

DCUSA DCP 251 and DCP 252 Consultation responses – collated comments

Company	Confidential/ Anonymous	1. Do you understand the intent of the DCP 251 and DCP 252?	Working Group Comments
<p>Response Summary:</p> <p>Seven respondents understood the intent of DCP 251 and DCP 252, with one respondent providing some comments regarding inconsistencies between the change proposal form and the consultation document.</p>			
Western Power Distribution	Non-confidential	Yes	Noted
Reckon LLP	Non-confidential	There seems to be no consistency between the words in the intent box of the change proposal forms and the words about intent in the consultation document. The last paragraph in the intent box of the DCP 251 form is particularly confusing. Paragraph 2.1 of the consultation document also confused me by implying that portfolio tariffs in respect of site-specific-billed half hourly settled customers are not portfolio tariffs.	<p>The Working Group noted this response and agreed that the references to the 50% discounts should be removed from the DCP 251 Change Proposal form as previously agreed by the DCUSA Panel. However, the original Change Proposal form had not been updated to reflect this.</p> <p>In terms of Paragraph 2.1, the Working Group agreed with the comments raised by Reckon LLP.</p>
UK Power Networks	Non-confidential	Yes	Noted
ENWL	Non-confidential	Yes	Noted
Southern Electric Power Distribution	Non-confidential	Yes	Noted

plc and Scottish Hydro Electric Power Distribution plc			
SP Distribution/ SP Manweb	Non- confidential	Yes we understand the intent of DCP 251 and DCP 252	Noted
The Electricity Network Company Limited	Non- confidential	<p>Yes we understand the intent of the change proposal is to:</p> <ul style="list-style-type: none"> • Provide a consistent term (a QNO) for the types of party to which portfolio tariffs should apply; and • A definition of the classes of customer that should fall under the definition of QNO.- in particular the types of distributor which operate under licence exemption which should be considered as a QNO. <p>For clarification, we do not believe the intent is to develop tariffs specific to networks operating without a licence (i.e. networks operating under licence exemption, or networks that do not meet the requirements for licence exemption but nonetheless operate with no licence).</p>	The Working Group agreed with this response, noting that it is consistent with the original Change Proposal form.
Northern Powergrid Northeast and Yorkshire	Non- confidential	Yes, however there appears to be insufficient background information on Licensed Distribution Network Operator discounted tariffs provided with the original change proposal form to	The Working Group noted this response and most of the Working Group members agreed that it must be clear why the discounted tariff was developed and is provided.

		demonstrate the logic supporting the change proposal.	<p>It was also noted that some additional questions need to be addressed; however, the Working Group was split as to what questions should be asked:</p> <ul style="list-style-type: none"> • All Working Group members agreed to ask: To what extent does an unlicensed operator receive the same Use of System services from the DNO as the IDNO and therefore be entitled to the same discount. • In addition, some Working Group members agreed to ask: How similar are the services offered by an unlicensed operator to those provided by an IDNO, thereby substituting DNO services and therefore be entitled to the same discount.
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Company	Confidential/ Anonymous	2. Are you supportive of the principles of DCP 251 and DCP 252?	Working Group Comments
<p>Response Summary:</p> <p>Seven of the respondents were supportive of the principles of DCP 251 and DCP 252, with one respondent raising some fundamental concerns.</p>			
Western Power Distribution	Non-confidential	If an unlicensed network provides the same services and therefore has the same costs as an IDNO then they should be charged the same. If the unlicensed network provides less services and has less costs then they should not be	<p><i>Please see Working Group's response to Northern Powergrid's comments in Question 1.</i></p> <p>The Working Group noted this response but disagreed. The Working Group decided that</p>

		charged the same but they could still have portfolio billing with a different discount.	<p>having the same costs as an IDNO was the incorrect reference point. Western Power Distribution clarified that their reference to cost related to the services provided and not the magnitude of the costs.</p> <p>Finally, it was noted that setting tariffs with a different discount would be outside the intent of DCP 251 and DCP 252.</p>
Reckon LLP	Non-confidential	<p>I would support the principle of changes that would ensure that, insofar as it is practicable, different recipients of equivalent use of system services have access to equivalent use of system charging arrangements irrespective of their licence status.</p> <p>I am too confused by this consultation document to figure out whether this is the principle that the DCP 251 and DCP 252 working group has been pursuing.</p>	The Working Group noted this response and agreed to endeavour that the principles of DCP 251 and DCP 252 are clearly communicated in future publications.
UK Power Networks	Non-confidential	Yes we are supportive, however we have concerns over whether these license exempt network operators know they are operating under an exemption, and whether they fully understand their obligations today or even if they should become licenced. We believe that this concern needs to be considered in relation to the wider issue of these arrangements and others associated with licence exempt network operators.	The Working Group noted this response, agreeing that DNOs are not responsible for monitoring the compliance of license exempt network operators. The Working Group agreed that the concerns raised about unlicensed networks operating outside the exemption conditions are outside of the scope of DCP 251 and DCP 252.
ENWL	Non-confidential	We support the broad principles of DCP251 and DCP252. The current arrangements may lead	<i>Please see Working Group's response to Northern Powergrid's comments in Question 1.</i>

		<p>to situations where Licence Exempt Distribution Network Operators (LEDNOs) are at a competitive disadvantage to IDNOs because of differences in the applied distribution tariff, even where both network operators are providing similar services.</p> <p>However we have some serious concerns around the implementation as currently proposed. The definition of the term Qualifying Network Operator (QNO) is very wide and could include a large range of customers. Specifically, customers that are not genuine network operators could adopt structures that would enable them to be defined as QNOs, and hence access lower tariffs that do not reflect the costs of distributing electricity to them.</p> <p>We also note that Licence Exempt Distribution Network Operators do not fully substitute the 'last mile' of network services to the same extent as LDNOs do. As a consequence we are concerned that providing the same QNO tariffs to both LEDNO and IDNOs would result in a situation where IDNO parties are at a relative competitive disadvantage, as both would be subject to the same distribution costs but IDNOs would have a larger range of obligations to discharge (for example, an LDNO is required to fund Ofgem, while an LEDNO is not).</p>	<p>The Working Group noted this response and agreed that as part of the work of the Group an appropriate definition for Qualifying Network Operators would be developed in order to ensure that lower tariffs are only applicable to the appropriate operators.</p> <p>The Working Group agreed that taking into account the differences of cost between parties is inappropriate when deciding the applicability of tariffs.</p>
Southern Electric Power Distribution plc and Scottish Hydro	Non-confidential	We are sympathetic to the principles of DCP251/252, as we appreciate the application of competition in supply is challenging. However,	Noted.

Electric Power Distribution plc		<p>we do not believe we can support all aspects of the CPs as they stand.</p> <p>We have some areas of concern with these DCPs, for example it does not seem appropriate to provide the full LDNO discount to a DEH even though they may not be able to provide the substituted services upon which the LDNO discount is based nor do they have the same levels of obligations to meet as licensed distributors. Giving unlicensed distributors a choice of charging arrangements which is not available to licensed distributors also gives us a degree of concern.</p>	
SP Distribution/ SP Manweb	Non-confidential	Yes we are supportive of the principles of DCP 251 and DCP 252	Noted
The Electricity Network Company Limited	Non-confidential	<ul style="list-style-type: none"> • We agree that there should be consistency in describing the types of parties that should qualify for portfolio tariffs. • We agree that in principle a DNO operating outside of its distribution services area should be charged use of system on the same basis as an IDNO. • We agree there may be some circumstances where networks operated under licence exemption may qualify to be considered as a QNO in a limited number of circumstances. However, we do not think that all networks operated under licence exemption should be eligible for portfolio tariffs. 	The Working Group noted this response and agreed with the comments put forward within the response.

		<ul style="list-style-type: none"> Portfolio tariffs recognise that the IDNO substitutes the activities that a DNO would have to undertake if it had to provide the network. The Portfolio tariffs are calculated by reference to: <ul style="list-style-type: none"> the end consumers connected to the qualifying network; and by reference to the tariffs that the DNO levies in respect of equivalent customers connected to its distribution system. the consumption data provided by the settlement of such consumers; and on the DNO's total avoided costs as a consequence of the "last mile" of network being provided by another network operator (distributor); such avoided costs being calculated as an average of the total costs incurred by the DNO in providing the equivalent last mile of network to equivalent customers. <p>Therefore for a network to qualify for portfolio tariffs it should result in the DNO avoiding costs in the same way that it does in providing use of system to other a licensed networks.</p>	
Northern Powergrid Northeast and Yorkshire	Non-confidential	<p>Only in part, we have some fundamental concerns. We agree that the applicability of the discounted tariffs should be clearer in that they should explicitly apply to all licenced network operators in respect of embedded networks (to both Distribution Network Operators working 'off-patch' and to Independent Distribution Network Operators).</p> <p>However, we struggle to see the logic behind</p>	<p>The Working Group noted this response; however, some members of the Working Group believed that the history of the development of the IDNO discounted tariffs was not relevant to the question posed.</p> <p>Within the response, it was noted that Northern Powergrid had identified three issues, which required further consideration. The Working</p>

		<p>applying the discounted tariffs to licence exempt/private/non-licenced networks as the tariffs were explicitly designed to address market issues in respect of licenced Independent Distribution Network Operators include in respect of the effects of the regulatory BA1 price control on Independent Distribution Network Operators ('price cap'), the costs they incur in providing licensee services, the expressed need for Independent Distribution Network Operators to achieve a 'margin' and, when these aspects are combined together, the assertions on the risk of 'margin squeeze' at the time when the tariffs were created. In contrast, licence exempt network operators/Distribution Exempt Holders/operators of private networks are not subject to a regulatory price control and do not provide licensee services.</p> <p>It should also be noted that the current Independent Distribution Network Operators tariffs are applied and billed on a portfolio basis and the tariffs and billing arrangements are completely linked. The portfolio data is not site specific. The portfolio billing is based on end user meter readings as there is no boundary metering on Independent Distribution Network Operators sites. Applying the Independent Distribution Network Operators tariffs to non-IDNO sites would therefore create at least three additional issues:</p> <ul style="list-style-type: none"> • Distribution Exempt Holders sites utilising the Balancing and Settlements Codes difference metering solution have 	<p>Group agreed for these issues to be added to the issues log.</p> <p>Finally, the Working Group reiterated that further work would be required in order to appropriately define a Qualifying Network Operator.</p>
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		<p>both boundary meters and some end-user meters. Not all end users would be metered so a way of applying the Independent Distribution Network Operators tariffs to the boundary meters would need to be found. It is not clear how this could be achieved.</p> <ul style="list-style-type: none">• The portfolio billing that supports Independent Distribution Network Operators tariffs relies on the Independent Distribution Network Operators constructing the portfolio data for all its registered Meter Point Administration Numbers on its sites that are connected to a particular Distribution Network Operator's assets. The Independent Distribution Network Operators sends this portfolio data to the Distribution Network Operator. Independent Distribution Network Operators (as market participants) access industry systems and data to construct the portfolio data, whereas it is difficult to see how a Distribution Exempt Holders who is not a market participant could do this.• Distribution Exempt Holders tend to own self-contained individual sites that exist for specific and dissimilar purposes e.g. ports and airports, whereas the Independent Distribution Network Operators model replicates very similar	
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		<p>sites e.g. new housing and that model lends itself well to portfolio billing.</p> <p>We have further concerns on the risk of gaming which could be introduced by this change. Take for example a Utility Company Head Office, which also has an on-site catering facility and an on-site repair garage. Under proposal DCP 251/252 there would be nothing stopping the company from treating the canteen and garage as sub-contractors, fitting sub-meters and creating a private network, in order to receive discounted Use of System charges at the boundary with the licenced network operator.</p> <p>In short Independent Distribution Network Operators and licence exempt operators are fundamentally different and do not appear, on the face of it, to be similar enough to have the same tariffs applied to them.</p>	
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Company	Confidential/ Anonymous	3. Do you agree with the proposal to introduce the term "Qualifying Network Operator"?	Working Group Comments
<p>Response Summary:</p> <p>All respondents agreed with the proposal to introduce the term 'Qualifying Network Operator'</p>			
Western Power Distribution	Non-confidential	Yes we agree with the introduction of the term qualifying network operator but the definition will have to be very descriptive.	Noted
Reckon LLP	Non-confidential	Yes	Noted

UK Power Networks	Non-confidential	Yes, this is important to separate these from other customer groups.	Noted
ENWL	Non-confidential	<p>We agree with the introduction of the term, and particularly agree that the changes to the drafting of EDCM legal text correct an erroneous limitation of the applicability of LDNO tariffs. The current EDCM legal text does not reflect current practice, and we believe the intention of the text when drafted was that EDCM LDNO tariffs should be available to both DNOs operating out of area and IDNOs.</p> <p>Please note our response to Q7 regarding the definition itself.</p>	Noted
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We believe that the introduction of the term would be necessary if the CP was approved.	Noted
SP Distribution/ SP Manweb	Non-confidential	Yes we agree with the proposal to introduce the term "Qualifying Network Operator".	Noted
The Electricity Network Company Limited	Non-confidential	Yes	Noted
Northern Powergrid	Non-confidential	Yes, in principle, in order to identify network operators that are similar enough to	Noted

Northeast and Yorkshire		Independent Distribution Network Operators to justify having the same tariffs applied to them.	
Company	Confidential/ Anonymous	4. Please can you provide details of your assessment of the implication of implementing DCP 251 and DCP 252, namely the extension of the tariffs to unlicensed networks. If possible, please can you quantify the number of networks and the volume of electricity which might qualify (preferable in megawatts).	Working Group Comments
<p>Response Summary:</p> <p>None of the respondents were able to provide an assessment of the implication of implementing DCP 251 and DCP 252, in terms of the number of networks and the volume of electricity which might qualify.</p>			
Western Power Distribution	Non-confidential	WPD believe the effect of this is impossible to quantify as if this DCP was passed then it would be impossible to predict the take up.	Noted
Reckon LLP	Non-confidential		
UK Power Networks	Non-confidential	The availability of data and visibility and awareness of licence exempt networks, as highlighted in question 2, makes it almost impossible to quantify either the number of networks or the volume of electricity which might qualify. While a party can only be exempt where the total maximum demand of their connected domestic premises is less than	Noted

		2.5MW, it is also likely that there are 'exempt' operators who should have licences.	
ENWL	Non-confidential	The number of customers would depend on customer behaviour and in many cases we have no certain way of knowing if customers may choose to qualify as QNOs if the incentive of lower tariffs is available. We would need to investigate the number of networks and volume of electricity.	Noted
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We have no means of quantifying the number of unlicensed networks or MW of electricity which might potentially qualify for portfolio tariffs if the CPs were approved. Unlicensed networks can range from sub-divided houses up to large ports, airports and industrial sites and we have no information on which to base an assessment of possible interest in qualifying for portfolio tariffs across the various categories of private networks.	Noted
SP Distribution/ SP Manweb	Non-confidential	We are currently unable to provide this information at this time.	Noted
The Electricity Network Company Limited	Non-confidential	<ul style="list-style-type: none"> We think a network operating under licence exemption (or a network that do not meet the requirements for licence exemption but nonetheless operate with no licence) should only qualify for portfolio tariffs where they replicate the types of network and services provided by IDNOs (and therefore the total avoided costs of the upstream DNO). Therefore, we think that to qualify for 	Noted

		<p>portfolio tariffs customers connected to the unlicensed network should be traded through settlement (i.e they should be registered through SMRS or CMRS).</p> <ul style="list-style-type: none"> We are unable to provide information since we do not know to what extent customers connected to our network operate networks under licence exemption. (we will only know the information provided in the connection agreement which will relate to the maximum capacity of the connection). There are a wide range of networks that operate without a licence, for example: <ul style="list-style-type: none"> Ports and docks, airports, railway lines, Industrial sites, shopping complexes, caravan parks ESCos Blocks of flats (where the risers and the laterals are not owned and operated by the DNO – even if MPANs are provided for individual premises) <p>Premises converted into multiple occupancy (e.g. a house that is converted into flats).</p>	
Northern Powergrid Northeast and Yorkshire	Non-confidential	This is not a value we can quantify. We don't know how customers use electricity beyond the metered boundary with our networks so we do not know how many private networks there are.	Noted

Company	Confidential/ Anonymous	5. Please can you confirm whether the background paper, Attachment 6 provided sufficient information?	Working Group Comments
<p>Response Summary:</p> <p>Six respondents agreed that the background paper provided sufficient information, with one respondent disagreeing and one respondent providing comments.</p>			
Western Power Distribution	Non-confidential	Yes	Noted
Reckon LLP	Non-confidential	<p>No, it does not.</p> <p>None of table 1, table 2 or table 3 in appendix 1 covers the case of full settlement metering which is the only case in which the proposed legal text would apply: table 1 has no private network, table 2 is a private network with no exit points in MPRS, table 3 is a private network with some exit points in MPRS and a different metering arrangements — none of those cover full settlement metering as outlined in the proposed definition of QNO.</p> <p>This is a major shortcoming in the background paper and it is a symptom of the complete disjoint between the legal text and the background paper. That disjoint seems to take most of the value of the consultation process.</p>	<p>The Working Group noted this response and reiterated that further clarity in the consultation document, background paper and Qualifying Network Operator definition would be provided in future publications.</p> <p>It was agreed for the items raised to be included within the issues log.</p>
UK Power Networks	Non-confidential	Yes as this provided a useful history of the issues this change is looking to address, the use of different examples was also beneficial.	Noted

ENWL	Non-confidential	The background paper is a useful document providing a broad overview of many issues connected with the proposal.	Noted
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We believe that Attachment 6 provided a good background to the development and implementation of LDNO tariffs.	Noted
SP Distribution/ SP Manweb	Non-confidential	Yes the background paper provided sufficient information.	Noted
The Electricity Network Company Limited	Non-confidential	<p>Whilst the background paper sets out the basis on which charges were determined for IDNOs; it does not set out which "classes" of unlicensed networks (if any) should fall under the definition of QNO and the justifications as to why they should (or should not) qualify.</p> <p>This piece of work will be essential in determining whether the solutions will better meet the relevant objectives.</p>	Noted
Northern Powergrid Northeast and Yorkshire	Non-confidential	Yes, at this stage, in order to capture enough background to help parties digest the nature of the change proposal.	Noted

Company	Confidential/ Anonymous	6. Please can you confirm whether you agree with the Working Group assessments in the background paper provided as Attachment 6?	Working Group Comments
<p>Response Summary:</p> <p>Six respondents agreed with the Working Group assessment in the background paper, with one respondent disagreeing and one respondent providing comments.</p>			
Western Power Distribution	Non-confidential	Yes	Noted
Reckon LLP	Non-confidential	<p>No, I do not agree. A few examples of disagreements follow.</p> <p>Paragraph 4.4: I disagree with what is described as the provisional view of the working group. I took part in some working group meetings and disagreed with these ideas, it would have been appropriate to acknowledge that dissent rather than tarring me with the same brush as the working group members who support these misguided views. The rationale within paragraph 4.4 is wrong because services related to settlement, registration and supplier billing are not use of system services. Furthermore, there seems to be no consistency between paragraph 4.4 and the draft legal text. Asking confusing questions takes most of the value out of the process of consultation.</p> <p>Paragraph 4.5: the word "avoided" does not make sense — how could a service that is not</p>	<p>The Working Group noted this response and agreed for the items to be included within future publications in order for the concerns to be addressed.</p>

		<p>provided “generate costs”? This confusion casts doubts on the meaning of Appendix 1.</p> <p>Paragraph 4.5: it seems false to say that any costs “are determined” within the CDCM: the CDCM is a pricing methodology, not a costing system.</p> <p>Paragraph 4.5: I do not understand the relevance of a light-emitting diode (LED) here.</p> <p>Paragraph 5.3: I thought that half hourly consumption data was supplied to distributors by HHDCs, not suppliers.</p> <p>Section 5 contains a lot of questions to which the answers seem obvious and/or irrelevant.</p> <p>The structure of the tables in appendix 1 is misconceived. All that matters is what services are provided by the DNO, and whether there are legitimate mechanisms outside use of system charging methodologies for the DNO to charge for these services. Only services provided by the DNO and not chargeable by other means should be taken into account in the use of system charging methodology. Costs by themselves do not matter, because legitimate charges include a profit element as well as costs. Whether charges for these services are recovered through DUoS is part of the question to be resolved, not a legitimate area in which the working group majority can try to impose its views by labelling them as “background information”. What the private network can charge its customers for is not</p>	
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		<p>relevant to the design of DNO charging methodologies.</p> <p>The reference to "Ofgem funding" (a tax on licensed operators) as if it were a service provided by a DNO does not make sense.</p> <p>Manifest editorial errors in the document impair its credibility and therefore its use as background information. For example, the reference to MPRS in footnote 2 under table 2 makes no sense given that exit points relevant to table 2 would not be registered in MPRS. The proposition in table 2 that a PNO would be providing MPRS seems wrong. There is no consistency in the rows between tables 1, 2 and 3 (what are "Electricity charges to end customers" about?). It is disappointing that the question to Ofgem/distributors implied by footnote 4 in table 3 was left unanswered by a working group consisting of experts "from DNO and IDNO parties [and] an Ofgem observer".</p> <p>The implication from appendix 1 is that private networks of the table 2 kind (no private network exit points in MPRS) do not receive any more use of system services from the DNO than an IDNO would. This seems to imply that QNO treatment should be available to these networks. The consultation document fails to address this.</p>	
UK Power Networks	Non-confidential	Yes we do	Noted

ENWL	Non-confidential	<p>We agree with the conclusion A of the working group that the key consideration is the rules defining a QNO. We also agree with conclusion B, that if a DEH operates in the same way as an IDNO it should receive the same tariff.</p> <p>The provision of non-DUoS services by a DNO to a DEH (for example, to facilitate competition in supply) would be subject to separate agreements and charges. It is our view that these arrangements should have no bearing on the determination of DUoS tariffs. We are not sure that the background paper makes this sufficiently clear (conclusion C).</p>	Noted
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	The information contained is adequate given the challenging topic.	Noted
SP Distribution/ SP Manweb	Non-confidential	Yes we agree with the Working Group assessments in the background paper.	Noted
The Electricity Network Company Limited	Non-confidential	<ul style="list-style-type: none"> Where customers connected to an unlicensed network have an MPAN and participate in competition in supply then it is easier to see such networks operating in a similar vein to those operated by IDNOs. However, we do not see how competition in supply on unlicensed networks can occur without the 	The Working Group noted this response and agreed for the items to be included in the issues log.

		<p>support of the host DNO. The provision of services to facilitate competition in supply on unlicensed networks is outside the scope of DCUSA and would be therefore subject to separate contracts agreed between the licensed distributor and the unlicensed network operator.</p> <ul style="list-style-type: none"> • Portfolio tariffs should only apply in respect of unlicensed networks that are wholly separate from end customers connected to the distribution system; i.e. organisations where the distribution system is owned by an affiliate of the end customer (or customers) should not qualify as a QNO. • Where there is no supply competition on the unlicensed network is not subject to competition then the licensed distributor does not need to provide ancillary services We think the arrangements here would be: <ul style="list-style-type: none"> – the boundary to the unlicensed network would require an MPAN (this is mandatory to record the exit and entry of energy from the total exit point. – a supplier would need to be appointed to the MPAN. – the arrangements in place for portfolio billing are that the DNO bills the IDNO for use of system and the IDNO charges the supplier for the all the way DUoS. We do not know how this arrangement would work in respect of unlicensed distributors. – We are not sure on what basis the DNO would charge DUoS to the unlicensed 	
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		<p>network operator. The portfolio tariffs are calculated on the basis of the notional tariffs that would be applied to end customers. Therefore the DNO would need to have relevant details of "bon fide" end customers (see next bullet point)</p> <ul style="list-style-type: none"> • There would need to be clarity that the provision of the network by the unlicensed distributor substituted the activity that would otherwise be provided by the distributor, and therefore result in the licensed distributor avoiding costs (which they would otherwise incur, on average, for that class of customer) 	
Northern Powergrid Northeast and Yorkshire	Non-confidential	Yes, at this stage, the working group should further consider whether there is enough background on the origins of the Independent Distribution Network Operators tariffs in order to assist Ofgem in its decision making further into the change process.	Noted

Company	Confidential/ Anonymous	7. Do you agree with the definition for a Qualifying Network Operator?	Working Group Comments
<p>Response Summary:</p> <p>Two respondents agreed with the definition for a Qualifying Network Operator, with the remaining respondents suggesting a number of areas for improvement within the definition.</p>			

Western Power Distribution	Non-confidential	The definition of a qualifying network operator needs to be more descriptive.	The Working Group noted this response, agreeing that the definition would be reviewed in order to address the comments provided.
Reckon LLP	Non-confidential	<p>The proposed definition in the draft legal text would be an improvement over current arrangements. The definition seems to capture cases in which the distribution use of system services provided by the DNO are the same as what would be provided to an equivalent IDNO, and data can be made available on the same basis as they would be for an IDNO.</p> <p>It might be a good idea to say that the first two conditions under (b) coincide with the notion of an Associated Distribution System under the BSC, if that is correct; or to explain what the difference is, if there is one.</p>	<p>The Working Group noted this response, agreeing that the definition would be reviewed in order to address the comments provided.</p> <p>It was also agreed that the definition of a Qualifying Network Operator should be included within future publications.</p>
UK Power Networks	Non-confidential	Yes	Noted
ENWL	Non-confidential	<p>No. We believe that definition is too broad. Customers could potentially create artificial structures to benefit from the QNO tariffs by simply defining their site as a distribution network and ensuring there is a meter on the entry point.</p> <p>We also note that to qualify as a QNO an unlicensed network operator must notify the DNO. This allows an unlicensed operator to choose between an LDNO or ordinary tariff (which can result in lower charges in some</p>	<p>The Working Group noted this response, agreeing that further consideration into the issues raised would be required prior to progressing DCP 251 and DCP 252.</p> <p>In terms of customer choice, it was agreed for this item to be included within the issues log.</p>

		circumstances) which is an option not available to LDNOs.	
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We believe that the QNO definition should make clear that the third category of network is operated by a party which is unlicensed (by exemption or otherwise). We also feel that the definition should be extended to require the unlicensed operator to have entered into all contractual arrangements necessary for provision of data and also for the payment (rather than only the calculation) of UoS charges. These obligations should also require to be maintained at all times, failing which entitlement to be treated as a QNO would be withdrawn. In general, we are uncomfortable that so many of the arrangements required to make the QNO concept work are reliant on uncertain bilateral arrangements outside DCUSA governance or some equivalent structure.	<p>The Working Group considered this response, noting the proposed additions to the definition of a Qualifying Network Operator. It was agreed that the definition should state that the appropriate arrangements for the provision of data should be in place.</p> <p>The Working Group agreed to further consider how prescriptive the definition should be within the methodology itself.</p>
SP Distribution/ SP Manweb	Non-confidential	Yes we agree with the definition for a Qualifying Network Operator	Noted
The Electricity Network Company Limited	Non-confidential	<p>We agree with the term of Qualifying Network Operator.</p> <p>We think that the current term only allows those networks which are fully open to competition in supply to qualify – however see our response to Q6 above. We think that competition in supply on an unlicensed network</p>	Noted

		<p>is not possible without the cooperation of the host licensed distributor.</p> <p>Also We think further work may be required to recognise that some unlicensed networks do not meet the requirements for licence exemption; i.e. they are in breach of the provisions of the Electricity Act – it is an interesting discussion point as to whether parties who are in breach of the provisions of the Act should be entitled to qualify as a QNO.</p>	
Northern Powergrid Northeast and Yorkshire	Non-confidential	<p>We are reasonably comfortable with the definition however we feel that there would also be benefit in the working group defining what a "Private Network Operator" is, as this is currently not clear. If this change is approved this definition would be essential to ensure there is no further ambiguity.</p>	<p>The Working Group considered this, agreeing that a definition for a Private Network Operator (if needed) should be included within the issues log. Currently, the definition for a Qualifying Network Operator does not include references to Private Network Operators.</p>

Company	Confidential/ Anonymous	<p>8. Are there circumstances under which unlicensed distribution systems (private network operators) should be considered as qualifying for the LDNO tariffs? Please give supporting reasons. If you consider that there are circumstances that licence exempt distribution systems do qualify please also describe the circumstances</p>	Working Group Comments
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<p>Response Summary:</p> <p>Three agreed that there are circumstances under which unlicensed distribution systems should be considered as qualifying for the LDNO tariffs, where they are operating in the same manner and three respondents disagreed.</p>			
Western Power Distribution	Non-confidential	If the unlicensed network provides the same services as the LDNO then they should qualify for the LDNO tariffs.	The Working Group agreed with this response; however, noted that there are other instances where this may apply.
Reckon LLP	Non-confidential		
UK Power Networks	Non-confidential	We believe that where an unlicensed network operates in the same way as an LDNO then it could be treated in the same way. However in almost all cases we believe that the DNO (or an LDNO) would need to assist the unlicensed network with raising MPANs, MDD data etc, which would mean that they are not operating in a consistent manner to an LDNO.	<p>The Working Group noted this response, agreeing that the comments reflected a common theme within the consultation responses:</p> <ul style="list-style-type: none"> • Should it be the Use of System services that the unlicensed operator provides; or • Should it be the Use of System services it receives from the DNO. <p>which will be considered in more detail under the issues log.</p>
ENWL	Non-confidential	In principle we do consider that there are circumstances under which PNOs should be considered as qualifying for LDNO/QNO tariffs. The background paper makes clear that where PNOs are operating a network with competition in supply they are required to provide many of the same services as IDNOs (even if these services were supplied by a DNO under	Noted

		contract), and as such it would be reasonable to expect that similar tariffs would apply.	
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We currently are not aware of any circumstances where we envisage that a private network operator would qualify for the fully discounted LDNO tariffs, but if there were any such circumstances, the implementation practicalities, such as the background contractual and service provision arrangements would be substantial. The lack of fully established standard frameworks for dealing with competitive supply on private networks remains a significant problem for the industry to collectively address. We would welcome further explanation and background on this query to be included in the working group paperwork.	<p>The Working Group noted this responses and agreement to provide further information regarding the circumstances within which a Private Network Operator would qualify for discounted tariffs.</p> <p>The Working Group agreed to identify the wider impacts DCP 251 and DCP 252 may have and to identify what other processes parties may need to put in place should DCP 251 and DCP 252 be accepted. However, it was agreed that prescribing such steps is outside of the scope of the methodology.</p>
SP Distribution/ SP Manweb	Non-confidential	Currently we are not aware of any circumstances under which unlicensed distribution systems (private network operators) should be considered as qualifying for the LDNO tariff.	Noted
The Electricity Network Company Limited	Non-confidential	See our response to Question 6 and 7	<i>Please see the Working Group's responses to Questions 6 and 7.</i>
Northern Powergrid Northeast and Yorkshire	Non-confidential	No. There appears to be no clear circumstances under which unlicensed distribution systems and the operations of their network owners are similar enough to Independent Distribution	Noted

		Network Operators or Licensed Distribution Network Operators with embedded sites to warrant qualification for the Licensed Distribution Network Operators tariffs.	
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Company	Confidential/ Anonymous	9. The Change Proposal refers to people who operate under licence exemption; however, the Working Group believes that there are individuals correctly operating outside of the allowed exemption and are therefore propose to use the term 'unlicensed' as opposed to 'licence exemption'. Do you agree with this?	
<p>Response Summary:</p> <p>Three respondents agreed with the use of unlicensed network operators as opposed to licence exempt network operators, two respondents agreed in principle but provided comments. The remaining respondents disagreed and provided their rationale.</p>			
Western Power Distribution	Non-confidential	Yes	Noted
Reckon LLP	Non-confidential	<p>I can see the logic for the term "unlicensed".</p> <p>However, there is a risk with the term "unlicensed" is that it might be taken to exclude licensed generators and suppliers operating private distribution networks.</p>	<p>The Working Group noted this risk and agreed to add it to the issues log for further consideration as it was suggested that unlicensed may be required to be defined.</p>

		I do not agree with the characterisation of people operating outside the exemption conditions as "individuals" (they might be corporations or local authorities). I do not agree with the claim that these people would be operating "correctly".	
UK Power Networks	Non-confidential	Network operators should operate within the licence exemption or correctly apply for a licence. As indicated in our response to question 4, it is likely that there are network operators that breach the exemption and we are not comfortable with these being referred to as 'correctly operating outside of the allowed exemption'. However as we are faced with this reality we do agree with the use of the term 'unlicensed' when describing all network operators who operate without a licence.	Noted
ENWL	Non-confidential	<p>It is our understanding that distributing electricity without either a licence or valid exemption is an offence under the Electricity Act 1989 (1989 c. 29 Part I Section 4 bb). However, in addition to applying to the Secretary of State for a specific exemption there are three classes of exemption specified under The Electricity (Class Exemptions from the Requirement for a Licence) Order 2001. These are Small Distributors, On-site Distribution and Distribution to non-domestic consumers.</p> <p>It is perhaps these general exemptions that the Working Group has in mind. However, these individuals/entities are licence exempt.</p>	The Working Group believes that there may be parties who have not been granted specific exemption and who do not meet the criteria for general exemptions as set out in the relevant Regulations. The intent of this definition is to include all parties who operate without a distribution licence.

Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We would welcome further explanation and background on this query to be included in the working group paperwork.	The Working Group noted this response and agree to provide further information within the future publications.
SP Distribution/ SP Manweb	Non-confidential	Yes we agree to use the term 'unlicensed'.	Noted
The Electricity Network Company Limited	Non-confidential	<p>We think it is wrong to describe parties as "correctly" operating outside exemption. Parties who have not been granted exemption – either on a site specific basis or by compliance with the class exemption regulations are in breach of Act.</p> <p>It is not for licensed distributors to administer the law and to determine whether a party is in breach of the provisions of the Act and to discriminate on that basis. Therefore, we think the term "unlicensed" rather than "licence exempt" should be used</p>	Noted
Northern Powergrid Northeast and Yorkshire	Non-confidential	Yes, we agree with the working group using the term 'unlicensed'.	Noted

Company	Confidential/ Anonymous	10. Do you agree that the proposal (as outlined so far) better facilitates the DCUSA objectives? Please give supporting reasons.	Working Group Comments
<p>Response Summary:</p> <p>Four respondents agreed that the proposal better facilitates the DCUSA Objectives, two respondents provided some comments and one respondent suggested that the change needed further development.</p>			
Western Power Distribution	Non-confidential	<p>If the costs are the same then the charges should be the same. Whether this statement is true for unlicensed networks and LDNOs would depend on whether it better facilitates charging objective 3 or not.</p> <p>Portfolio billing of private networks would make it easier for private network customers to have different suppliers which will enable competition in supply which would better facilitate charging and general objectives 2.</p>	Noted
Reckon LLP	Non-confidential	<p>I could not find anything in the consultation document about whether the proposal would better facilitate the achievement of the DCUSA Objectives. So there is nothing to agree with or otherwise.</p> <p>The change proposal forms include some commentary on the DUCSA objectives and charging objectives. That commentary seems to be in conflict with the way in which the working group has interpreted/modified the intents of the change proposals.</p>	The Working Group noted this response and agreed to review the Change Proposals forms in light of the comments raised.

		Changes that would ensure that, insofar as it is practicable, different recipients of equivalent use of system services have access to equivalent use of system charging arrangements irrespective of their licence status would better facilitate the achievement of the DCUSA charging objectives, by helping DNOs comply with their non-discrimination obligations, improving competitive balance between licensed and unlicensed distribution, and perhaps improving cost reflectivity.	
UK Power Networks	Non-confidential	Based upon the information included in the consultation, we believe that charging objective two and general objective two are both better facilitated by this change by removing any possible undue and unintended discrimination between licensed and licence-exempt distributors.	The Working Group noted this response and it was raised the licence conditions prohibit undue discrimination between parties.
ENWL	Non-confidential	On balance we do not believe the proposal better facilitates the DCUSA Charging Objectives as currently drafted.	The Working Group noted this response, suggesting that it would have been beneficial to provide the rationale behind the comments made in order for the Group to address them.
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We believe that the DCPs require further development in order to assess the DCUSA Objectives.	Noted

SP Distribution/ SP Manweb	Non-confidential	We agree that the proposal better facilitates the DCUSA objectives as detailed in the DCUSA Change Proposal Form.	Noted
The Electricity Network Company Limited	Non-confidential	We believe the use of the term QNO better facilitates the objectives. We believe that there is scope for an unlicensed networks to be considered as a QNO in limited circumstances. However, unlicensed network operators could qualify for portfolio tariffs by becoming a licensee. We question whether this shouldn't be the approach pursued - perhaps through 'licence lite' arrangements	The Working Group noted this response and agreed that the last comment relating the licence lite arrangements was out of scope for DCP 251 and DCP 252.
Northern Powergrid Northeast and Yorkshire	Non-confidential	It is unclear how this proposal, in respect of non-licensed networks better meets some of the DCUSA objectives. It would however correct the error in drafting that currently discriminates between Licensed Distribution Network Operators and Distribution Network Operators operating outside of their licence area, therefore it would better meeting DCUSA Charging Objective One.	Noted

Company	Confidential/ Anonymous	11. Do you have any comments on the proposed legal text for DCP 251 and DCP 252?	Working Group Comments
<p>Response Summary:</p> <p>two respondents provided comments on the proposed legal text for DCP 251 and DCP 252 and the remaining respondents did not.</p>			

Western Power Distribution	Non-confidential	No	Noted
Reckon LLP	Non-confidential		
UK Power Networks	Non-confidential	After reviewing the legal text, we would question whether we need to have separate terms for LDNO and QNO in the legal text. It should also be made clearer that this solution only applies to networks where Full Settlement solution exists rather than those with Difference Metering.	The Working Group noted this response and agreed that further clarity on the definition of who the tariffs apply to is required. The Working Group agreed for this comment to be added to the issues log.
ENWL	Non-confidential	<p>DCP251 alters the definition for LDNO. We not sure why this is necessary as the legal text introduces the new term QNO, which largely replaces the term LDNO.</p> <p>Sch 16 114 and 117: we would be in favour of using LDNO network data as a proxy for QNO network data. The unlicensed QNOs may include less sophisticated entities that are not DCUSA parties and obtaining data from them may be problematic.</p>	The Working Group noted this response and agreed for the final comment to be added to the issues log.
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We welcome the correction to the error in Schedule 17/18. See also our response to Q7 in relation to the QNO definition.	Noted

SP Distribution/ SP Manweb	Non-confidential	No comments	Noted
The Electricity Network Company Limited	Non-confidential	We think the definition of QNO should refer to unlicensed operators as opposed to licence exempt	Noted
Northern Powergrid Northeast and Yorkshire	Non-confidential	We are relatively comfortable with the draft legal text, however feel that this will need to be reviewed again in light of any consultation responses.	Noted

Company	Confidential/ Anonymous	12. Please can you confirm the earliest date which you believe DCP 251 and DCP 252 can be implemented? Please provide your reasons why.	Working Group Comments
<p>Response Summary:</p> <p>One respondent suggested near-immediate effect upon approval (5 working days following Authority consent) and a number of respondents suggested that the changes should be introduced in the next DCUSA release following approval. Finally, a respondent suggested an implementation date of six months following approval.</p>			
Western Power Distribution	Non-confidential	This does not have to be introduced at the beginning of a charging year. If this was introduced where prices have already been set by a DNO then this would affect the K Factor but this would probably be a small amount depending on the take up.	Noted
Reckon LLP	Non-confidential	Near-immediate effect upon approval. The DCPs would not cause to a DNO-led change in	Noted

		tariffs so the 15-month notice period does not apply. An application by a private network operator to be treated as a QNO should be processed by DNOs in the same manner (in terms of allocating tariff codes, calculating new site-specific tariffs, etc) as they would deal with setting up a new embedded LDNO connection.	
UK Power Networks	Non-confidential	As this change would not result in changes to existing charges or the introduction of new charging arrangements, we believe that this change could be introduced in the next DCUSA release following approval.	Noted
ENWL	Non-confidential	Our preference would be for implementation to be timed with a normal release rather than five working days following Authority Consent, as there could be an impact on tariffs, which are published 15 months in advance, depending on the number of networks involved.	The Working Group noted this response and agreed that further clarity would be beneficial.
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We are unsure whether all practical considerations could be addressed in the time frame proposed in the CP as, for example, updates to the body of the LC14 Use Of System Charging Statement are required and these would require approval from Ofgem. New forms of bi-lateral agreements would also be required to enable portfolio billing of QNOs. We feel that a period of up to 6 months after approval would be required to allow for completion of all of the necessary steps and arrangements.	The Working Group noted this response and agreed that the identification of the wider impacts of the implementation of DCP 251 and DCP 252 needs to be considered.
SP Distribution/ SP Manweb	Non-confidential	If the Change Proposal is to be implemented, we believe that the earliest date should be the next release of DCUSA following approval.	Noted

The Electricity Network Company Limited	Non-confidential	If the changes result in changes to tariffs then the period should be the same as that for any other changes that impact on tariffs.	Noted
Northern Powergrid Northeast and Yorkshire	Non-confidential	This change has no material impact on charges; however there could potentially be some significant process changes that have not as yet been developed. The implementation date should take this into consideration and not be rushed.	Noted