

Modification proposal:	<b>Distribution Connection and Use of System Agreement (DCUSA) DCP238 – Notice Period for Non DUoS Charges</b>		
Decision:	The Authority <sup>1</sup> directs this modification <sup>2</sup> be made <sup>3</sup>		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties		
Date of publication:	25 September 2015	Implementation date:	5 November 2015

## Background

On 24 February 2015 we approved DCP178: "Notification Period for Change to Use of System Charges"<sup>4</sup>, which increased the notice period for amending Distribution Use of System (DUoS) Charges, from 40 days to 15 months.

When DCP178 is implemented from 5 November 2015, in addition to the new notice period for DUoS charges, Distribution Network Operators (DNOs) will have to comply with the 15 months' notice for a series of non DUoS charges, including charges for Meter Asset Provision, Miscellaneous Services and Other Charges. The 15 months' notice is not appropriate for non DUoS charges, as it could potentially cause DNOs to not comply with the obligations contained in DCUSA and the Distribution Licence.

## The modification proposal

DCP238 was raised by Northern Powergrid to seek to amend the legal text in Section 2A of the DCUSA to ensure the obligation to provide 15 months' notice of charges only apply to DUoS charges.

## DCUSA Parties' recommendation

The Change Declaration for DCP238 indicates that DNO, IDNO, and Supplier parties were eligible to vote on DCP238. In each party category where votes were cast there was majority (>50%) support for the proposal and for its proposed implementation date. In accordance with the weighted vote procedure, the recommendation to the Authority is that DCP238 is accepted. The outcome of the weighted vote is set out in the table below:

DCP238	WEIGHTED VOTING (%)							
	DNO <sup>5</sup>		IDNO <sup>6</sup>		SUPPLIER		DG <sup>7</sup>	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	100	0	100	0	100	00	n/a	n/a
IMPLEMENTATION DATE	100	0	100	0	100	00	n/a	n/a

## Our decision

We have considered the issues raised by the proposal and the Change Declaration and Change Report dated 25 August 2015. We have considered and taken into account the vote of the DCUSA Parties on the proposal which is attached to the Change Declaration. We have concluded that:

<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

<sup>2</sup> 'Change' and 'modification' are used interchangeably in this document.

<sup>3</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>4</sup> DCP 178 decision letter: <https://www.ofgem.gov.uk/publications-and-updates/distribution-connection-and-use-system-agreement-dcusa-dcp178-notification-period-change-use-system-charges>

<sup>5</sup> Distribution Network Operator

<sup>6</sup> Independent Distribution Network Operator

<sup>7</sup> Distributed Generation

- implementation of the modification proposal will better facilitate the achievement of the DCUSA General objectives;<sup>8</sup> and
- directing that the modification is approved is consistent with our principal objective and statutory duties.<sup>9</sup>

### **Reasons for our decision**

We consider this modification proposal will better facilitate DCUSA General Objective 3.1.3, and has a neutral impact on the other applicable objectives.

#### ***DCUSA General Objective 3.1.3 – the efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences***

We agree with the proposer, the Working Group and the unanimous view of respondents to the industry consultation who supported DCP238. We agree that 15 months' notice is not appropriate for non-DUoS charges.

The DCP238 Working Group considered that removing the 15 months' notice for non-DUoS charges enhances the DNOs' ability to make amendments to revenue protection charges which are published in the Miscellaneous Charging Statement.

We agree with the Working Group that DCP238 better facilitates the achievement of Objective 3.1.3. We agree that it will help ensure DNOs are not recovering excessive or negative margins, by enabling them to give appropriate notice of any potential change needed to these non-DUoS charges.

The DCP238 Working Group also noted that Meter Asset Provision (MAP) charges are capped by reference to the average change in RPI between July and December. This value is only known in February the following year. The Working Group considered that if a 15 months' notice is imposed for any change to these charges, the value will not be known and charges could be set that do not comply with the Charge Restriction Conditions.

We agree it is appropriate that a 15 months' notice period should not apply to MAP charges, due to the method of calculating the cap for the charge. The amendment better facilitates the achievement of General Objective 3.1.3 by reducing the potential risk of DNOs not complying with the obligations contained in DCUSA and the electricity Distribution Licence.

### **Decision notice**

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, the Authority hereby directs that modification proposal DCP238: Notice Period for Non DUoS Charges be made.

### **Ian Rowson**

#### **Associate Partner – Regulatory Finance and Compliance**

Signed on behalf of the Authority and authorised for that purpose

<sup>8</sup> The DCUSA General Objectives (Applicable DCUSA Objectives) are set out in Standard Licence Condition 22.2 of the Electricity Distribution Licence and are also set out in Clause 3.1 of the DCUSA.

<sup>9</sup> The Authority's statutory duties are wider than matters that the Parties must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.