



DCUSA Change Report

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

1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA and details DCP 162 – Non-Secure Connections in the Common Connections Charging Methodology and DCP 162A 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 no later than **08 September 2014**.

2 EXECUTIVE SUMMARY

- 2.1 DCP 162 was raised by Scottish Hydro Electric Power Distribution plc on the 07 February 2013 to amend the common ‘Statement of Methodology and Charges for Connection’, which is governed by the DCUSA, to include connection charging arrangements associated with ‘non-secure’ connections and to provide accompanying illustrative examples. The CP aims to reflect principles outlined by Ofgem Determination reference RBA/TR/A/DET/160, dated 7 July 2011.
- 2.2 Over a period of one year the DCP 162 Working Group met nine times and issued one consultation. The consultation considered changes to the Common Connection Charging Methodology (CCCM) legal text including the definition of New Network Capacity and the definition of the Relevant Section of Network. Industry parties were asked to consider adjustments to the illustrative Examples 4, 5, 6, 8, 8B and 10 and the addition of new Examples 11, 12 and 13 for non-secure connection scenarios. The Working Group is split on the solution proposed by Example 13 and as result some Working Group members chose to raise an alternate Change Proposal DCP 162A. The majority of the Working Group supports the original DCP 162 Change Proposal.

3 BACKGROUND

- 3.1 Ofgem’s views with respect to the charging of reinforcement costs associated with the provision of a ‘non-secure’ connection initially emerged in Determination RBA/TR/A/DET/160 (dated 7 July 2011) (Attachment 5). As a consequence of this

Determination, industry parties have considered that it would be beneficial to clarify the charging arrangements associated with 'non-secure' connections within the Common Methodology.

- 3.2 DCP 162 has been raised to address this requirement, following on from initial proposals developed within the Connections Sub Group of the Commercial Operations Group and the Connection Charging Methodologies Forum (CCMF).

4 INTENT OF DCP 162 – NON-SECURE CONNECTIONS IN THE COMMON CONNECTIONS CHARGING METHODOLOGY

- 3.1 DCP 162 has been raised by Scottish Hydro Electric Power Distribution plc, as a Part 1 matter¹ to amend the common 'Statement of Methodology and Charges for Connection', which is governed by the DCUSA, to include connection charging arrangements associated with 'non-secure' connections and to provide accompanying illustrative examples.
- 3.2 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).
- 3.3 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.
- 3.4 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.

¹ DCP 162 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.

4 DCP 162 – WORKING GROUP CONSIDERATIONS

- 4.1 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.
- 4.2 The DCUSA Panel established a Working Group to assess DCP 162. The Working Group met on nine occasions. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.
- 4.3 The majority of Working Group members were supportive of the general principle of DCP 162.
- 4.4 The proposed New Network Capacity definition is amended and the proposed Relevant Section of Network definition is replaced in Clause 24 of DCUSA Schedule 22 to take account of non-secure connections. In order to clarify the treatment of non-secure connection examples minor adjustments were made to the legal text to show where the network is secure and non-secure in Examples 4, 5, 6, 8, 8B and 10. Further clarity was introduced by adding the necessary references to the Relevant Section of Network within the legal text (Please see Attachment 2).
- 4.5 The Working Group considered the three proposed new examples for non-secure connections (Please see Attachment 2):
- Example 11: Non-Secure Connection With Non-Secure Reinforcement;
 - Example 12: Non-Secure Connection With Secure Reinforcement; and
 - Example 13: Secure Connection With Secure Reinforcement.
- 4.6 Most of the Working Group members are in agreement with the proposed 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.

- 4.7 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 COG Connections Sub Group and CCMF when the draft CP was under development.
- 4.8 The Working Group took in to consideration the alternate views within the Working Group when drafting the consultation.

5 DCP 162 CONSULTATION ONE

- 5.1 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 162. 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.
- 5.2 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 CP?

Respondent Party Type	Yes	No	Undecided
DNOs	6	0	0
Customers	3	0	0

- 5.3 The Working Group noted that all respondents understood the intent of the CP and eight respondents were satisfied with the intent of the CP.
- 5.4 One respondent considered the development of the Change Proposal to have gone beyond *"the stated intent by seeking to change the apportionment rules for secure connections"*.
- 5.5 The Working Group considered the response and identified areas of the Change Proposal which could be considered outside of the scope of the Change Proposals intent such as example 13.
- 5.6 The view of the Working Group is that whilst the focus of the CP is very clearly on 'non-secure' connections, there is a requirement for the CP to make certain references to 'secure' connections for two principal reasons:

- Firstly, although the CP is clear that the core purpose is to consider charging arrangements for connections with a 'non-secure' element, it is not realistic to consider these arrangements in isolation from 'secure' connection charging. The CP does not seek to make fundamental changes to charging for 'secure' connections, but does seek to make essential differentiation between the types of connection, tackling a deficiency in the existing methodology. In so doing, it is of benefit to the understanding of the methodology for the differences between categories of connection to be highlighted and variations of 'non-secure' connection to be illustrated.
- Secondly, the CP seeks to implement principles which Ofgem brought out in DET160 and which have a consequential bearing on cost apportionment for some 'secure' connections, where multiple feeders are involved. This is because the principles of the Determination can require the consideration a multiplicity of feeders in some cases in the CAF calculation, whether or not all of the feeders have any direct bearing on the electrical security of the connection in question. The proposed Example 13 (discussed in detail later) is an essential part of the CP and the Group believe that it would be inefficient and remiss if it did not consider these consequent effects on 'secure' connections in this CP.

Question 2: Are you supportive of the principles of the CP?

Respondent Party Type	Yes	No	Partially
DNOs	6	0	0
Customers	0	1	2

5.7 Six out of nine of the respondents were supportive of the principles of the change. Two of the three customer respondents were supportive of parts of the change but not all elements which they have detailed in later responses.

5.8 One customer respondent was not supportive of the principles of the change for three reasons:

- the principle applicable to implementing *“the third paragraph in the proposed definition of New Network Capacity”*.

The Working Group reviewed and debated the comment from the respondent and concluded that whilst the proposed text was intended to add clarity to the principles of 'New Network Capacity' and address a gap in detail in the existing methodology, it was not strictly within the scope of the CP. The Group therefore agreed with the respondent's request to delete the third paragraph in the proposed definition of New Network Capacity, removing the references to situations where there is both demand and export at a connection.

- *"the inclusion of changes to apportionment arrangements for secure connections within a DCP entitled "Non-Secure Connections in the Common Connections Charging Methodology""*

In considering this comment from the respondent, the Working Group concluded that the focus of the CP is very clearly on 'non-secure' elements of connections. However, as explained in paragraph 5.5, the Group do not believe that it is feasible to consider the issues without reference to the consequential effects of the Determination on some 'secure' connections.

The Group also considered that the title of the CP should not be a sufficient reason for a party to choose not to read the document and judge it on its own merit.

- *"the proposed changes to apportionment for secure connections are bad changes (see answers to Q3 and Q4)"*

The Working Group does not agree with the respondent's view and notes that the proposals would reduce connection charges for connecting parties in those situations where they have any effect. However, the Working Group considers that the proposals are well balanced, and notes that they would reduce connection charges for connecting parties in situations where the changes have any effect. In addition, the CP also seeks, by limiting the number of feeders which can affect the CAF calculation, to limit the extent of any adverse effect on use of system charges.

Question 3: Do you agree with the revised definition of 'New Network Capacity'? Please provide supporting reasons for your view.

- 5.9 Six out of nine respondents were supportive of the revised definition of 'New Network Capacity' the majority of which noting the provision of increased clarity in the methodology for the cost apportionment treatment for both 'non-secure' and 'secure' connections.
- 5.10 Some respondents also commented positively on the proposed changes to the definition of 'New Network Capacity' for projects with both demand and export. These changes were seen to add clarity but these comments are no longer relevant due to the deletion of the third paragraph of this definition.
- 5.11 Three customer respondents were not in favour of the revised New Network Definition for the following reasons:

- One customer respondent considered if the capacity requested is non-secure then it would be appropriate to use the non-secure capacity in the definition of the New Network Capacity.

The Working Group considered that the words in the proposal may accommodate this option subject to P2/6 compliance and DNO design standards

- One respondent noted that they had requested two revisions to the draft consultation which were not in accord with the majority Working Group view. As a result this respondent's alternate view had been appended to the consultation in the form of a letter. One revision referenced a request to amend Example 13 to take account of a maximum of four feeders rather than a maximum of three. The respondent emphasised his view that this is technically compliant on a network design basis. The Working Group agreed that a four feeder circuit was technically compliant but also considered that a three feeder circuit was also technically compliant. In addition, the focus of the CP and the methodology in general is on appropriate charging arrangements rather than technical design and compliance matters.

The second revision requested the DNOs to ensure that a common approach was provided to charging statements. The respondent requested that the DNO's make their design policies and standards available to the public. The majority of the Working Group considered that a specific CP Working Group was not the correct forum for this request.

Two of the customer respondents agreed that they held a different opinion on the central components of this change to the majority of the Working Group and agreed to raise an alternate Change Proposal (please see Attachment 3 for the DCP 162A Change Proposal).

- One customer respondent expressed the view that the *“wording in the third paragraph is poor and unclear: how does a power flow “determine” a Reinforcement?”* and suggested that the *“third paragraph should be removed”*.

As covered in paragraph 5.5, the Working Group agreed to delete the third paragraph, recognising the respondent’s feedback.

Question 4: Do you agree with the new definition of ‘Relevant Section of Network’? Please provide supporting reasons for your view.

5.12 Seven of eight respondents to this question agreed with the new definition of Relevant Section of Network. One respondent commented that the definition added clarity on the *“assets that should be included when assessing the RSN”*. This is especially relevant *“under more complex network configurations”* where it may be unclear *“which assets would have supplied the customer in the event that sufficient capacity had been available”*.

5.13 One respondent considered the Relevant Section of Network definition to have unintended consequences. The respondent considered that by *“limiting the Relevant Section of Network to parts of the network that require reinforcement, the proposed text seems to exclude new circuits or transformers that are added in parallel to the existing network to reinforce it”*. The respondent drew the Working Groups attention to example 8B and its *“reliance on the current definition is explicit within the example: “The RSN is considered to be the three feeder 11kV network comprising the two feeders from Primary Substation A and the new feeder from Primary Substation B as any of these can be used to supply the Customer in normal and outage conditions.”*

The Working Group noted that the new circuits and or transformers would not be excluded from consideration as reinforcement, in the circumstances outlined. The Working Group however took the comments in to consideration and following consideration of the respondent’s feedback, proposed the following amendment to the text in example 8B.

~~"The RSN is considered to be the three feeder 11kV network comprising the two feeders from Primary Substation A and the new feeder from Primary Substation B. as any of these can be used to supply the Customer in normal and outage condition"~~

- 5.14 The respondent considered that the sentence starting with the word *"Normally"* seems to try to ameliorate these defects by giving an example where new assets are included in the Relevant Section of Network. But there seems to be a conflict between the first sentence which is a definition and the second sentence which describes something "normal" that does not fall within the four corners of the definition. That is a terrible source of ambiguity".

The Working Group considered the respondent's comments and although it was not felt that ambiguity was created, developed a revised definition of Relevant Section of Network which does not include the word 'normally' (see 5.15 below).

- 5.15 The respondent noted that *"the sentence starting "Normally" may be too narrowly drafted. Sometimes the new assets provided to reinforce part of the network are not at the same voltage level as the assets that would have been used to connect the customer if there had been sufficient capacity"*.

The Working Group noted that in drafting the CP, a key sentence had been mistakenly deleted from the existing definition and agreed to reinstate the following text in to the Relevant Section of Network definition. *"There may be more than one RSN, e.g. at different voltage levels"*. The Group are of the view that reinstatement of this sentence fully addresses the concern raised by the respondent.

- 5.16 The respondent considered that the last sentence of the proposed definition was unclear and advised that *"It implies that the Relevant Section of Network comprises only existing assets, which would be a major change from the current arrangements (see for example Example 8B), and a bad change"*.

The Working Group considered the response but was of the firm view that the definition of Relevant Section of Network takes both existing and new assets into account and is not seeking to make the change that the respondent referred to. The Group also believes that, when this definition is read in conjunction with the definition of New Network Capacity, it is clear that the resultant CAF includes the relevant new and existing assets. However, noting the respondent's concern, the Working Group agreed that a small modification to the definition of the RSN would be beneficial and the revised wording is as follows:

“the Distribution System assets comprising of; :

- *the existing assets, at the voltage level that is being reinforced, that would have been used to supply the Customer (so far as they have not been replaced) had sufficient capacity been available to connect the Customer without Reinforcement; and*
- *the new assets, at the same voltage level, that are to be provided to reinforce the network.*

Where it is unclear what assets would have supplied the Customer in the event that sufficient capacity had been available, the existing individual assets with the closest rating to the new assets will be used. See Example 13”.

- 5.17 The respondent noted that the proposed text loses the reference to *“normal and abnormal running arrangements”* which is in the current definition. This creates a risk that someone might, in the future, argue that assets that are needed only to provide capability to meet the customer’s demand after a first circuit outage are not in the Relevant Section of Network”.....“The removal of the reference to *“normal and abnormal running arrangements”* increases the risk of future errors, and is not necessary or appropriate to meet the intent of DCP 162”.

The Working Group noted the comments and following discussion of this point further proposed amendments have been made to the definitions of Relevant Section of Network and New Network Capacity.

Question 5: Do you agree with the amendments to the existing Examples? Please provide supporting reasons for your view.

- 5.18 Five DNO respondents supported the examples as stated within the consultation. One DNO and one Customer supported Examples 11 and 12 but not example 13. One Customer respondent supported Example 11 only and another Customer respondent did not indicate whether they supported any of the examples with a yes or no response.
- 5.19 One DNO respondent advised that *“Example 13 shows feeders B1, B2, B3 and new feeder A1 terminating at a single point. In practice there would not be a 4 leg joint and feeder A1 would instead connect to B1 via a joint or switching station. This will then involve 3 load*

flow calculations and is one reason why only 3 feeder are considered as the maximum for the N-1 CAF calculations”.

The Working Group agreed to amend the diagram to Example 13 to take account of this point.

- 5.20 One respondent supported Examples 11 but not 12 or 13. This respondent stated that the reason they were unable to support Example 13 was due to the examples use of a maximum of 3 circuits. They did not support example 12 because of the use of the firm capacities of the transformers and questioned the need to replace those transformers in the first place. In addition to this one respondent did not support Example 13 because they thought that the number of circuits should be limited to four rather than three. However, other members of the Working Group believe Example 12 to be accurate in terms of p2/6 compliance requirements.
- 5.21 The majority of the Working Group support a maximum of 3 circuits but other members of the Working Group support a maximum of 4 circuits or no limit other than that implied by the actual network design employed. As a result the Working Group is split on Example 13. Those members who support a maximum of 4 circuits have agreed to raise an alternate Change Proposal to be considered as part of the DCP 162 Change Report.
- 5.22 Another customer respondent considered that *“the amended examples are in conflict with the proposal to change the definition of the Relevant Section of Network, see for example Example 8B”*. The Working Group updated the RSN definition based on the comments provided to the consultation.

Question 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.

- 5.23 Five DNO respondents considered that the proposed examples illustrated the charging principles for connection with a non-secure element. One DNO respondent agreed with the examples but noted their response to question 5 on Example 13. On consideration of the DNOs response the Working Group, as noted above, agreed to modify the diagram accordingly.

- 5.24 One Customer respondent did not support Example 13 and another Customer respondent did not support Examples 12 or 13. A third Customer respondent considered that Example 13 was outside of the scope of DCP 162.
- 5.25 The Working Group noted that the two of the Customer respondents who did not support Example 13 had agreed to raise an Alternate Change Proposal as the Working Group was split on the number of circuits required in this Example.
- 5.26 One Customer respondent did not agree with Example 12 as they did not understand why *“the denominator is not the non firm capacity of the transformers i.e. 48 MVA”. “In practice I would expect that if the original request was for a non firm capacity (and it is an individual connection requesting this) then an intertripping scheme would be installed for the loss of one of the transformers rather than uprating the two transformers. If however for whatever reason this was not done and the transformers are uprated to 2 x 24MVA each then in principle this can supply on a non firm basis up to 48MVA (assuming equal sharing) so this should be the denominator in the apportionment calculation”.*
- 5.27 The majority of the Working Group advised that the DNO is required under P2/6 to accommodate secure group demand and as a result considered the suggested approach may not be competent.
- 5.28 The Working Group advised that Example 12 is not intended to necessarily rule out alternative connection arrangements but is included for the purpose of illustrating the charging principles where these particular parameters apply.
- 5.29 The Working Group did not agree that Example 13 was outside of the scope of DCP 162 as there are consequential effects of the Determination principles in relation to some ‘secure’ connections which the Group feel must be addressed. Please see the Working Group answer to question 1.

Question 7: In Example 13, do you support applying a maximum number of feeders in the CAF calculation? Please provide supporting reasons for your view.

- 5.30 Five DNO respondents were supportive of the principle of a maximum number of feeders. One DNO respondent did not stipulate whether they supported a maximum number of feeders. However this respondent identified the benefits of both positions by noting that

- a maximum number of 3 feeders was reasonable based on the way in which networks are managed; and
- from a non-operational perspective the maximum number of 4 feeders would decrease the cost to the connecting customer but would increase the DUoS costs to the general mass of customers.

5.31 One Customer respondent was not supportive of a rule which limited the Relevant Section of Network to a set number of feeders and considered that the Working Group needed to undertake a consultation which contained references to cost reflectivity and an unambiguous legal text.

5.32 One Customer respondent was not supportive of the principle of three as a maximum number of feeders but of four feeders and another Customer respondent considered that x number of feeders should be inserted in to the legal text to allow for flexibility in the design of the network. The third Customer respondent considered that Example 13 was out of scope of DCP 162 and did not agree with a rule limiting the Relevant Section of Network to a set number of feeders.

5.33 The Working Group considered the responses and noted that the Relevant Section of Network definition had been re-drafted based on previous comments and a number of options have been considered in the consultation paper. The majority of the Working Group is supportive of the principle of a maximum number of three feeders and the other Working Group members who were not supportive of this approach agreed to raise an Alternate Change Proposal.

5.34 In considering the maximum number of feeders which should be taken into account in the CAF calculation for a multi-feeder scenario, the majority of the Group feel that it is important to note the effects on both connection and use of system charges which may arise, depending on which solution (if any) is implemented. The alternatives outcomes for Example 13 under three different scenarios may assist consideration:

A number of the Working Group members have confirmed that in the circumstances set out in Example 13, the existing methodology would produce a Cost Apportionment Factor ('CAF') of:

$$(2.5 \text{ MW} / 5.0 \text{ MW}) = \mathbf{50.0\%}$$

Under the DCP162 proposals, as the draft text for Example 13 shows, this would change to:

$$(2.5 \text{ MW} / 9.0 \text{ MW}) = \mathbf{27.8\%}$$

This is therefore significantly to the benefit of the connecting customer but it is possible that use of system customers would fund a significantly larger proportion of the reinforcement costs than under the current methodology.

If the maximum number of feeders taken into account was four for Example 13, the CAF would change to:

$$(2.5 \text{ MW} / 12.0 \text{ MW}) = \mathbf{20.8\%}$$

As such, increasing the relevant number of feeders to four further increases the potential share of reinforcement costs which may be borne by use of system customers.

The proposed Example 13 is purely illustrative but, in reality, there are networks where the number of multiple feeders could be well in excess of either three or four. This could therefore lead to situations where the share of reinforcement costs borne directly by the connecting party is reduced to a minimal level in comparison to the existing methodology.

The perception of the majority of Working Group members is that it was not the intent of the Determination to change the allocation of reinforcement costs to such an extent, with associated use of system charging implications.

Question 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.

- 5.35 The DNO respondents considered that a maximum of three feeders should be used in the CAF calculation. One of the DNO respondents advised that as part of their design principles they consider their ability to restore customers under fault conditions. As a result this DNO respondent designs all its networks so that it can restore supplies by transferring load on to a maximum of 2 other circuits. When designing a new or modified connection this respondent uses 3 circuits to ensure the network can be restored in 2 load transfers. Therefore, three feeders are apportioned in the CAF calculation.

- 5.36 One DNO submitted a supporting paper to describe how HV Networks normally comprise of significantly more circuits than three or four and that it is reasonable for some limit to be defined for the number to be considered under the Cost Apportionment Factor (CAF).
- 5.37 One of the Customer respondents considered that four feeders should be used in the CAF calculation and another Customer respondent considered that it should be an unlimited number of feeders dependent on the way the particular network is designed.

Question 9: Are there any alternative solutions or matters that should be considered by the Working Group?

- 5.38 Four DNO respondents considered that there are no further matters for consideration under DCP 162. One DNO respondent advised the Working Group to look at the CP from a customer's point of view and consider whether the customer would understand the differences between secure and non-secure connections in the CCCM.
- 5.39 The Working Group noted that there is no definition of secure and non-secure connections in the CCCM and considered that this could be raised as a separate CP as it is outside of the scope of DCP 162. The Working Group has considered this point but believes that these examples either amended or new examples provide sufficient clarity at this time. It may be desirable at a future stage to provide a more robust definition of secure and non-secure connections.
- 5.40 One Customer respondent advised that they had identified issues in regards to combined demand and Distributed Generation (DG) connections. The respondent wished to promote a debate on these issues which the Working Group considered to be beyond the scope.
- 5.41 Following discussion of all responses the Working Group agreed to remove a section of the New Network Capacity definition relating to where both demand and Export is associated with a connection.

Question 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.

- 5.42 Four DNO respondents and one Customer respondent did not consider there to be any wider impacts that the Working Group needed to consider. The other three respondents

noted that the other CCCM CPs that are currently going through the DCUSA process would have an impact on this change. DCP 166, 167 & 172 were mentioned.

Question 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.

Respondent Party Type	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5
DNOs	0	0	1	0	0
Customers	1	1	1	1 (negative impact)	0

- 5.43 The majority of the DNO respondents and one Customer respondent considered that the DCUSA General Objectives were not applicable to this change. One DNO respondent considered that Objective 3 was better facilitated as *"Licence Condition 13 requires each DNO to have in force a connection charging methodology and this CP allows the DNO to discharge this obligation efficiently by ensuring the methodology is, as far as reasonably possible, balanced and clear"*.

- 5.44 One Customer respondent who considered that the changes to the Relevant Section of Network definition were not necessary advised that this change would have a negative impact upon DCUSA General Objective 4. The Working Group noted that the Relevant Section of Network Definition had been re-drafted.
- 5.45 One Customer respondent considered that DCUSA General Objectives 1, 2 and 3 were better facilitated by this change.
- 5.46 The Working Group agreed with the majority of respondents that the DCUSA General Objectives were not better facilitated by this change.

Question 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.

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

5.47 Seven respondents considered that Objective 1 was better facilitated by this change. Some of the reasons provided by DNO respondents are set out below:

- considered that the proposal would allow DNOs to deal with non-secure connections related to reinforcement under the CCCM and as a result would better facilitate Objective 1.
- considered Objective 1 was better facilitated by this change as it enabled a consistent approach to be taken by all DNOs.
- pointed out that the expansion of the definitions and provision of examples assisted in the achievement of a more complete explanation of potential charges for users under the charging arrangements and as a result better facilitated Objective 1.

5.48 Six respondents considered that Objective 2 was better facilitated by this change. Two respondents agreed that Objective 2 was better facilitated as *“This Change Proposal is intended to facilitate the consistent application by all DNOs of the appropriate value of connection charges to generation and/or demand customers in those instances where a ‘non-secure’ connection is provided when network reinforcement is required”*. The respondents noted that this CP is introducing an area that is currently not covered in the methodology.

5.49 One Customer respondent noted that although the CP better facilitated Objectives 1 and 2, the respondent did not consider that all elements of the change facilitated those Objectives in particular Example 13 and the new definition of New Network Capacity.

5.50 Two Customer respondents considered that Objective 3 is better facilitated. One of the Customer respondents considered that if the changes to the Relevant section of Network definition were removed as set out in their responses to this consultation that Objective three would be better facilitated as it provided greater cost reflectivity. If the drafting of

the Relevant Section of Network definition was not redrafted then the respondent considered there to be a negative impact on Objective 3.

- 5.51 One Customer respondent considered that Objective 4 is better facilitated by this change if the changes to the Relevant Section of Network definition were removed *“and if the affected distributors consider that an Ofgem can be seen as a development in their business”*.
- 5.52 The Working Group agreed with the majority of respondents that the DCUSA Charging Objectives 1 and 2 were better facilitated by this change and noted that the Working Group had considered the points raised and had modified the Relevant Section of Network definition.

Question 13: Are you supportive of the revised implementation date which is proposed?

- 5.53 Six respondents were supportive of the revised implementation date. One DNO respondent was neutral whilst one Customer respondent was supportive of the revised implementation date only if the changes to the Relevant Section of Network definition were removed. One respondent was not supportive of the revised implementation date.
- 5.54 The Working Group agreed with the majority of respondents that the revised implementation date should be the next DCUSA release following Authority consent.

Question 14: Do you have any additional comments on the proposed legal text?

- 5.55 Seven respondents had no further comment on the proposed legal text. One Customer respondent reiterated their comment on the request to remove the changes to the Relevant Section of Network definition and any changes to secure connection apportionment. The respondent considers that the way in which the word secure is used in the p2/6 statement is not the way in which it is being used by the Working Group.
- 5.56 One customer provided further documentation for the Working Groups consideration.
- 5.57 The Working Group considered these points but believed them to be either addressed by the previous Working Group responses or outside the scope of the CP. The Working Group also considered the outcome of determination 184 at paragraphs 7.14 and 7.15 adequately covers this point. It was noted that an alternate proposal DCP 162A would be drafted.

6 DCP 162 – WORKING GROUP CONCLUSIONS

- 6.1 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 162.
- 6.2 The Working Group agreed that the majority of respondents were supportive of the principle of the CP.
- 6.3 The Working Group noted that three Customer respondents indicated that they were either not supportive or partially supportive of its principles in the consultation responses. Two² respondents who were also Working Group members agreed that they had a different view to the Working Group and agreed to raise an Alternate Change Proposal for the Authorities consideration. The Working Group believes that the concerns of the third customer respondent have been addressed in the re-drafting of the Relevant Section of Network definition.
- 6.4 The Working Group noted that the majority of respondents felt that specifically DCUSA Objectives 1 and 2 were better facilitated by this change.
- 6.5 The Working Group concluded that the CP will provide the following benefits:
- by adding further clarity to the CCCM through modifications to the Relevant Section of Network definition and New Network Capacity definition to better reflect 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’

7 ALTERNATE CHANGE PROPOSAL RAISED

² During the course of this CP and the raising of the alternate proposal, one of these Working Group members has retired.

- 7.1 One Working Group member agreed with Example 8B and the principles behind Example 13 but disagreed with the network design layout of Example 13. This member exercised their right to raise an alternate proposal which retains Example 8B as proposed by the Working Group but provides for a modified Example 13 (DCP162A, Attachment 3 to this report).
- 7.2 The Change Proposal builds on the proposer's theory that in order to develop a co-ordinated and efficient system the optimum number of circuits is four. The proposer considers that network design is inherently more flexible as the ratings of the circuits and transformers tend to lead you to four circuits.
- 7.3 Example 13 shows a network layout capable of multiple connections with four feeders which allows for the loss of feeder A1. The proposer previously provided copies of the original submissions relating to the technical background behind the cost apportionment and the associated technical considerations. The proposer does not believe that capping the number of circuits to a maximum of 3 (within the CAF Calculation but not the network configuration) has been supported by any form of robust technical or commercial argument.

8 EVALUATION AGAINST THE DCUSA OBJECTIVES

- 8.1 The majority of the Working Group considers that DCUSA Charging Objectives 1 and 4 are better facilitated by DCP 162 and by DCP 162A. The Working Group agreed that both CP variations had a neutral impact on the DCUSA General Objectives. 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.*

- **Majority Working Group view on DCP 162:** The Working Group consider that the DCP 162 CP would better facilitate Charging Objective 1 through enabling the consistent application by DNOs of connection charges where a 'non-secure' connection is provided and where distribution network reinforcement is required. The current methodology has no specific pricing principles for such cases and it is therefore

possible that varying approaches may be applied.

- **Minority Working Group view on DCP 162A:** The Working Group consider that the DCP 162A CP would better facilitate Charging Objective 1 through enabling the consistent application by DNOs of connection charges where a 'non-secure' connection is provided and where distribution network reinforcement is required. The current methodology has no specific pricing principles for such cases and it is therefore possible that varying approaches may be applied.

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).

- **Majority Working Group view on DCP 162:** The Working Group agreed that the impact on Charging Objective two is neutral.
- **Minority Working Group view on DCP 162A:** The Working Group agreed that the impact on Charging Objective two is neutral.

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.*

- **Majority Working Group view on DCP 162:** The Working Group agreed that the impact on Charging Objective three is neutral.
- **Minority Working Group view on DCP 162A:** The Working Group agreed that the impact on Charging Objective three is neutral.

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.*

- **Majority Working Group view on DCP 162:** The Working Group view is that DCP 162 would better facilitate Charging Objective four as it would enable DNOs to apply the charging principles set out by Ofgem in Determination RBA/TR/A/DET/160 (dated 7 July 2011) in relation to reinforcement costs associated with the provision of a 'non-secure' connection. The Change Proposal would facilitate implementation by all DNOs of these charging principles by mandating them within the Connection Charging Methodology.
- **Minority Working Group view on DCP 162A:** The Working Group view is that DCP162A would better facilitate Charging Objective four as it would enable DNOs to apply the charging principles set out by Ofgem in Determination RBA/TR/A/DET/160 (dated 7 July 2011) in relation to reinforcement costs associated with the provision of a 'non-secure' connection. The Change Proposal would facilitate implementation by all DNOs of these charging principles by mandating them within the Connection Charging Methodology.

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).*

- **Majority Working Group view:** The Working Group agreed that the impact on Charging Objective five is neutral. DCP 162 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.
- **Minority Working Group view on DCP 162A:** The Working Group agreed that the impact on Charging Objective five is neutral. DCP 162A 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.

9 IMPACT ON GREENHOUSE GAS OMISSIONS

- 9.1 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 162 or DCP 162A were

implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this Change Proposal.

10 IMPLEMENTATION

- 10.1 Subject to Party approval, DCP 162 or DCP 162A will be implemented in the next DCUSA release following Authority consent.

11 PANEL RECOMMENDATION

- 11.1 The DCUSA Panel approved the DCP 162 and DCP 162A Change Report on 20 August 2014. The timetable for the progression of the CPs is set out below:

Activity	Target Date
Change Report Approved by DCUSA Panel	20 August 2014
Change Report Issued For Voting	22 August 2014
Party Voting Ends	08 September 2014
Change Declaration	10 September 2014
Authority Decision ³	15 October 2014
Implementation ⁴	Next DCUSA Release following Authority Consent

³ Indicative decision date based on the 25 Working Day KPI

⁴ Next DCUSA release is the 07 November 2014

12 ATTACHMENTS:

- Attachment 1 – DCP 162 Voting Form
- Attachment 2 – DCP 162 Proposed Legal Text
- Attachment 2 – DCP 162A Proposed Legal Text
- Attachment 3 - DCP 162 Change Proposal
- Attachment 3 –DCP 162A Change Proposal
- Attachment 4 – DCP 162 Consultation Documents
- Attachment 5 – Ofgem Determinations