



DCUSA Change Report

DCP 270 – ‘Removal of HV Medium Tariff from CDCM’

Executive Summary

DCP 270 seeks the removal of the HV Medium Non-domestic, LV Medium Non-domestic and LV Sub Medium Non-domestic tariffs from the CDCM.

This document presents the Change Report for DCP 270 and invites all Parties to vote on the following:

- whether to accept or reject DCP 270, noting whether or not DCP 270 better facilitates the DCUSA Objectives; and
- the implementation date for DCP 270.

The voting deadline for DCP 270 is **17 October 2016**.

1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA and details DCP 270 – *‘Removal of HV Medium tariff from CDCM’*.
- 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 **17 October 2016**.

2 BACKGROUND TO THE DCP 270 CHANGE PROPOSAL

- 2.1 During the development of the new tariffs to facilitate DCP 179 *‘Amending the CDCM Tariff Structure’* it was agreed that because the HV Medium tariff is currently a preserved tariff for HV connected NHH traded customers, it should be removed from the Common Distribution Charging Methodology (CDCM).
- 2.2 The customer numbers reported in summer 2014 (DCP 179 workgroup) indicated that there were around 633 customers on this NHH tariff (out of a total of 25,500 HV customers (NHH and HH) nationally).
- 2.3 They were only identified to exist in some of the Distribution regions – Western Power Distribution (WPD) (x4), Scottish Power (SP) (x2), Electricity North West Ltd (ENWL) and Northern Powergrid (NPg) (x2).
- 2.4 As the HV Medium non-domestic tariff is already preserved and all new HV installations would need to be HH metered from day one, the numbers are expected to decline.
 - The existing sites should already have HH capability as the analysis shows them as having CT metering.
 - As they are all identified as Profile Class (PC) 5-8, they should all have had advanced meters fitted (by March 2014 as required by supplier licence). However, there may still be some customers on the legacy meters.
 - It is expected that during 2015-17 they will have migrated to HH trading.

- 2.5 The numbers for all three Medium Non-Domestic tariffs were refreshed under the Distribution Charging Methodologies Forum (DCMF) Methodology Issues Group (MIG) in April 2016 which are set out in the table below and Attachment 5 to this report.

Tariff Type	Total no. of Customers
HV Medium Non-Domestic	644
LV Sub Medium Non-Domestic	3,156
LV Medium Non-Domestic	172,143

3 INTENT OF DCP 270 CHANGE PROPOSAL

- 3.1 DCP 270 has been raised by Northern Powergrid for the removal of the HV Medium Non-domestic tariff and consideration of the removal of both the LV and LV Sub Medium Non Domestic tariffs from the CDCM.
- 3.2 This CP has been designated as a Part 1 Matter as the proposed change impacts both Distributor and Supplier Parties through amendments to the Common Distribution Charging Methodology.

4 DCP 270 WORKING GROUP

- 4.1 The DCUSA Panel established a Working Group to assess DCP 270. The Working Group met on three occasions and were comprised of Supplier, DNO, consultant and Ofgem representatives. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.

5 WORKING GROUP ANALYSIS OF DCP 270

- 5.1 The Working Group agreed that:
- the removal of the HV Medium Non-Domestic tariff should be prioritised; and
 - the LV Medium Non-domestic and LV Sub Medium Non-domestic tariffs should also be removed. All these tariffs will become redundant once all Profile Class (PC) 5-8 customers are migrated to HH settlement under the P272 '*Mandated Half Hourly Settlement for Profile Classes 5 -8*¹' migration plans. The current timeframe for the migration to be completed is by the end of March 2017.

¹ <https://www.elexon.co.uk/mod-proposal/p272-mandatory-half-hourly-settlement-for-profile-classes-5-8/>

- 5.2 The tariff for HV connected NHH traded customers has been preserved for a number of years. Due to the relatively small number of these sites the Working Group agreed that these should be prioritised for migration prior to 1 April 2017. As a result, removing the tariff from April 2017 or 2018 should have no impact on existing Customers.
- 5.3 The Working Group agreed that even though there are more LV and LV Sub customers, they will all need to be moved.
- 5.4 In the event that there are some customers remaining on these tariffs by March 2018, the Working Group considered what the mechanism should be for moving customers from one of the existing CDCM tariffs '*LV Medium Non Domestic*', '*LV Sub Medium Non Domestic*' or '*HV Medium Non Domestic*' at the point in time that this change takes effect (proposed to be 1 April 2018). The Working Group agreed that where these customers have Whole Current (WC) Metering installed and they are connected at LV (LV or LV Sub) they will move onto the HH Aggregate '*LV Network Non Domestic Non CT*' tariff, but where they are Current Transformer (CT) Metered together with HH capable metering equipment they will move onto LV HH tariff or the LV Sub HH tariff, depending upon their point of connection.
- 5.5 HV customers should all move to the HV HH Metered tariff as they should all have CT Metering together with HH capable metering equipment installed. In a small number of exceptional circumstances, they could move onto the HH Aggregate '*LV Network Non Domestic Non CT*' tariff, but this would require agreement with the DNO. Alternatively, these remaining HV customers should move to a HV HH tariff, if there is some unlikely reason why a HH capable meter is not installed then they could still be moved on to the HV HH tariff and the HHDC would estimate data.
- 5.6 However, as these existing three tariffs '*LV Medium Non Domestic*', '*LV Sub Medium Non Domestic*' and '*HV Medium Non Domestic*' are NHH and registered to Measurement Class (MC) 'A', it would require the Supplier to update the Metering Point Registration System (MPRS) with the appropriate values to reflect a change of MC (which might also require a change to the metering equipment installed) to:
- either MC 'F' if WC and moving to '*LV Non Domestic Non CT*' tariff; or
 - MC 'C' or 'E' if the site has CT Metering and moving to HH (LV, LV Sub or HV).
- 5.7 For all of these customers moving to a HH tariff, an agreed capacity would be required, where a value is not already agreed between the Customer and the DNO, the Working Group

proposes that a default value of 71kVA is used. Once MPRS has received this information via the appropriate dataflow, the Distributor's own systems will update the Line Loss Factor Class (LLFC) accordingly.

- 5.8 In consideration DCP 268 - '*DUoS Charging Using HH Settlement Data*'² the mapping of the existing CDCM tariffs to the proposed tariffs has been considered, the approach above is consistent with the current DCP 268 proposal. However, DCP 268 goes one stage further and would allow a customer moving from MC 'A' to 'G' (or 'F' for Domestic) to be treated in the same way so would not require a change of MC along with the associated data by the Supplier.

6 DCP 270 CONSULTATION ONE

- 6.1 The Working Group carried out a consultation (Attachment 5) to give DCUSA Parties and other interested organisations an opportunity to review and comment on the proposed DCP 270 solution. The Working Group requested parties' views on the removal of the HV Medium Non-domestic tariff, LV Medium Non Domestic and LV Sub Medium Non Domestic tariffs from the CDCM.
- 6.2 There were eleven responses received to the consultation. Five respondents were DNOs, three respondents were Suppliers, one IDNO respondent and one anonymous respondent. The Working Group discussed each response and its comments are summarised alongside the collated consultation responses in Attachment 5.
- 6.3 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 DCP 270 change?

- 6.4 All respondents understood the intent of the CP.

Question 2: Are you supportive of the principles of the DCP 270 change?

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www.dcusa.co.uk/Lists/Change%20Proposal%20Register/DispForm.aspx?ID=293&Source=https%3A%2F%2Fwww%2Edcusa%2Eco%2Euk%2FSitePages%2FActivities%2FChange-Proposal-Register%2Easpx&ContentTypeId=0x0100684A1DE09E1F9740A444434CF581D435

- 6.5 The majority of respondents were supportive of the principles of the CP. One Supplier respondent who was not supportive of the CPs principles referred to their response to question 4. The Working Group addressed this response at question 4.

Question 3: Do you have any comments on the proposed legal text?

- 6.6 Nine respondents had no comments on the proposed legal text. The remaining two respondents advised that the text in Schedule 16 Clause 84 should be deleted as it referred to the tariffs that were being removed as part of this change.
- 6.7 The Working Group agreed to delete Clause 84 and replace it with the words '*Not used*' to prevent any displacement of legal text references which could occur if the entire Clause was removed and the subsequent Clauses re-numbered.

Question 4: Do you agree that the 'HV Medium Non Domestic' tariff should be removed from the CDCM? Please provide your rationale.

- 6.8 Eight respondents agreed that the '*HV Medium Non Domestic*' tariff should be removed from the CDCM. Some of the reasons provided are highlighted below:
- The HV Medium Non-domestic tariff should be removed from the CDCM because it will no longer be used by DNOs/ Suppliers.
 - We agree that the number of affected sites is low and will be migrated to Half Hourly therefore the tariff is no longer required.
 - We agree that the HV Medium Non-domestic tariff should be removed from the CDCM. The existing sites should already have HH capability as the analysis shows them as having CT metering. As they are all identified as Profile Class (PC) 5-8, they should all have had advanced meters fitted (by March 2014 as required by supplier licence). However, there may still be some customers on the legacy meters. It is expected that during 2015-17 they will have migrated to HH trading; and
 - We believe that by April 2018 sufficient time would have been provided for Suppliers to make alternative arrangements for these customers.
- 6.9 Three respondents did not agree that the '*HV Medium Non Domestic*' tariff should be removed from the CDCM. Some of the reasons provided are highlighted below:
- One anonymous respondent who did not agree advised that "*P272 implies customers will make the transition but it's not clear what will happen to customers with NHH meters installed pre-April 2014. If they don't make the transition, won't they still require the old tariff?*".

- Another respondent did not agree that the tariff should be removed as *“if there is no HH capable meter installed, DCP 270 requires Suppliers to change the tariff to a HH set-up on a temporary measure until the meter is changed to HH. However, there is no guarantee that all meters which fall within the HV Medium Non Domestic tariff will be re-configured or replaced as Half Hourly metering in time for the proposed implementation date (April 2018). There is the further risk of ‘churn’ of NHH HV meters from other suppliers who fail to change the customer’s meter to Half Hourly metering capable or make the switch to HH metering”*.
- Another respondent did *“not agree that the HV Medium Non-Domestic Tariff should be removed from the CDCM until it is certain that all customers have been migrated to another tariff. It is our belief that whilst there are still customers on the HV Medium Non-Domestic tariff, it should continue to be preserved. Customers should not be moved to another tariff without their consent, and upon giving their consent, a capacity should be agreed”*.

6.10 The Working Group noted that the new metering should have already been installed by the 01 April 2014 as required by their Electricity Supply Licence. Any customers still on this tariff will require migration onto an alternate tariff by end of March 2017 under P272. An April 2018 implementation date was chosen so that any remaining migration issues would have been addressed by this time.

Question 5: Do you agree that the ‘LV Medium Non Domestic’ and ‘LV Sub Medium Non Domestic’ tariffs should be removed from the CDCM? Please provide your rationale.

6.11 Eight respondents agreed that the ‘LV Medium Non Domestic’ and ‘LV Sub Medium Non Domestic’ tariffs should be removed from the CDCM. The majority of those respondents considered that these tariffs will become redundant once all PC 5-8 customers are migrated to HH settlement under the P272 ‘Mandatory Half Hourly Settlement for Profile Classes 5 -8’ migration plans. The current timeframe for the migration to be completed is by the end of March 2017. This means that most customers who would have been registered to these tariffs would have had an AMR meter installed and would have moved onto an alternative tariff. These tariffs will no longer be used by DNOs/ Suppliers so it is appropriate to remove these tariffs from the CDCM.

6.12 Three respondents did not agree that the ‘LV Medium Non Domestic’ and ‘LV Sub Medium Non Domestic’ tariffs should be removed from the CDCM. Some of the reasons provided are highlighted below:

- One respondent advised that they believed that not all metering systems will migrate to HH metering for a variety of reasons (customer, system, or process related). Therefore, the existing tariffs need to be made available.
 - The Working Group understand this position, but agreed that further information would be required to respond to these points.
- LV Medium Non-domestic and LV Sub Medium Non-domestic tariffs should not be removed from the CDCM until it is certain that all customers have been migrated to another tariff. It is our experience that not all customers which are currently on the LV Medium Non-domestic tariff will have half hourly capable metering. By moving those customers to the LV Network Non-domestic Non CT tariff then profiled consumption data would be required to be used for billing purposes. We believe that this may send incorrect pricing signals to customers.
 - The Working group noted that the use of profile class data will not have an impact on pricing as the profile class data will be averaged, and is what is currently used for NHH customers.

Question 6: Do you agree with the approach proposed for the migration of any remaining customers to the tariffs proposed in section 5 of this consultation?

6.13 Nine respondents agreed with the approach proposed. Some of the reasons provided for this decision are set out below:

- *“PC 5-8 HV sites should be prioritised and moved to HH tariffs as they will all have CT’s installed and therefore will have a HH capable meter installed. PC 5-8 LV and LVS customers with whole current meters should be moved onto the HH Aggregate ‘LV Network Non Domestic Non CT’ tariff, but where they are CT metered together with HH capable metering equipment they should move onto the LV HH tariff or the LV Sub HH tariff, depending upon their point of connection”.*
- *“We agree with the approach in regards to the tariffs that have been selected for customers to move to, however, we have reservations about moving these customers onto the tariffs by default due to the removal of the existing tariff, as opposed to in agreement with the customer”.*
- *“We believe that all HV customers would have CTs installed and thus it would seem appropriate that any HV Medium Non Domestic Customers are moved onto the HV HH Metered tariff, these customers should already have an HH capable meters installed. The customers who remain on either LV (or LV Sub) Medium Non Domestic tariffs should move depending upon whether they have CTs installed, if they do they*

should migrate to the LV (or LV Sub) HH Metered tariff, if they have WC metering installed then the LV Non Domestic Non CT tariff would seem appropriate. Failure to have migrated all customers by the implementation date would see DUoS billing charged as an invalid combination for these MPANs”.

Two respondents did not agree with the proposed approach. The rationale behind their decision is set out below:

- One respondent considered that some customers might not be happy with the approach if it means they will receive higher tariffs or be exposed to additional charges such as capacity, excess capacity and reactive power.
 - The Working Group noted that P272 states that these charges apply if a customer is CT metered, which has already been approved.
- One respondent remarked that if customers do not move to HH metering / settlement, then the DUoS charging should be reflective. Changing the DUoS tariff should not be a lever to influence consumer behaviour.
 - The Working Group noted that the removal of these DUoS tariffs is as a result of the P272 migration whereby these tariffs become obsolete. In this instance the removal of the DUoS tariff is not intended as a way to influence customers but as a consequence of the changing of their meter under previously approved P272.

Question 7: Do you agree on the approach on assigning a ‘default’ capacity value for these customers where they have migrated to a HH tariff where a capacity isn’t already agreed? Please provide your rationale.

6.14 The majority of respondents agreed with the approach on the basis that a default capacity value is agreed only when all other avenues to agree the capacity with the consumer have been tried. One respondent advised that they *“would rather apply/agree a relevant value and if necessary amend this at the customer’s request. Customers now have protection under DCP 248 to agree a backdated value for 12 months from the date of the change of measurement class; therefore applying capacities derived but not agreed is something we consider a more practicable approach than using a default value”*. The Working Group agreed with this principle and noted that this process was already being used.

6.15 Members noted that each DNO has its own way of calculating default capacity. Some DNOs cited a default capacity value of 48 or 50 kVA as being appropriate and others 71 kVA. As a

result, the Working Group agreed to not set a value and remove the references to 71 kVA from the legal text.

Question 8: Suppliers - Do you see any issues in supporting the process which might involve changes to the metering equipment and updating the registration details for these MPANs in MPRS in a timely manner?

6.16 Three respondents raised no issues with supporting this process. One respondent advised that *“current industry processes, and our systems, do not support updating registration details of NHH metered MPANs to HH in MPRS when the metering remains NHH at site. Industry cost benefit analysis would be required to determine any benefits of any such change, for relatively low number of sites”*.

6.17 The Working Group noted that these customers should already have been migrated by the end of March 2017 under previously agreed P272.

Question 9: 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.

6.18 The following table provides a summary of the responses to this question.

Respondent Party Type	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5	No comment
Supplier	1	0	0	1	0	1
DNOs	5	0	1	0	0	0

IDNO	1	0	0	0	0	0
Anonymous	0	0	0	0	0	1
Total	7	0	1	1	0	2

6.19 The majority of respondents considered that DCUSA Charging Objective 1 is better facilitated. Some of the reasons behind this decision are set out below:

- *“Removing preserved tariffs from the charging model would facilitate the efficient discharge of our licence obligations”;*
- *“The tariffs being removed from the CDCM will no longer be required as a result of other changes to governance / code arrangements which have already been approved; as a result it is efficient to remove these tariffs from the methodology”;* and
- *“This is due to the obligation under licence condition 13A.5(b) whereby the licensee must ‘make such modifications of the methodology as are necessary for the purpose of better achieving the Relevant Objectives’. The fifth Relevant Objective (13A.11) is better achieved by the implementation of DCP270. This is because the removal of the HV Medium Non-Domestic tariff would be a reflection of a new development within the licensee’s Distribution Business; the development being that there are no longer any customers remaining of the tariff”.*

6.20 One Supplier respondent considered that DCUSA Charging Objective 3 is better facilitated by this change but did not provide the rationale behind this decision.

6.21 One DNO respondent considered that DCUSA Charging Objective 3 is better facilitated by this change as it makes the application of the charging methodologies more efficient.

6.22 The Working Group noted the responses. Please refer to Section 10 of this report for the Working Groups rationale on which Objectives are best facilitated by this CP.

Question 10: It is proposed that DCP 270 be implemented on the 01 April 2018. Do you have a preference on the date that DCP 270 is implemented into the DCUSA?

6.23 Eight respondents agreed with the proposed implementation date of the 01 April 2018. One member highlighted that they were supportive *“if the appropriately updated CDCM model can be provided to DNOs before November 2016. We do not want to introduce any potential delays or uncertainty to the 2018/19 tariff setting process which will conclude in December 2016”.*

- 6.24 Two respondents were not supportive of the implementation date. One of the respondents did not provide their rationale and the other was not supportive of the change as a whole.

Question 11: Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

- 6.25 Nine respondents were not aware of any wider industry developments that would impact upon this CP. Two respondents highlighted that DCP 268 *'DUoS Charging Using HH settlement Data'* is looking to create RAG tariffs for all customers in preparation for the smart meter roll-out. It is important that the approach under DCP 270 and DCP 268 are aligned.

- 6.26 The Working Group noted the responses.

Question 12: Are there any alternative solutions or matters that should be considered by the Working Group?

- 6.27 Ten respondents did not have any alternative solutions or matters to be considered by the Working Group. One respondent re-highlighted their request under question 7 for the Working Group to reconsider an alternative solution to the assigning of a 'default capacity'. The Working Group referred to their response to question 7 and noted that they had agreed to not set a default capacity value and that any default capacity would be subject to each DNOs internal processes.

7 CONSUMER IMPACT ASSESSMENT

- 7.1 The Working Group requested the removal of HV Medium Non-domestic and the LV Medium Non-domestic and LV Sub Medium Non-domestic tariffs from the CDCM model and requested an impact assessment for any customers left on the legacy meters transitioning to the new tariffs. This impact assessment acts as Attachment 4.
- 7.2 DNO Parties that tested the updated CDCM model, confirmed they were comfortable with the outputs of the proposed model.
- 7.3 A consequential change was required to remove the tariffs from the IDNO section of the EDCM models. These models were also tested and the expected outputs were received.
- 7.4 The Working Group consider that there should not be any customer impact as all customers should have migrated from these tariffs by end of March 2017. Any remaining customers in

April 2017 will have a further twelve months to complete their migration before the tariff is removed.

8 PROPOSED LEGAL TEXT

- 8.1 In drafting the proposed legal text for DCP 270, the Working Group has proposed to remove all references to HV Medium Non-Domestic tariff and the LV and LV Sub Medium Non-Domestic tariffs. The proposed legal text has been reviewed by the DCUSA Legal Advisor and acts as Attachment 2.

9 DCP 270 – WORKING GROUP CONCLUSIONS

- 9.1 The Working Group reviewed each of the responses received to consultation one and concluded that all of the respondents understood the intent of DCP 270.
- 9.2 The Working Group agreed that the majority of respondents were supportive of the principle of the CP.
- 9.3 The Working Group noted that the majority of respondents felt that DCUSA General Objective 1 was better facilitated by this change.
- The Working Group agreed that these tariffs will no longer be used by DNOs or Suppliers so it is appropriate to remove these tariffs from the CDCM. Thus ensuring that the charging arrangements set out in the CDCM are reflective of industry approved changes such as P272.

10 EVALUATION AGAINST THE DCUSA OBJECTIVES

- 10.1 The Working Group considers that DCUSA Charging Objective 1 is better facilitated by DCP 270. The reasoning against the objectives is set out in the table below:

DCUSA 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

The HV Medium non-domestic, LV Medium non-domestic and LV Sub Medium non-domestic tariffs will no longer be required and it is therefore efficient to remove them from the methodology.

11 IMPACT ON GREENHOUSE GAS OMISSIONS

- 11.1 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 270 were implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

12 IMPLEMENTATION

- 12.1 Subject to Party approval and Authority consent, this change seeks to be implemented on the 01 April 2018. To calculate the tariffs that will be applicable for the 01 April 2018, Distributors require updated pricing models consolidating the approved changes to be made available by mid-November. Any charging methodology changes approved after the 16 November will delay the calculation of Distributors pricing and their internal approval process. As a consequence, the Working Group recommend that the Authority approves this change by the 16 November 2016. If this change is approved after the 16 November 2016, it is highlighted that it may not be practical to vary this Agreement by the relevant implementation date and the Working Group suggests that the Authority considers substituting the implementation date.

13 PANEL RECOMMENDATION

13.1 The DCUSA Panel approved the DCP 270 Change Report on 30 September 2016. The timetable for the progression of the CP is set out below:

Activity	Date
Change Report approved by DCUSA Panel	30 September 2016
Change Report Issued for Voting	03 October 2016
Party Voting Closes	17 October 2016
Change Declaration Issued	19 October 2016
Authority Decision	23 November 2016
Implementation	01 April 2018

8 ATTACHMENTS:

- Attachment 1 - DCP 270 Voting Form
- Attachment 2 - DCP 270 Proposed Legal Text
- Attachment 3 - DCP 270 Change Proposal
- Attachment 4 – DCP 270 Modelling Documentation
- Attachment 5 - DCP 270 Consultation Documents