

**DCUSA CHANGE DECLARATION**

**DCP 161 – Excess Capacity Charges**

**VOTING END DATE: 8 September 2014**

DCP 161	WEIGHTED VOTING				
	DNO	IDNO	SUPPLIER	DISTRIBUTED GENERATOR	GAS SUPPLIER
<b>CHANGE SOLUTION</b>	Accept	Accept	Reject	n/a	n/a
<b>IMPLEMENTATION DATE</b>	Accept	Accept	Reject	n/a	n/a
<b>RECOMMENDATION</b>	<p><b>Change Solution – REJECT</b>                      In respect of each Party Category that was eligible to vote, the sum of the Weighted Votes of the Groups in that Party Category which voted to accept the change solution was less than 50% in all Categories.</p> <p><b>Implementation Date – REJECT</b>                      In respect of each Party Category that was eligible to vote, the sum of the Weighted Votes of the Groups in that Party Category which voted to accept the implementation date was less than 50% in all Categories.</p>				
<b>PART ONE / PART TWO</b>	<b>Part One</b> – Authority Determination Required				

PARTY - DNO	DCP 161 SOLUTION	DCP 161 IMPLEMENTATION DATE	WHICH DCUSA OBJECTIVE(S) IS BETTER FACILITATED?	COMMENTS
Electricity North West Ltd	Accept	Accept	<p>We believe this change proposal better meets General Objectives 1 and Charging Objectives 3 and 4 as follows:</p> <p>General Objective 1 – This change proposal will create a more cost reflective excess capacity charge which will set the incentive on customers to not exceed their contracted capacity at the appropriate level. In addition this change proposal should result in a reduction in reinforcement as customers shift load to maintain their agreed capacity in line with their connection agreements. Consequently, this will assist in the development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System.</p> <p>Charging Objective 3 - At present, customers receive a discount on their DUoS charges to take account of the contribution they paid when they connected. The existing methodology also applies this discount to the excess capacity charge even though no contribution has been made on this element. Removing this discount will make the charge more cost reflective and therefore better meet charging objective 3 as it will result 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</p> <p>Charging Objective 4 - This change proposal will assist DNOs in reducing their reinforcement costs to the benefit of all customers and operate in an efficient and low carbon manner. Applying a more cost reflective excess capacity charge should also incentivise customers to use their existing</p>	<p>As the proposer of DCP 161, we believe that this change proposal will assist in the management of our network by setting the excess capacity charge at a more appropriate level that more closely reflects the costs incurred on our network. We recognise the need to move to a low carbon economy and we believe that this change proposal will help us to manage our network more efficiently by encouraging customers to manage their load within their agreed capacity and result in lower reinforcement costs for our customers. Where customers require additional capacity this change proposal will encourage them to apply for the additional capacity and pay any necessary reinforcement costs, rather than socialising the cost across all customers.</p>

			capacity more effectively to the benefit of all customers. Consequently we believe that this change proposal better meets charging objective 4 by taking account of developments in each DNO Party's Distribution Business.	
<b>Northern Powergrid - Northern Electric Distribution Ltd</b>	Reject	Reject	We do not believe that it has been sufficiently demonstrated that a DNO running an efficient network would invest in additional network capacity to satisfy demand in excess of MIC rather than enforce connection agreements.	Whilst we agree that the proposed of removing the discount factored into the agreed capacity charge from the customer contributions in relation to excess capacity charges appears to be entirely rational and sensible, we do not believe that the resulting penal rate actually reflects the costs incurred by a distribution business when a breach of agreed capacity occurs. We note that some members of the Working Group felt that there was no evidence that the breach was causing any additional costs and therefore in their view, it is a penal cost levied to customers. We do not believe that this is the best way to deal with customers who exceed their capacity on the network.
<b>Northern Powergrid - Yorkshire Electricity Distribution plc</b>	Reject	Reject		
<b>Scottish Power - Manweb</b>	Accept	Accept	We agree with the working groups assessment that this change proposal better facilitates:	n/a
<b>Scottish Power - Distribution</b>	Accept	Accept	DCUSA Charging Objectives: 3 & 4 General Objectives: 1 & 3 This change proposal should incentivise customers not to exceed their contracted capacity, and may reduce the need for reinforcement, resulting in a more efficient network. This change would also results in more cost reflective charges, as customers who exceed their capacity they will not have paid customer contributions in respect of the exceeded amount,	

			and hence receive a discount on excess capacity for which they should not qualify. This proposal seeks to remove the subsidy these customers currently receive in order to align the charges applied for excess capacity with the costs expected to be incurred by DNOs.	
<b>SSE</b> - Scottish Hydro-Electric Power Distribution plc	Accept	Accept	In our view General Objective 1 would be better facilitated as the charging arrangements would incentivise more efficient customer demand patterns, which may result in a lower requirement for network reinforcements.  We also believe that Charging Objective 3 would also be better facilitated as the CDCM charging arrangements would be more cost reflective, through recognition that customer contribution discounts should not extend to any excess capacity which may be provided.	n/a
<b>SSE</b> - Southern Electric Power Distribution plc	Accept	Accept		
<b>UKPN</b> - Eastern Power Networks	Accept	Accept	We believe that General Objective 1 and Charging Objective 4 are better facilitated as a result of this change, as calculating the charge for Exceeded Capacity (which is a capacity which the Customer does not have agreement with their DNO for) by excluding Customer Contributions is an improvement in the cost reflective nature of the charges.	n/a
<b>UKPN</b> - London Power Networks	Accept	Accept		
<b>UKPN</b> - South Eastern Power Networks	Accept	Accept		
<b>Western Power Distribution</b> - East Midlands plc	Accept	Accept	n/a	n/a
<b>Western Power Distribution</b> - South Wales plc	Accept	Accept		
<b>Western Power Distribution</b> - South	Accept	Accept		

West plc				
<b>Western Power Distribution - West Midlands plc</b>	Accept	Accept		
<b>PARTY - IDNO</b>	<b>DCP 161 SOLUTION</b>	<b>DCP 161 IMPLEMENTATION DATE</b>	<b>WHICH DCUSA OBJECTIVE(S) IS BETTER FACILITATED?</b>	<b>COMMENTS</b>
<b>ESP Electricity Ltd</b>	Accept	Accept	General Obj 1 as putting the onus on the customer to manage their consumption more effectively would improve the efficiency and co-ordination of distribution networks. General Obj 3 as the distributors have an obligation to review the charging methodology on an annual basis and improve where possible. Charging Obj 3 as the change improves the cost reflectivity.	None
<b>GTC</b>	Accept	Accept	n/a	n/a
<b>PARTY - SUPPLIER</b>	<b>DCP 161 SOLUTION</b>	<b>DCP 161 IMPLEMENTATION DATE</b>	<b>WHICH DCUSA OBJECTIVE(S) IS BETTER FACILITATED?</b>	<b>COMMENTS</b>
<b>EDF Energy</b>	Reject	Reject	We are not convinced that this change proposal better meets any of the objectives.	We are still of the opinion that this change proposal has not provided sufficient evidence that additional costs are incurred by the network operators when customers exceed their authorised capacity.
<b>EON</b>	Reject	Reject	We cannot see that any of the DCUSA objectives are better facilitated by this change. The arguments put forward in the change report have no evidence of substance to support that any have been better facilitated.	There seems to be no evidence put forward that shows there is a need to change. One case study was used as evidence, which appears to have no substance and a critique of it out forward has not been answered sufficiently. We

				believe there should be a much greater level of analysis showing the impacts of exceeded capacity on the network. There is no evidence that any exceeded charge is more cosy reflective or solves the issue that claims to be the reason for raising a change, that being that an excess capacity charge offsets re-enforcement and what that ultimately means in savings to consumers.
<b>GDF Suez</b>	Reject	Reject	Our view is that the change is not consistent with General Objective 2.	The extended implementation date helps to an extent but overall our view is that the proposed change is likely to be costly for us to implement and will increase charges for end customers.
<b>Haven Power</b>	Accept	Accept	Charging Objective 3 : This change will increase cost reflectivity	None
<b>Npower</b>	Reject	Reject	We do not believe that the relevant objectives are better facilitated by this change proposal. There has been insufficient evidence either that this proposal will enable the networks to avoid investment or that this would effectively contribute to reduced costs to consumers. DNO's who feel that customers' breach of their ASC and connection agreement cause issues on the network should use the contractual avenues already open to them to ensure that customers utilise to their ASC level.	None
<b>SSE Energy Supply Ltd</b>	Reject	Reject	We don't support this change.	We have the following criticisms of the Change Proposal.  1. It's reasonable for a customer to expect his Excess Capacity payments to be used to reinforce his local network.

				<p>This doesn't happen.</p> <p>The distributor is making a charge for network reinforcement and then using the money for other purposes.</p> <p>2. It's unreasonable to impose a charge on a customer for losses incurred, when in some cases no loss has been incurred at all.</p> <p>3. The "Critique of Exceeded Capacity Case Study" by Franck Latrémolière makes some valid criticisms of the Change Proposal.</p> <p>4. The proposed charges may constitute a "Penalty Payment" (as per Contract Law) for the following reason:-</p> <p>One of the conditions for determining whether a contract payment constitutes a "Penalty Payment" is:-</p> <p>There is a presumption (but no more) that it is a penalty when, 'A single lump sum is made payable by way of compensation, on the occurrence of one or more or all of several events, some of which may occasion serious and others but trifling damage.'</p> <p>The charge may be a "Penalty Payment"</p>
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				<p>because the distributor doesn't check whether any loss has been incurred.</p> <p>(Legal wording copied from Alway Associates <a href="http://www.alway-associates.co.uk/legal-update/article.asp?id=82">http://www.alway-associates.co.uk/legal-update/article.asp?id=82</a> )</p> <p>5. Some customers have argued that they don't need to pay Excess Capacity charges because there's no contract between the customer and distributor which provides for such a payment.</p>
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