.ON</b>	<p>A higher charge may be appropriate if it can be demonstrated that it is reflective of the costs incurred by the network. The consultation highlights two areas that this DCP is also trying to solve as follows</p> <p>“3.6 A further issue identified by the Working Group is the application of the excess capacity charge. This charge is applied for the month in which the breach occurs. This means that there is a potential gaming opportunity for customers to set their MIC/MEC at an artificially low level and only pay for the additional capacity they require in the months they require it.</p> <p>3.7 DNOs use the MIC/MECs to assist in managing the capacity of their networks. If these are set artificially low, it could lead to DNOs underestimating the capacity required on their networks and not having sufficient capacity to meet the peak network requirements.”</p> <p>There is a counter argument that a customer may set their MIC/MEC at an artificially high level to prevent competition connecting on the network and leading to artificially high estimation of required capacity on their network which could lead to unnecessary re-enforcement works. Unfortunately this view is not reflected in the consultation. It is hard to see how an excess charge can satisfactorily address either of these issues. They can only be addresses by either</p>	<p>The Working Group discussed the issues raised and noted that a customer could set capacity artificially high in order to stifle competition in the area. The Working Group felt that this type of issue would be the exception rather than a common occurrence.</p> <p>A Working Group member noted that under this CP, there is no incentive to have a higher MIC/MEC, and therefore it is not applicable to the CP.</p> <p>The point in regard to the management of the network and how it is managed efficiently, the Working Group felt that there is still work to be completed in regard to these areas – economic, managed better elsewhere, and how to manage capacities better in the future.</p>

	enforcing the obligations in their connection agreement or agreeing a variation to that agreement. Relevant and up to date connection agreements that are enforced are the only sure way to run an efficient network. Simply charging more is not guaranteed to have the desired effect and may lead to unnecessary re-enforcement. The working group needs to demonstrate that either of the scenarios exist, and that they truly are causing issues on their networks.	
<b>NPower</b>	No. However, the current connection terms should be looked at when determining how best to charge a customer for this breach of capacity.	
<b>ScottishPower Energy Retail Ltd</b>	Yes, an alternative way of managing the risk of customers exceeding capacity may be for the DNO to measure and monitor customers load and then communicate with customers who regularly breach their agreed capacity. This could be a preferable first step before trying to introduce more complex excess capacity charging. We do believe that should a customer ignore attempts by the DNO to discuss the agreed capacity that excess capacity charges should be applied in order to avoid any potential cross subsidy of charges between customer groups.	The Working Group noted that these are points that have been discussed in previous responses.
<b>SSE Distribution</b>	In our view, other than where safety is genuinely compromised, de-energisation for breach, threatened or actual, is likely to be viewed as 'heavy handed' by customers. The process of enforcement by this means can also be a slow, difficult, frustrating and potentially confrontational process. However, in instances of outright customer non-cooperation, enforcement of the connection terms may ultimately be necessary, but very clearly as a last resort.	The Working Group reviewed and noted the comments.

	<p>It seems reasonable to expect that most customers will be significantly more likely to operate within their agreed capacity parameters where the level of charges for the use of excess capacity incentivises compliance.</p> <p>We therefore favour the implementation of higher exceeded capacity charges as a means of encouraging compliance with the established connection terms.</p>	
<b>SP Distribution &amp; SP Manweb</b>	<p>No, the volumes of customers who exceed their MIC/MEC can make it difficult to enforce the connection terms. If all who exceed are treated equally with a higher charge rate applied this would encourage customers to stay within the MIC/MEC.</p> <p>We consider this DCP a more effective way to send a message to the customer to monitor their demand of electricity and protect the network.</p>	The Working Group reviewed and noted the comments.
<b>SSE Energy Supply Ltd</b>	In addition to applying higher exceeded capacity charges, the DNO's can still enforce Connection Terms on these Customers breaching their MIC/MEC.	
<b>UK Power Networks</b>	We believe that the DNO should look to enforce the connection terms where the customer has breached their agreed MIC/MEC, however this should be done in conjunction with the application of a higher exceeded capacity charge, which will encourage customers to manage their agreed capacity with the DNO.	

<b>Western Power Distribution</b>	Yes, DNOs should be communicating with customers regarding their breaches.	
<b>Question Four</b>	<b>Do you believe that any changes to the calculation of excess capacity charges should be made to both the MIC and MEC or just the MIC? Please provide comments.</b>	
<b>British Gas</b>	Both	
<b>Electricity North West</b>	Within the CDCM, generation does not incur an export capacity charge and therefore this proposal should not impact on those customers in relation to their MEC. EDCM customers are covered under question 8 below.	
<b>E.ON</b>	Changes if they are most cost reflective of the costs incurred by the DNO should apply equally both MIC and MEC.	
<b>NPower</b>	Parity should be maintained between export and import sites.	
<b>ScottishPower Energy Retail Ltd</b>	We believe there may be potential difficulties including export capacity due to the volatility around export sites in terms of capacity particularly, reactive elements. It may be a disincentive to export if an excess charge was included against MEC	The Working Group reviewed the response and discussed the points raised, and noted that generation does not incur an export capacity charge.
<b>SSE Distribution</b>	Yes.  We see no valid reason why changes to excess capacity charges should only apply to import, particularly since connection works and charges can be driven by either.	
<b>SP Distribution &amp;</b>	Exceeded capacity charges should apply to both, however MEC	

<b>SP Manweb</b>	is currently only charged to EDCM customers who exceed.	
<b>SSE Energy Supply Ltd</b>	Only to the MIC. Exceeding on the MEC does not have the same connotations on the network.	
<b>UK Power Networks</b>	<p>Changes to the excess capacity charges should apply to MEC as well as the MIC. Whilst the core requirement of the network is to support the needs of import customers, export users must operate within agreed parameters.</p> <p>Whilst standalone merchant generation have connections that tend to be sized to meet the needs of their specific installed generation the same is not true of cogeneration.</p> <p>Cogeneration sites can experience volatility in and sustained reductions in site consumption that normally mask a larger embedded generator. Such reduction of site consumption can lead to the level of export exceeding that which the distributor has agreed to design his system for.</p> <p>It is entirely possible for customers to exceed agreed export levels if they do not take action to govern their cogeneration to remain within boundary export limits agreed with the distributor.</p> <p>Excess export, which the network has not been designed for, will give rise to excess reverse power flows and higher than expected voltage rises and the likelihood of constraint on other generators that are operating within their own agreed parameters.</p>	<p>The Working Group discussed the point in regard to the exceeded generation capacity as it could have implication on other generators. It was questioned whether UKPN could quantify this issue – and the representative from UKPN indicated that the information will be requested and sent to the Working Group.</p>
<b>Western Power Distribution</b>	No, no changes to either should be made.	
<b>Question Five</b>	<b>If DCP 161 is approved and implemented do you anticipate a</b>	

	<b>substantial increase of queries relating to excess capacity charges for DNOs or Suppliers? If so, please provide supporting comments and estimates of the potential impact.</b>	
		The Working Group noted that the majority view is that there will be an increase in queries from customers if this CP was implemented; this was the case for DNOs and Suppliers.
<b>British Gas</b>	-	
<b>Electricity North West</b>	Under DCP 114/115 we undertook an analysis of customers to determine the number of customers whose maximum demand exceeded their MIC. Approximately 30% of customers exceed their MIC and where this occurs by a significant amount we already contact the customers. Consequently, we do not expect a material increase in queries relating to this change proposal.	
<b>E.ON</b>	We provided some information to the working group that showed the number of invoices we received containing an excess charge and some measure of the customer queries we received with regard to capacity charge. Unfortunately the working group have not used this information as part of the consultation. We believe there should be some work undertaken to look at the number of excess breaches and their correspondence to change of customer and if they have had sight of their connection agreement. We understand one DNO will contact a new customer to agree a new connection agreement and so a comparison should be able to be made.	The Working Group reviewed and noted the comments.

<b>NPower</b>	Yes we believe that we would receive substantial additional inquiries.	The Working Group noted the comment.
<b>ScottishPower Energy Retail Ltd</b>	<p>Yes, although this would in part depend on the roll out of the new changes. Checks would need to take place to ensure the accuracy of the existing MIC in the first instance and communication would need to take place with all impacted customers.</p> <p>Customers may require load management advice to assist with avoidance of costly excess charges and we would anticipate an increase in queries to Suppliers where agreement had not been reached prior to introduction of this change.</p>	
<b>SSE Distribution</b>	<p>We believe that the volume of queries relating to excess capacity will increase, as the volume dropped following implementation of the current charging methodologies. The level of increase could well vary however, depending on which solution (if any) was implemented.</p> <p>For instance, Option 4 in the CP represents a relatively simple approach which has previously been used for many years by some DNOs. As such, many customers will be familiar with this charging structure and will therefore readily understand it without requiring assistance.</p> <p>However, the other Options are relatively complex and likely to be less easily understood by customers. Accordingly, a more substantial increase in queries can therefore be expected.</p>	
<b>SP Distribution &amp;</b>	We would expect the customer (or their consultant) to raise	

<b>SP Manweb</b>	<p>more queries if DCP 161 is approved. We have noticed that some customer's contact their Supplier regarding capacity queries and are then advised to contact the DNO as the MIC/MEC is seen as a DNO charge. It is difficult to quantify the increase in queries.</p> <p>Customers would need to be advised of this excess MIC/MEC rate to reduce the level of queries. Suppliers are best placed to advise their individual customers.</p>	
<b>SSE Energy Supply Ltd</b>	Experience has shown that changes to 'Use OF System' charges does lead to an increase in queries, the majority of which are directed to the Supplier, who is recovering the charges through their supply charges.	
<b>UK Power Networks</b>	We do not believe there will be a substantial increase in the number of queries.	
<b>Western Power Distribution</b>	Yes, because the Options 1-3 are overly confusing for customers and Option 4 is excessively punitive.	
<b>Question Six</b>	<b>If DCP 161 is approved and implemented do you feel that there may be more volatility in revenue recovered from excess capacity charges? If so, please give details.</b>	
		The Working Group noted that generally, the responses think it will increase, but not significantly.
<b>British Gas</b>	-	
<b>Electricity North</b>	Given the size of excess capacity charge revenue at present for	The ENWL representative explained that they

<b>West</b>	Electricity North West (£1.4m in 2012/13) we do not expect this to be a material source of volatility. In addition the price signal provided by the more cost reflective excess capacity charge will encourage customers to shift load within their existing capacity limits rather than breach them or to seek an alternative MIC value to reduce the impact of the higher excess capacity charge, so we would expect the number of breaches to decrease under this change proposal.	expect volatility to go up, but the materiality will not be material. However, this should reduce in time once the charge is in effect and customers look for ways to mitigate against it.
<b>E.ON</b>	This is unclear. No mention of volatility is made in the change report apart from this question.	The Working Group noted this response.
<b>NPower</b>	There is potential for this volatility especially considering the indicative values that DNO's provided concerning excess rates. We would like the working group to consider how this volatility could be mitigated to ensure other consumers are not impacted by this change.	The Working Group noted the comments contained within the response and agreed that this will be reviewed during the course of the Working Group.
<b>ScottishPower Energy Retail Ltd</b>	Unable to comment at this time	
<b>SSE Distribution</b>	This is very hard to predict as it is determined largely by variable customer behaviour.	
<b>SP Distribution &amp; SP Manweb</b>	We do not believe this DCP would significantly increase volatility. There would (hopefully) be a decrease in customers exceeding their capacity therefore we would expect to see a reduction in the revenue recovered from exceeded capacity charges over time.	
<b>SSE Energy Supply Ltd</b>	Yes. This potential additional cost to the Customer may incentivise them to manage their load requirements more effective, and either keep within their agreed MIC / MEC, or	

	renegotiate a more appropriate capacity.	
<b>UK Power Networks</b>	We do not believe that there will be noticeably more volatility in revenue recovered from excess capacity charges. Total capacity charges only represent a small part of the overall revenue collected and are generally seen as a 'fixed' charge component.	
<b>Western Power Distribution</b>	Yes, but only by a small amount.	
<b>Question Seven</b>	<b>Do you feel that removing customer contributions from the excess capacity charge within the CDCM will lead to this being a more cost reflective element of the charge?</b>	
		The Working Group reviewed and discussed all the comments contained within the responses to this question.
<b>British Gas</b>	Yes	
<b>Electricity North West</b>	Yes. The CDCM reduces the capacity charge to take account of customer contributions made when the customer connected. However, the customer only contributed towards the cost of the agreed capacity and not to network capacity over and above this level.	
<b>E.ON</b>	There may be some merit in this although there needs to be some evidence that all customers have paid a contribution before it is removed.	
<b>NPower</b>	This appears to be a fair way of establishing the excess rate.	

<b>ScottishPower Energy Retail Ltd</b>	We believe that further clarification would be helpful on the effect of removing the customer contributions from the excess capacity charge.	
<b>SSE Distribution</b>	Yes	
<b>SP Distribution &amp; SP Manweb</b>	Yes, if customers do not contribute to this level of capacity then the charge rate should reflect this.	
<b>SSE Energy Supply Ltd</b>	The proposal sounds sensible, but all changes to an econometric model involve a degree of subjective judgement. We feel that the reasons given for the change don't justify the impact on customer billing and supplier/customer goodwill.	
<b>UK Power Networks</b>	We believe that removing customer contributions from this part of the charge is appropriate as the customer contributes for their declared capacity at the point of connection. This does create an issue should the customer previously have had a higher declared capacity (which they would have contributed towards) and has since reduced their capacity, which could result in these customers paying twice. However the opposite would also apply for where a customer has increased their capacity since connecting. However overall we believe that removing customer contributions from the exceeded capacity charge would make this element of the charge more cost reflective.	
<b>Western Power Distribution</b>	Marginally, but this is an overly complicated compared to the benefit.	
<b>Question 8</b>	<b>Do you feel that including customer contributions within the EDCM capacity charge should be considered as part of DCP</b>	

	161? Please provide supporting comments.	
		The Working Group noted that the majority of respondents did not think that it should be included within this CP, and raised as a separate CP. The Working Group agreed not to include the EDCM element for the CP, and thought it would be better addressed as a separate CP. It was agreed to write to the DCUSA Panel to amend the intent, and explain the intention to raise an additional CP to address the EDCM elements
<b>British Gas</b>	This may improve cost reflectivity but data may not be available on a site by site basis.	
<b>Electricity North West</b>	No, we believe that an amendment to the EDCM capacity charge (ie not just the excess capacity charge) is beyond the scope of this change proposal as it is a more fundamental change that would affect all customers rather than just those that exceed their capacity.	
<b>E.ON</b>	If it is proven to be more cost reflective then yes.	
<b>NPower</b>	We believe that a separate change should be raised to fully explore the implications of changes to the EDCM in more detail. We would also encourage that the MIG work on EDCM customer charging is taken into account at this stage also.	
<b>ScottishPower</b>	Scottish Power's preference would be to learn from any changes implemented within the CDCM before implementing	

<b>Energy Retail Ltd</b>	these changes within the EDCM	
<b>SSE Distribution</b>	<p>Yes.</p> <p>There is no reason to assume that EDCM customers will not exceed agreed capacity values any less than other customer groups and so should be subject to similar charging principles.</p>	
<b>SP Distribution &amp; SP Manweb</b>	DCP161 could be extended to review the EDCM capacity charge rate and exceeded charge rate, however to be fully considered it may be best raise a separate DCP.	
<b>SSE Energy Supply Ltd</b>	The distributors are best placed to answer this question.	
<b>UK Power Networks</b>	Although we believe that the calculation of the exceeded capacity charge within the EDCM should be reviewed to improve cost reflectivity, we do not believe that including customer contributions within the EDCM is appropriate. The EDCM calculates site specific charges, and customer contributions are currently based on a sample of connected sites within a defined period, as such we do not believe that this would be appropriate under this methodology, any changes to the EDCM arrangements should be addressed through a separate DCP.	
<b>Western Power Distribution</b>	No, because this is being looked at by another group.	
<b>Question 9</b>	<b>There are different options of how this charge can be calculated and applied as explained within paragraph 3.8 of</b>	

	<b>the consultation. Please provide comments on all the options listed, and your preferred option.</b>	
<b>British Gas</b>	All options represent a large change from the status quo, and we don't understand why the simple option of removing customer contributions from the excess capacity rate, and then charging for the month of the breach has not been considered.	
<b>Electricity North West</b>	<p>Electricity North West preference: Option 4, followed by option 3. We consider options 1 and 2 to be too complex and would not provide a transparent pricing signal to customers.</p> <p>Option 1: The excess capacity charge will be more cost reflective than under current arrangements, but there will still be a degree of averaging when deriving the charge which will benefit some customers at the expense of others. The charge will not be as transparent as it will apply on a seasonal basis which could confuse customers. This option will require a billing change for Electricity North West.</p> <p>Option 2: The excess capacity charge will be more cost reflective than under current arrangements, but there will still be a degree of averaging when deriving the charge which will benefit some customers at the expense of others. The charge will be less transparent than option 1 as it will apply on a time of day basis and traditionally capacity charges have been charge on a daily basis. This option will require a billing change for Electricity North West.</p> <p>Option 3: This is the least cost reflective of the options due to the impact of calculating the excess capacity charge based on</p>	<p>The Working Group reviewed all the comments within this response.</p> <p>In regard to Option 4, it was queried by Working Group members why it would be considered fair to charge the higher capacity for a year, if the customer only breaches their capacity once. The question was around if it were a one-off occurrence, as compared to a pattern of behaviour the consequences could be construed as unfair.</p> <p>It was noted that the 12 months was historically used, and the principle that they are paying for a capacity charge needs to be the same as the excess capacity charge. It was explained that there is the situation where it is cheaper for a customer to breach capacity, rather than agree a higher level.</p> <p>It was highlighted by the Ofgem representative, that the charge needs to be demonstrated to be cost reflective.</p>

	<p>the average number of times a DNOs customers exceed their capacity each year. However, it is still an improvement on the current situation and this is the easiest to implement as it will not require any billing changes. It will also be the most transparent price signal for customers.</p> <p>Option 4: A number of DNOs previously charged for excess capacity using option 4. The price signal is cost reflective and would remove any incentive customers currently have to reduce their MIC below the level they actually require. This will require some billing changes, but the price signal is clear and transparent to customers and this is our favoured option.</p>	
<b>E.ON</b>	<p>None. We see no evidence to move from the current practice of charging just for the month exceeded. We understand that one DNO provided evidence of the level of exceeded capacity when they applied an excess charge greater than the agreed charge. This data was inconclusive as the effectiveness in changing customer behaviour. Unfortunately the working group have not presented this data as part of the consultation. We believe this change should demonstrate that charging excess over an extended period is effective in changing behaviour as to the alternatives of amending the connection agreement or charging only for the month of breach.</p>	The Working Group reviewed and noted the comments within this response.
<b>NPower</b>	<p>Option 3 would be our preferred option if we are right in our understanding that this is in essence the same way of charging as at the moment, but just an increase to the published rate from the DNOs and would apply to ALL customers under that DNO until the next published Condition 4 statements.</p>	It was noted by the Npower representative that simple application of an excess rate to any capacity over and above that agreed in the connection terms also seems a simpler and more effective way of charging; and the

	A simple application of an excess rate to any capacity over and above that agreed in the connection terms also seems a simpler and more effective way of charging.	customer can immediately see the financial incentive not to breach the capacity.
<b>ScottishPower Energy Retail Ltd</b>	<p><b>Option 1</b> – No load management incentive exists for April – October but seems a fairer option for customers who only occasionally breach their MIC assuming the charge is only applied in the month the breach takes place.</p> <p><b>Option 2</b> – Too complex, difficult to explain to customers and reflect on customer invoices. Against the principles OFGEM seem to be promoting around clarity and simplicity.</p> <p><b>Option 3</b> - Previous year figures may not be relevant following a change of tenancy. Complicated to validate assuming Suppliers had sight of the data used.</p> <p><b>Option 4</b> A previous method pre CDCM, leads to complexity with part year supplied sites and Change of Tenancy situations. Difficult to explain to customers and to replicate on invoices. Customer can be penalised for the whole year even when only breaching the MIC in one month.</p>	The Working Group reviewed and noted all the comments within this response.
<b>SSE Distribution</b>	<p>Our preference among the options presented is for Option 4 to be adopted.</p> <p>Option 1 would be complex to bill and inappropriate for summer peaking load situations, of which there are many. No charging incentive would be given to such customers to maintain operations within agreed capacity values. This may also imply to customers that capacity breaches are only a</p>	The Working Group reviewed and noted all the comments within this response.

	<p>concern to the DNO if they occur in winter, which is a false impression.</p> <p>Option 2 would also be complex to bill, also lacks incentives for parties who breach outside 'peak' time slots and implies that capacity breaches are only serious if they occur at 'peak' times, which again is false.</p> <p>Option 3 is complex, labour-intensive and potentially unclear to customers.</p> <p>Option 4 is clear and simple for customers to understand and applies equally to customers who breach capacity at any time of day or season. Some alteration to billing systems may however be required.</p>	
<b>SP Distribution &amp; SP Manweb</b>	<p><b>Option 1</b> – To apply the scaled excess capacity charge on a seasonal basis. This is a sensible option, to protect the network when it is at greatest risk. However, this option does not encourage those customers who exceed all year round to better manage their demand.</p> <p><b>Option 2</b> – To apply the excess capacity charge on a time of day basis. This option is more protective of the network than Option 1, since it covers every day in the year. Customers will be encouraged to manage their demand all year round.</p> <p><b>Option 3</b> – To apply a scaling factor to the excess capacity charge. This option is too complex, not as cost reflective and potentially more volatile year on year.</p>	

	<p><b>Option 4</b> - To apply the excess capacity charge based on the maximum exceeded capacity over the last 12 month period. We do not consider this option the fairest or most cost reflective. Also, a customer who had to pay exceeded capacity charges for an entire year has no incentive to bring their demand in line with MIC/MEC until the following year.</p> <p><b>Our preference is for Option 2.</b></p>	
<b>SSE Energy Supply Ltd</b>	Our preferred option is 4. All other options are more complex resulting in greater difficulty in the Customer controlling their demand and reconciling any excess charges applied, resulting in more Customer enquiries, the majority directed to the Suppliers.	
<b>UK Power Networks</b>	We believe that the exceeded capacity charge should apply at all times when that customer exceeds their declared capacity, we do not believe that seasonal or time of day is appropriate for capacity charging. Option 3 where a scaling factor is used would make this area of the charge more complex for a customer to understand and should not be progressed any further.	
<b>Western Power Distribution</b>	WPD feels that Options 1 to 3 would be too complex for the customers to understand and react to and would lead excessive customer enquiries. Option 4 is too punitive. Our software providers have assessed that there will be a changes and related charges to our billing system to implement Options 1, 2 or 3.	The Working Group reviewed and noted all the comments within this response.

<b>Question 10</b>	<b>If this DCP 161 is approved it is believed that customers (who are charged a tariff containing a capacity element) will need to be informed of the impact. Is this feasible and how would you envisage this communication taking place?</b>	
		The Working Group noted that there was a split of opinions given with the responses. The Working Group was also split in the opinions of who should lead the communication efforts to customers. The DNOs felt that the Suppliers have the most up to date contact information and as such would be best placed to lead the communication. The Supplier representatives feel that the DNOs should make the (initial) efforts to communicate with their customers regarding the introduction of these charges.
<b>British Gas</b>	-	
<b>Electricity North West</b>	Electricity North West has around 8,700 customers who receive a capacity charge and we do not have contact details for the majority of these customers. Currently, any changes to tariffs, including capacity charges, are notified to suppliers within the LC14 statement and Suppliers build the tariffs into their charges to end customers. It would not be feasible for DNOs to contact these customers and believe it would be more sensible for Suppliers to inform customers where appropriate.	<p>The Working Group reviewed this response, and it was noted by a couple of Working Group members that since this is a DNO issue and it is the DNO is trying to encourage the behaviour change, it would be beneficial for the DNO to contact them directly.</p> <p>It was explained by a Working Group member that it would still be worth the effort being made, even if the DNOs do not feel they have all the contact information. It would show that the</p>

		DNOs are trying to make the effort to communicate the change.
<b>E.ON</b>	How has this been addressed for past tariff changes? It is difficult to see any other method than DNOs writing to each of their customers with an amended connection agreement. Should the working group also be thinking how they can consult with these customers before DCP 161 is sent for party vote rather than telling customers after it has been implemented.	<p>The Working Group reviewed and noted all the comments within this response.</p> <p>The Working Group noted that a consultation could be issued to a larger group that includes customers and even try to interact with those that are currently breaching their capacity, including clear descriptions of what the solution will be if it is implemented.</p>
<b>NPower</b>	We would ensure that customers are contacted through our usual methods, however, we encourage the DNO's to contact their customers to ensure that they are engaging with their key stakeholders (consumers) if this change were to be implemented.	The Npower representative reiterated that in their opinion that if this is an issue for DNOs, then the DNOs should interact with the customers who this change could affect.
<b>ScottishPower Energy Retail Ltd</b>	Scottish Power would anticipate that the communication would need to come from the DNO at the same time that Connection Agreements are reviewed, amended and updated. Would require comprehensive communication distributed by the DNO well in advance of any changes. We believe it would be useful for customers to receive a letter detailing their existing MIC with an explanation of the impact of this change. Customers may need to have the opportunity to apply for and receive upgrades and reinforcement to existing capacity. A long lead time would be preferable to allow consultation with end customer and time to request changes.	The Working Group noted the comments, and felt that this may be about the broader point of the connection agreements and may not be applicable with the introduction of the charge under DCP 161.
<b>SSE Distribution</b>	We believe that if DCP161 is approved, there is a clear case for advance communication of the change with the affected	

	<p>customer groups. We further believe that this communication is definitely feasible and would be best undertaken by the current Suppliers.</p> <p>Suppliers have the most regular contact and relationship with the parties who pay the charges and are responsible for energy procurement/management. As such, they are best placed to be able to target communications to the appropriate customer contacts.</p>	
<b>SP Distribution &amp; SP Manweb</b>	<p>This would need to be included within each DNOs published Charging Statement.</p> <p>In addition, Suppliers would be best placed to advise their individual customers of the impact of this change on their final charge.</p>	
<b>SSE Energy Supply Ltd</b>	<p>Any changes in these charges will be reflected in the DNO's 'Use of System' charging statement. As Supplier, in our Terms and Conditions, we reserve the right to pass through these charges, referring our Customers to these charging statements.</p>	
<b>UK Power Networks</b>	<p>The impact on the customer will depend on the nature of their supply contract/charges. It may be appropriate for Supplier to engage with their customers on this.</p> <p>We believe that where the DNO has sufficient details they should do all they can to assist in making parties aware of the change, but we believe that this activity needs to be led by Suppliers.</p>	
<b>Western Power</b>	<p>This would need to be undertaken by the suppliers who have</p>	

<b>Distribution</b>	access to up to date contact details for customers.	
<b>Question 11</b>	<b>Do you believe there is a material impact for networks from customers currently exceeding their MIC/MEC? Please provide supporting comments.</b>	
		<p>The Working Group agreed that more work will need to be completed in regard to demonstrating the impacts for this CP. It was discussed about finding the reinforcement that has been completed that can be attributed to exceeded capacity. Some Working Group members felt that if the 'proof' is not available to demonstrate the issue, it is possible that the justification for this CP could be challenged.</p> <p>It was countered that it could also be viewed from a cost reflectivity point of view, and that this CP could influence behaviour in a positive way and lead to more appropriate and cost reflective charges being incurred.</p> <p>It was also discussed that there are many ways to manage capacity, and there are customers engaging and doing this with the DNO. However, if a customer isn't doing this and breaching their capacity, it seems fair to charge an excess charge. It was noted that this has logical reasoning, but it needs to be able to be</p>

		demonstrated.
<b>British Gas</b>	-	
<b>Electricity North West</b>	We believe that customers exceeding their MIC are an important issue for DNOs and the impact will become more material over time. Electricity demand is forecast to increase substantially with the increased uptake of low carbon technologies and a move away from gas for heating purposes. This will place more stress on the Distribution networks which will need to reinforce or alternatively encourage customers to change their consumption patterns. We expect the network to get tighter and to be more susceptible to smaller variations in demand such as customers breaching their capacity. The introduction of a cost reflective excess capacity charge will help DNOs run networks that are likely to have a higher level of utilisation than historically.	
<b>E.ON</b>	This should be for DNOs to answer, but we have seen no evidence of a material impact on Networks from a MIC/MEC breach.	The Working Group reviewed and noted all the comments within this response.
<b>Northern Powergrid</b>		
<b>NPower</b>	We have no view as this is a key question for the networks to answer, however, we do not feel that the DNO's through the working group have effectively answered this question.	The Working Group noted that there is still work to be done in regard to this area.
<b>ScottishPower Energy Retail Ltd</b>	I don't believe that we are in a position to comment.	

<b>SSE Distribution</b>	<p>Yes – potentially in relation to safety, network security and planning grounds.</p> <p>The current charging methodologies arguably encourage capacity ‘gaming’ (as described within the consultation) and it is clearly not desirable for such behaviour to become more widespread or ingrained.</p>	
<b>SP Distribution &amp; SP Manweb</b>	Yes, there is the potential for material impact from customers exceeding their capacity, especially if the volumes are significant.	
<b>SSE Energy Supply Ltd</b>	The distributors are best placed to answer this question.	
<b>UK Power Networks</b>	Although a customer exceeding their capacity on a single occasion is unlikely to cause an issue for network operators, where this is repeated over a prolonged period of time by a number of parties in a region, the DNO will need to consider reinforcement.	
<b>Western Power Distribution</b>	No, we do not currently experience any material impact from customers exceeding their capacities.	
<b>Question 12</b>	<b>Are there any unintended consequences of applying these changes?</b>	
		The Working Group noted that the majority of respondents did not foresee any unintended consequences.

<b>British Gas</b>	Increased complexity	
<b>Electricity North West</b>	No	
<b>E.ON</b>	None that haven't already been identified.	
<b>NPower</b>	Not that we are aware of.	
<b>ScottishPower Energy Retail Ltd</b>	Our view is that there may be possible contractions with DCP179 where it has been suggested that a fixed capacity charge may be introduced to non CT Metered tariff types to get a better alignment between NHH and HH charging. DCP 161 may create new and significant differences between customer types with some customers having embedded capacity charges and others having very cost reflective capacity charges. Further Consideration to those customers that may avoid excess capacity charging by opting for a different tariff type.	The Working Group reviewed and noted all the comments within this response.
<b>SSE Distribution</b>	Not that we are aware of.	
<b>SP Distribution &amp; SP Manweb</b>	None.	
<b>SSE Energy Supply Ltd</b>	No	
<b>UK Power Networks</b>	Not in addition to what is already mentioned within the consultation document.	
<b>Western Power Distribution</b>	Yes, billing system updates and customer confusion.	
<b>Question 13</b>	<b>Do you agree with the implementation date for DCP 161 of 1</b>	

	April 2015? If not, please provide supporting comments.	
		The Working Group noted this would be an area that would be kept under consideration going forward.
<b>British Gas</b>	Yes	
<b>Electricity North West</b>	Yes	
<b>E.ON</b>	Yes.	
<b>NPower</b>	<p>No. We believe that an implementation date should be set to the second April following a decision by Ofgem. If a decision is reached before the end of March 14 then this would go live in April 16. March 15 - April 17 etc</p> <p>This practice has been adopted in other codes such as the CUSC and gives certainty to the market when changes such as this are made. This allows appropriate system changes to be made and avoid market shocks.</p> <p>This is particularly important in this case as consumers will need to be made aware and potentially adjust their business models.</p>	The Working Group noted this comment and agreed that more notice to customers would be beneficial. It was also noted this would be an area that would be kept under consideration going forward.
<b>ScottishPower Energy Retail Ltd</b>	If Suppliers are to take a leading role in the communication process with the customer, we cannot commit to a date at this time. It is important to consider the impact of the communication process and the amount of time it would take to process upgrade requests and change in capacity requests for customers wishing to avoid excess charges. This process	

	could a considerable amount of time which cannot be measured at this point. In addition we would require sufficient time to assess and schedule any necessary system changes required.	
<b>SSE Distribution</b>	Yes.  This would tie in with the established charging timetables, would allow time for the change to be communicated to customers and should also allow sufficient time for any billing system alterations required.	
<b>SP Distribution &amp; SP Manweb</b>	Yes we agree that the implementation date of 1 April 2015 is appropriate.	
<b>SSE Energy Supply Ltd</b>	Yes, providing the customary 15 month notice period is observed.	
<b>UK Power Networks</b>	We believe that this is a significant change and as such requires a reasonable period of notification prior to being applied. We believe that a decision would need to be known no later than the end of Q2 2014 for a 1 April 2015 implementation, otherwise an implementation date of 1 April 2016 should be considered.	
<b>Western Power Distribution</b>	No, this would not provide sufficient lead-time for system changes to be implemented. We would suggest 1 April 2016.	
<b>Question 14</b>	<b>Are there any alternative solutions or matters that should be</b>	

	considered by the Working Group?	
		The Working Group reviewed and discussed all the responses to this question.
<b>British Gas</b>	Simple solution of removing customer contributions from the excess capacity rate, and then charging for the month of the breach (as currently done)	
<b>Electricity North West</b>	No	
<b>E.ON</b>	None that haven't already been identified.	
<b>NPower</b>	We have no suggestions other than those above at this time.	
<b>ScottishPower Energy Retail Ltd</b>	Exemptions may need to be permitted to those customers awaiting upgrades, currently in dispute in relation to their connection agreement or change of tenancy situations	
<b>SSE Distribution</b>	Not that we are aware of.	
<b>SP Distribution &amp; SP Manweb</b>	Option 1 or 2 - both would require some change to our DUoS billing application, with the associated cost.  Also, if Option 4 is considered as an option, then it would be better to fix the period between April and March, rather than any 12 months from when the capacity is exceeded.	
<b>SSE Energy Supply Ltd</b>	No	
<b>UK Power</b>	We feel that the working group should consider how capacity and the application of exceeded capacity should be treated	The Working Group discussed this point, and acknowledged there is an issue potentially. It

<b>Networks</b>	<p>where a single site has two or more MPANs but which are registered to different Suppliers. As an example if a single site has a declared capacity of 500kVA (for the site) and is registered to Supplier A for both MPANs, and they use 400kVA then that Supplier will be charged 500kVA for the capacity charge and nothing for exceeded capacity (as there isn't any). However if one of those MPANs moves to Supplier B, then the capacity charge could be split between the two MPANs, if so should it be an even split with 250kVA being assigned to each? However for this example if it was split as 250kVA to each MPAN, and then one MPAN or account uses 300kVA, but the other is only using 100kVA then the Customer will see a total of 500kVA for the capacity charge (250kVA for each MPAN/account), and a 50kVA exceeded capacity charge for one of the MPANs. Is this the correct approach? It would be useful to define how this would work within DCUSA as part of this change proposal.</p>	<p>was highlighted that if it was only a small number of customers a manual adjustment could be made; however, it will need to be considered how to manage the situation.</p>
<b>Western Power Distribution</b>	<p>WPD would like a variation of Option 4 to be considered but where the customer is only charged at the higher rate for 1 month rather than 12.</p>	<p>The Working Group has discussed this point within earlier responses</p>
<b>Question 15</b>	<p><b>Are you aware of any wider industry developments that may impact upon or be impacted by this CP? If so, please provide supporting comments.</b></p>	
		<p>The Working Group noted the majority of respondents were not aware of any other industry developments. The other comments were reviewed and discussed by the Working</p>

		Group.
<b>British Gas</b>	-	
<b>Electricity North West</b>	As described in our answer to Q11, this change proposal will assist in the development of smart grids by providing more cost reflective signals to customers.	
<b>E.ON</b>	Not that we are aware of.	
<b>NPower</b>	Interaction with other DCP's is crucial particularly where seasonal charging is considered. We also think that any potential interaction with DCP179 and therefore P272 should be considered by the working group.	
<b>ScottishPower Energy Retail Ltd</b>	The principles of DCP179	
<b>SSE Distribution</b>	No	
<b>SP Distribution &amp; SP Manweb</b>	No	
<b>SSE Energy Supply Ltd</b>	Should P272 (The mandatory settlement of Profile Class 5 to 8 Customers to Half Hourly) be accepted, the DUoS charging structure today would place an additional 150,00 + MPAN's on Capacity Charges.	The Working Group noted this point, and thought that the interactions should be examined further.
<b>UK Power Networks</b>	No	
<b>Western Power</b>	No	

<b>Distribution</b>		
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