DCUSA Change Report

At what stage is this document in the process?

01 – Change Proposal
02 – Consultation
03 – Change Report
04 – Change Declaration

DCP 341

Removal of residual charging for storage facilities in the CDCM

Date raised: 31 January 2019

Proposer Name: Tony McEntee

Company Name: Electricity North West

Company Category: DNO

Purpose of Change Proposal:

The intent of this Change Proposal is to amend the application of residual charging in respect of storage generators in the CDCM.

This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 341 'Removal of residual charging for storage facilities in the CDCM'.

Parties are invited to consider the proposed amendment (Attachment 1) and submit their votes using the voting form (Attachment 2) to dcusa@electralink.co.uk by **09 August 2019.**

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.

If you have any questions about this paper or the DCUSA Change Process, please contact the DCUSA by email to dcusa@electralink.co.uk or telephone 02074323011.

Parties Impacted*:* DNOs, IDNOs, Suppliers and CVA Registrants

Impacted Clauses: Schedule 16 - various paragraphs

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Timetable

The timetable for the progression of the CP is as follows:

Change Proposal timetable

Activity	Date
Initial Assessment Report Approved by Panel	20 February 2019
Consultation issued to Parties	05 June 2019
Change Report issued to Panel	10 July 2019
Change Report issued for Voting	19 July 2019
Party Voting Ends	09 August 2019
Change Declaration issued to Authority	13 August 2019
Authority Decision	17 September 2019
Implementation Date	01 April 2021

Any questions?

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1 Summary

What?

1.1 The Proposer suggests that changes are required to the Common Distribution Charging Methodology (CDCM) to ensure that storage facilities are not subject to residual charges for demand where the intent is to export the energy taken back onto the system.

Why?

1.2 Residual charges exist to ensure that Distributors recover their allowed revenue. They generally recover sunk costs in respect of historical investments into network infrastructure for the purpose of serving demand customers. In July 2017, the Government and Ofgem published the Smart Systems and Flexibility Plan[1] which identified a number of policy and regulatory barriers to the further deployment of storage. In order to address these, Ofgem identified a number of actions which included that storage facilities should not pay the 'demand residual' element of network charges at transmission and distribution level (page 11 of published document).

1.3 On 23 January 2019 Ofgem published an Open letter[2] on implications of charging reform on electricity storage. The letter set out the policy intent of Ofgem's charging reforms and included its view that industry-led modifications are critical to reaching a level playing field between storage (excluding any final demand) and generation. The charges within the scope of reform include:

- Distribution Use of System (DUoS) charges, in the DCUSA;
- Transmission Network Use of System (TNUoS) charges, in the Connection and Use of System Code (CUSC); and
- Balancing Services Use of System (BSUoS) Charges, in the CUSC.

1.4 In this letter it requested that modifications be brought forward to promptly address residual charging for storage in the CDCM and EDCM. A separate CP, DCP 342 'Removal of residual charging for storage facilities in the EDCM' has been raised with respect to EDCM charges which has progressed alongside DCP 341.

How?

1.5 By defining what is classed as a storage facility, determining the eligibility criteria and who needs to provide assurances that they meet them (together with their associated imports and exports).

[1] https://www.ofgem.gov.uk/system/files/docs/2017/07/upgrading_our_energy_system_-_smart_systems_and_flexibility_plan.pdf

[2] https://www.ofgem.gov.uk/system/files/docs/2019/01/storage_and_charging_reform_2201f.pdf

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1.6 By the introduction of three new tariffs that will be applied in respect of the demand (import) associated with eligible storage facilities which mirror the existing 'LV HH metered', 'LV Sub HH metered' and 'HV HH metered' tariffs but with no 'adder' applied to unit rates (i.e. with no residual element).

2 Governance

Justification for Part 1 Matter

2.1 DCP 341 is considered as a Part 1 Matter, in accordance with Clause 9.4.2 (B) as it will impact owners/operators of storage facilities, Suppliers and demand consumers to the extent that any revenue shortfall will be reflected as an increase to demand tariffs within the CDCM. This means that DCP 341 will go to the Authority for determination after the voting process has completed.

Requested Next Steps

2.2 The Panel considered that the Working Group has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 341.

2.3 The DCUSA Panel recommends that this CP:

- be issued to Parties for voting

3 Why Change?

General Background

3.1 Prior to DCP 341 and DCP 342[3] being raised, there were two CPs which sought to remove residual charges from generators connected to the distribution network and would therefore capture electricity storage facilities. These CPs were:

- DCP 319 - removal of residual charging for embedded generators in the CDCM, and
- DCP 321 - removal of residual charging for embedded generators in the EDCM.

3.2 On 09 October 2018, Ofgem issued a letter to the Proposer of DCPs 319 and 321, which detailed its concerns with respect to the scope of the proposals overlapping with the Targeted Charging Review (TCR) Significant Code Review (SCR). Specifically, that the inclusion of all embedded generation in the intent of the CPs may result in Ofgem not approving the CPs or directing that the CPs be treated as falling within scope of the SCR, thus being rejected at the time of being submitted to the Authority for decision.

[3] A similar change proposal is being progressed by the same Working Group covering the EDCM – DCP 342 'Removal of residual charging for storage facilities in the EDCM'

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3.3 In light of the letter received from Ofgem and in accordance with Clause 11.29 of the DCUSA, on 12 October 2018, the Secretariat received notice that the Proposer was withdrawing their support for DCP 319 and DCP 321. No Party came forward to sponsor the CPs and both were officially withdrawn from the change control process. It was following these withdrawals that Ofgem published its open letter on implications of charging reform on electricity storage, in which it requested that modifications be brought forward to promptly address residual charging for storage in the CDCM and EDCM.

3.4 With respect to transmission charges, the letter noted that there are two proposed modifications currently progressing which seek to remove, respectively: the transmission residual charge for demand used by generation facilities (including storage where it acts as generation); and liability for balancing services charges for the same types of storage facilities. These modifications are:

- CMP280 - creation of a new generator TNUoS demand tariff which removes liability for TNUoS demand residual charges from generation and storage users[4]; and
- CMP281 - removal of BSUoS charges from energy taken from the National Grid system by storage facilities[5]

3.5 As a consequence of the Ofgem letter, the intent of CMP 280 and CMP 281 was amended to only apply to storage and not all generation inclusive of storage.

3.6 The original proposed solutions for CMP280 will apply to Transmission and Distribution connected storage facilities registered in Central Volume Allocation (CVA). CMP280 Workgroup Alternative CUSC Modification (WACM) will also apply to Distribution connected storage facilities registered in Supplier Volume Allocation (SVA). Both CMP280 WACM and CMP281 will apply to Transmission and Distribution connected storage facilities registered in both CVA and SVA. This means that the changes resulting from DCP 341/342 and CMP280/281 may apply to the same facilities across the DCUSA and the CUSC.

DCP 341 Specific Background

3.7 Connections for distribution connected generation sites typically have the ability to export energy onto the distribution network and import energy from the distribution network. As a result, each generator has an export Meter Point Administration Number (MPAN) with an associated export capacity, and an import MPAN with an associated import capacity.

3.8 Distribution residual charges are recovered from demand customers. For customers charged in accordance with the CDCM, residual charging is applied as a unit charge (i.e. on a p/kWh basis).

[4] CMP280 - creation of a new generator TNUoS demand tariff which removes liability for TNUoS demand residual charges from generation and storage users

[5] CMP281 - removal of BSUoS charges from energy taken from the National Grid system by storage facilities

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3.9 More traditional forms of embedded generation generally have small import volumes and import capacities, and so residual charging on the demand element is relatively small. Storage facilities have a much higher import volumes and import capacity (generally equal to their export capacity) and so residual charging on the demand element represents a significant relative charge.

3.10 This means that traditional forms of embedded generation are charged much lower demand residual charges as a result of their small import connections to the distribution network compared to storage operators because of their much larger import connections to the distribution network. As a result, the Proposer suggests that storage is not competing on a level playing field with other forms of embedded generation.

3.11 Any reduction in residual charges paid by storage facilities will be recovered primarily from the remainder of CDCM demand customers. The number of qualifying storage facilities is likely to be relatively low initially and hence the impact is expected to be minimal for customers overall.

3.12 For generators with charges calculated in accordance with the CDCM, there is no direct link between the export and import MPANs. That is, the appropriate generation tariff is assigned to the export MPAN whilst the appropriate demand tariff is assigned to the import MPAN. Residual charges are payable in respect of the import MPAN only. For example, a half-hourly (HH) settled LV connected controllable generator will have an export MPAN on the 'LV Generation Non-Intermittent' tariff (which attracts no residual charges) and an import MPAN on the 'LV HH Metered' tariff (which does attract residual charges).

3.13 As a result, CDCM embedded generators pay residual charges for import, with the level of residual charge paid varying dependent on the location of the embedded generator (i.e. within which distribution network the embedded generator is sited) and the size of the import (and specifically the unit volume imported since residual charging in the CDCM is applied exclusively to unit rates). Storage facilities will typically have much higher import volumes than other generation sites, and so make higher contributions to residual charges. The Proposer suggests that this means storage is not competing on a level playing field with other forms of embedded generation.

4 Solution

DCP 341/342 Joint Working Group Assessment

4.1 The DCUSA Panel established a Working Group to assess DCP 341 and DCP 342 because both are related to storage facilities and the exemption of residual charges. The Working Group consisted of representatives from DNOs, Suppliers and Independent Distribution Network Operators (IDNOs) as well as a representative of a storage operator and observers from Elexon and Ofgem. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.

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4.2 The Working Group developed a consultation document to gather information and feedback from market participants on both DCP 341 and DCP 342. Paragraphs 4.3 to 4.31 below, set out the detail of what the Working Group had included in the consultation and paragraphs 4.32 to 4.60 below sets out the Working Group's conclusions following the consultation.

4.3 Following the initial meetings of the Working Group, it was agreed that the proposed solutions set out in the CP forms for each of the CPs should be further developed. In undertaking this development, the Working Group split out three components of the CPs, being:

- The underlying rationale for exempting storage from residual charges;
- The eligibility criteria which should be applied for the exemption from residual charges, and the definition and identification of storage facilities (and their imports); and
- The introduction of proposed new tariffs for the CDCM as the solution for DCP 341.

4.4 The solution development needed to be expedited to ensure that Ofgem's view with respect to industry led changes in this area being a 'quick win' is enacted in the timeliest manner possible. The Working Group note that any delay to the very tight timescale would have likely resulted in DCP 341 being pushed back to an implementation date of 01 April 2022 which starts to interact with the timelines for work flowing from the TCR SCR and RIIO-2[6]. The reason for this is that DNOs are required to provide notification of changes to UoS charges 15 months' ahead of when they will come into effect. To facilitate this process a further three-month period is built in prior to the 15-months to allow DNOs to set, test and have approved those charges. This together, with the approval process for change, means that the latest that a change proposal can be submitted to the Panel is July 2019 for an implementation of 01 April 2021.

Rationale for exempting storage facilities from residual charges

4.5 As set out in section three, storage facilities typically make higher residual contributions than other embedded generators, due to residual charging being proportional to demand usage in the CDCM. The Proposer thinks this that this means storage is not competing on a level playing field with other forms of embedded generation.

4.6 Some Working Group members do not agree with this view, asserting that residual charges should be higher for storage because it requires much higher import volumes and import capacity than other forms of embedded generation, and so uses more of the upstream network for demand and so should make a higher contribution to (for example) the sunk costs of the network. As a result, removing the residual charges from storage would in fact be creating a distortion between storage and other embedded generation by artificially reducing the costs associated with the import at a storage site.

[6] RIIO-2 is the next electricity distribution price control which will commence from April 2023.

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4.7 As is set out within paragraph 1.2 above, in July 2017, the Government and Ofgem published their Smart Systems and Flexibility Plan which has contains the rationale for exempting storage facilities from residual charges. The below extracts from the document highlights this rationale:

"As we move to a smarter, more flexible system, we need to ensure that the opportunities afforded by advancements in technology can be realised. The existing energy system was not designed with new forms of smart technologies in mind. These technological developments have in particular resulted in a number of policy and regulatory barriers to the further deployment of storage. In responses to the Call for Evidence, there was significant agreement between stakeholders over what needs to change and how these barriers to deployment can be removed. We want to see storage become a genuinely viable proposition in the energy system. We will take a number of actions to address undue regulatory and policy barriers to storage. In particular:

• Ofgem has already consulted on a proposed Targeted Charging Review (TCR), which will assess whether the current system of network residual charges should be reformed, given that it has the potential to distort incentives and lead to network costs being disproportionately recovered from some groups of network users. The consultation also set out Ofgem's views on charges for storage facilities to guide industry. These views are that storage facilities should not pay the 'demand residual' element of network charges at transmission and distribution level, and that storage providers should only pay one set of balancing system charges."

Reasons for only applying this change to 'standalone' storage facilities

4.8 As is set out in paragraph 1.3, on 23 January 2019 Ofgem published an Open letter on implications of charging reform on electricity storage and the Working Group has used this as a basis to formulate its solution for only exempting 'standalone' storage sites from residual charges. An extract from the Ofgem document on the subject are set out below:

"*We think that storage, without co-located final demand, should be treated in the same way as generation. Furthermore, we do not want storage to be disadvantaged in relation to other types of generation through paying balancing services charges for both imported and exported electricity, where BSUoS is considered a cost recovery charge. We think that code modifications are the best route to address these issues and are working to ensure that such storage is not unduly disadvantaged by these changes in charges. We also expect charging arrangements for storage not to create or exacerbate market distortions, for example on where storage connects to the network, or based on whether a facility operates under a generation licence or not."*

4.9 However, some Working Group members have a different interpretation of what is classified as a storage site being that a storage site could well be located with final demand and still be exempt from the residual element of their charges. It is noted that to enact this interpretation, considerable work would be required because it is currently difficult to separate out 'intermediate demand' (i.e. for storage purposes) and 'final demand' (i.e. not for storage purposes). Notwithstanding that the above interpretation may be a valid one, the Working Group agree that it is out of scope of this CP. The Working Group expect that this should be covered under the terms of the TCR SCR and that this CP is just dealing with standalone storage sites connected directly to the distribution network.

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Eligibility Criteria, Definition and identification of storage facilities

4.10 The intent of this change is only to apply to storage facilities with separate import and export metering and where the import metering measures imports for the sole purpose of performing electricity storage, i.e. the facility's imports should not be used for any other purpose, e.g. final consumption. The Working Group considered how this intent could be achieved, if possible, using existing established industry definitions.

4.11 Ofgem set out proposed definitions in its 'Clarifying the regulatory framework for electricity storage: licensing consultation'[7] issued on 2nd October 2017[8]. These definitions form part of the proposed introduction of a new section to the standard conditions of the Electricity Generation Licence and are set out below:

"Condition E1: Requirement to export

1. *The licensee shall not have self-consumption as the primary function when operating its storage facility.*

2. *If at any time the licensee knows or reasonably should know of any event or circumstance that has occurred or is likely to occur that may affect its ability to comply with paragraph 1, the licensee shall as soon as reasonably practicable notify the Authority in writing of the event or circumstance."*

4.12 The Working Group noted that the solution developed by the workgroup developing the CUSC modifications is that a storage operator seeking exemption from residual charges would need to become a generation licensee. However, the Working Group believed that this approach may result in discrimination based on a need to be a licence holder.

4.13 The Working Group also considered that the use of those definitions may not be appropriate, noting that the changes to the generation licence have yet to be made. Further to this, by not requiring operators of storage facilities to go through the process of obtaining a Licence, the burden placed on operators of storage facilities is reduced. In turn, this means that the number of policy and regulatory barriers faced by operators of storage facilities reduces, which aligns to that which was set out in the 'Smart Systems and Flexibility Plan'.

4.14 The Working Group noted that alongside 'Condition E1: Requirement to export' from Ofgem's 'Clarifying the regulatory framework for electricity storage: licensing consultation' there are also definitions contained in the same document. The definitions are set out below:

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[7] https://www.ofgem.gov.uk/publications-and-updates/clarifying-regulatory-framework-electricity-storage-licensing

[8] A subsequent Ofgem consultation was issued on 26 June 2019 titled 'Clarifying the regulatory framework for electricity storage: Statutory consultation on proposed modifications to the electricity generation licence', which contains an updated version of 'Condition E1'.

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"electricity storage is the conversion of electrical energy into a form of energy, which can be stored, the storing of that energy, and the subsequent reconversion of that energy back into electrical energy."

"electricity storage facility means a facility where Electricity Storage occurs."

4.15 The Working Group agreed that these definitions might be suitable for the purposes of DCP 341 but noted that neither covers off how to determine if the import of a storage facility is only used for the operation of that facility and not some other onsite demand.

4.16 The Working Group considered a scenario where a factory operates a storage facility onsite, using the same connection to the distribution network. The Working Group agreed that if the storage facility has its own metering (e.g. a factory has distinct metering for its import and the storage facility has distinct metering for its export and its import) then the storage facility should be classed as eligible. The Working Group note that where this is the case, it will mean that a storage facility may be 'co-located' with other demand but can only be classed as eligible if it is separately metered.

4.17 As described in paragraph 4.29 below, the Working Group agreed that it will also be a requirement for a storage facility to use Current Transformer (CT) metering.

4.18 The Working Group agreed on the following definitions:

Electricity Storage	is the conversion of electrical energy into a form of energy, which can be stored, the storing of that energy, and the subsequent reconversion of that energy back into electrical energy
Electricity Storage Facility	means a facility that: (a) has an import MPAN and export MPAN with associated metering equipment which both only measure activities necessary for performing Electricity Storage; (b) all metering equipment referred to in point (a) above is CT metering; and (c) is subject to Supplier certification that the facility meets the above criteria and provides confirmation of this to the DNO/IDNO Party.

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4.19 The Working Group agreed that the most appropriate solution would be for the Supplier to provide assurance to the Distributor that a site meets the requirements to be charged as a storage facility. The Working Group noted that they have not clarified how a Supplier would provide such assurance and it was agreed by the Working Group that the requirements could be set out in the DNOs' LC14 'Use of System Charging Statement'. Within individual LC14 'Use of System Charging Statements' the DNOs would describe the parameters by which it would expect a Supplier to use in certifying that a storage facility is eligible and how to provide assurance to the DNO of this. The Working Group concluded that this approach is appropriate given the fact that the LC14 'Use of System Charging Statements' set out the basis on which charges are applied for use of the DNO's system and must be in a form approved by the Authority. It is noted that the Authority approves whether the statement accurately reflects how the distributor charges for the use of its system and does not constitute approval of the actual charges.

4.20 The Working Group noted that within the development of the CUSC modifications, in order to have its metered volumes excluded from the calculation of TNUoS and BSUoS charges, a SVA registered storage facility operator must send its Supplier(s) a director-signed declaration. The declaration will demonstrate that the storage facility meets criteria that will be defined under CMP280 and CMP281 and set out in the CUSC. Whilst the CUSC criteria have not been finalised, the current thinking around primary requirements are that an SVA Storage Facility:

- is operated by a generation licence holder;
- has 'electricity storage' as its primary function; and
- is metered by HH SVA Metering Systems which do not measure any other activity except for electricity storage.

4.21 To facilitate this process, a Balancing and Settlement Code (BSC) Modification Proposal P383 'Enhanced reporting of demand data to the NETSO to facilitate CUSC Modifications CMP280 and CMP281'[9] has been raised.

4.22 The stated intent of P383 is to enable the aggregation of specific Metering Systems' metered data for network charging purposes, i.e. to support the operation of CUSC Modification Proposals CMP280 and CMP281. This Modification would primarily enable the BSC Panel and the the Balancing and Settlement Code Company (BSCCo) to perform assurance activities in relation to the aggregation of storage facilities' Metering Systems' metered data and make clear how Suppliers, Half Hourly Data Aggregators (HHDAs) and the Supplier Volume Allocation Agent (SVAA) participate in the aggregation and reporting of this data.

[9] BSC Modification Proposal P383 'Enhanced reporting of demand data to the NETSO to facilitate CUSC Modifications CMP280 and CMP281'

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4.23 P383 was at a similar stage of development as DCPs 341/342, with the intention that the P383 workgroup would issue it for consultation in early June 2019[10]. As it stands the proposed process will require the Supplier to send the declaration to the SVAA who would be required to check that any declaration is completed properly and that it is valid i.e. that it satisfies the criteria that will be set out in the CUSC in accordance with CMP280 and CMP281. Following this, it is proposed that assurance measures are established that cover the specific processes necessary for aggregating and reporting storage facilities' imports for use in the calculation of network charges. Currently it is envisaged that the SVAA would keep declarations made by Suppliers under review and periodically check related metered volumes for declared storage facilities, follow up any anomalies with Suppliers and escalate issues, via BSCCo, to the BSC Panel who may decide to exclude Metering Systems from the aggregated volumes reported to the National Electricity Transmission System Operator (NETSO).

4.24 The Working Group discussed the potential to align approaches across industry, and noted that the CMP280 and CMP281 workgroup recognised (as did the Proposer of P383) that these modifications are likely to be 'stepping stones' toward an enduring solution for all generators as will be set out in Ofgem's final decisions on its TCR SCR and on changes to the generation licence standard conditions (intended to clarify the role of storage within the licensing arrangements), and for DCP 341/342 the RIIO-ED2 framework is another consideration.

4.25 There is general agreement that alignment would be beneficial for industry, however if achieving it means that the implementation date is pushed back to 01 April 2022, then the negative impact of doing so may outweigh the benefit of not doing it. This CP is focussed on DUoS charges and the inclusion of an initial set of eligibility criteria. However, the definition and eligibility criteria do not impact on DUoS charges and could be amended at a later point without the need for a 15-months' notice period to become effective. This means that if it is felt that alignment is desired in the future, then it can simply be updated via a further CP and possibly aligned with the implementation date of this CP.

4.26 The Working Group sought views from industry parties related to the potential alignment with the CUSC modifications, specifically the requirement for the operator of a storage facility to send its Supplier(s) a director-signed declaration and subsequent verification and assurance measures being developed via the BSC Modification.

[10] P383 was issued out for consultation on 02 July 2019 with a deadline for responses due to close on 22 July 2019.

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Methodology changes

4.27 The solution proposed for DCP 341 by the Working Group in the consultation was to introduce three new tariffs for CDCM customers which will be applied in respect of the demand element of storage facilities, and mirror the existing LV HH metered, LV Sub HH metered and HV HH metered tariffs but with no 'adder' applied to unit rates (i.e. with no residual element). The name of new tariffs to be introduced would be:

- LV Site Specific Storage Import;
- LV Sub Site Specific Storage Import; and
- HV Site Specific Storage Import

4.28 These have been given the naming convention of the tariffs proposed under the solution for DCP 268 'DUoS Charging Using HH Settlement Data' which has recently been approved by Ofgem for implementation in April 2021. DCP 268 changed the title of LV HH metered to LV Site Specific, LV Sub HH metered to LV Sub Site Specific and HV HH Metered to HV Site Specific and so the naming convention for the three new tariffs introduced by DCP 341 has utilised these updated naming conventions.

4.29 During the development of the solution for DCP 341, the Working Group agreed that the proposed storage tariffs will only be applicable to storage facilities that are metered with CT metering. It was agreed that a solution requiring the introduction of tariffs applicable to whole current (WC) metered sites would add significant complexity. In reaching this conclusion the Working Group expect there would be a very limited number of WC metered storage facilities in existence which are not co-located with other demand, and that the probability of WC metered storage facility meeting the eligibility requirements for such a tariff would be small.

4.30 The Working Group's approach captures what it believes to be the bulk of storage facilities at the expense of a few (if any) so that the vast majority will enjoy access to the exemption. The complexity of designing a solution that encompasses storage facilities metered with WC metering would mean pushing back the implementation date to 01 April 2022. The Working Group sought views from industry participants as to whether they considered the Working Group's approach to be appropriate and fair.

4.31 Under the DCP 341 approach, the CDCM model will require amendment to enable a DNO to be able to update its forecast volumes for the three newly introduced tariffs. The remainder of the inputs and tariff calculations will mirror those used for the existing tariffs on which the new tariffs are based.

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Consultation

4.32 The Working Group developed and issued a consultation that combined both DCP 341 and DCP 342 on 05 June 2019 seeking industry views on the solution set out above. There were thirteen respondents to the consultation, of which six were from Suppliers, five were from DNOs, one was from an energy consultancy firm and one from a Code Administrator. A summary of the responses received, and the Working Group's conclusions are set out below. Please note that as the consultation combined both DCP 341 and DCP 342 but that each has its own Change Report, there is some duplication where separation between the two was not considered necessary in the consultation. However, if separation between the two CPs was needed, this document only contains the questions and subsequent solutions for DCP 341. The full set of responses and the Working Group's comments are provided in Attachment 3.

Question 1 - Do you understand the intent of the CPs?

4.33 The Working Group noted that all thirteen respondents understood the intent of DCPs 341/342, however one respondent also stated that they do not agree with the intent of the CPs.

Question 2 – Are you supportive of the principles that support these CPs, which is to level the playing field between storage and generation?

4.34 The Working Group noted that twelve of the thirteen respondents were supportive of the principles that support these CPs, which is to level the playing field between storage and generation. The Working Group noted that the respondent who was not supportive of the principles that support these CPs, argued that if implemented, these changes would introduce distortions into the market that don't currently exist. Further to this, they also noted that with respect to the term 'final demand' there appears to be lack of a proper definition, nor has any specific detail been provided for the rationale for exempting it from residual charging.

Question 3 – Do you agree that these changes should only apply to 'standalone' storage facilities?

4.35 The Working Group noted that nine of the thirteen respondents were supportive of the proposal that these CPs will only apply residual exempt import/demand charges to 'standalone' storage facilities and a number provided supporting rationale behind their view. Of the four that didn't agree, a number of reasons were given, for which a sample of reasoning is provided below:

"…it is important to note the distortions that this will create. Most notable of these is that a site which co-locates storage with only other forms of generation (i.e. no other demand) will not be exempt from residual charges, despite all demand to that site being for the purpose of storage."

and

"We have a concern that the changes proposed only apply to 'standalone' storage facilities. We do not believe that it is possible to change the arrangements for a specific group of customers whilst not for others, as that in itself does not 'level the playing field between storage and generation' as stated in Q2 above."

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4.36 In response, the Working Group highlighted that consideration of sites with a mix of demand and/or other generation co-located with a storage facility is out of scope of these CPs, as they are just dealing with 'standalone' storage facilities connected directly to the distribution network.

4.37 The Working Group's proposed solution is based on the information currently available and agrees that a CP could be raised if necessary, once the outcomes are known from the many areas under review by Ofgem or via modifications to other industry codes currently underway. More specifically, Ofgem gave a clear view that changes such as these should be progressed by industry outside of the ongoing work associated with the TCR which is expected to capture generation and possibly mixed/co-located sites.

Question 4 – Do you agree with the Working Groups proposed approach for obtaining confirmation of the eligibility of a storage facility?

4.38 The Working Group noted that nine of the thirteen respondents agreed with the Working Groups proposed approach for obtaining confirmation of the eligibility of a storage facility and a number provided supporting rationale behind their view. Of the remaining four, one respondent disagreed, and provided detailed rationale for their disagreement which culminated in the following view:

"…we feel that the DNO is significantly better placed to carry out eligibility assessments, as the requirements to provide connections along with site assessments are required under existing industry code/engineering requirements. We feel the customer connections processes can be built upon to ensure that DNO's confirm eligibility themselves and in turn set the appropriate DUoS tariffs ahead of creating MPANs in SMRS, meaning that suppliers have the correct information to offer contracts to storage sites up front which in turn enables a smoother end customer journey."

4.39 Three respondents voiced concerns but didn't explicitly agree or disagree, however the Working Group noted the main concern raised centred around the potential for the proposed approach for obtaining confirmation of the eligibility of a storage facility (from the supplier rather than by the Distributor as suggested in the response) may not result in a common set of arrangements as they would be set out by each DNO in its individual LC14 'Use of System Charging Statement'. Those who raised the concern also suggested that the parameters for obtaining confirmation of the eligibility of a storage facility should be incorporated in the legal text and not set out of LC14 'Use of System Charging Statement'.

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4.40 In response to the respondent who disagreed with the proposed approach and those that raised concerns in their responses, the Working Group highlighted that after the DCP341/342 consultation, Ofgem issued two documents on 26 June 2019 on 'Clarifying the regulatory framework for electricity storage: Statutory consultation on proposed modifications to the electricity generation licence'. In the covering letter, Ofgem have explained that it is proposed that Condition E1 will include an obligation on storage providers to make available to their suppliers information associated with their licensed activity, and that this is aimed at supporting compliance by suppliers on their obligation to submit timely and accurate supply volumes to enable the correct calculation of final consumption levies. Further to this, Ofgem noted that there is ongoing industry work on network charges that is considering what changes to industry processes are necessary to ensure such charges are allocated correctly to storage, with DCPs 341/342 being identified as two of these. The below is an extract from the document:

"If we were in due course to approve these changes, the solutions proposed would require storage parties – among other things - to be able to identify the electricity volumes associated to each storage facility if they wish to be exempted from some elements of transmission and distribution network charges and use of system charges.

The type of information storage parties would need to submit under the solutions proposed in these modifications is consistent with the information requirements also set out in the proposed condition E1. This should give comfort to stakeholders that collecting and sharing information would not be an onerous task, and should also highlight the direction of travel towards more transparent arrangements among industry parties, as well towards greater granularity of data used by industry."

4.41 Further to this, the current approach means that if the scope of the BSC Modification P383 is widened for the purposes of the DCUSA to account for the approach taken by the Working Group to include all SVA storage facilities not just those that hold a licence, then the amendments required to enact such a change could occur outside of the DCUSA (i.e. by amending the LC14 'Use of System Charging Statement') and as such would be easier to amend rather than to have to raise a CP.

Question 5 – Do you believe that the certification of storage facilities should, for DCUSA purposes, be aligned to that which is being developed for the CUSC modifications?

And if so, do you believe that the scope of the BSC Modification P383 should be widened for the purposes of the DCUSA to account for the approach taken by the Working Group to include all SVA storage facilities not just those that hold a licence?

4.42 The Working Group noted that nine of the thirteen respondents were content with or believe that the certification of storage facilities should, for DCUSA purposes, be aligned to that which is being developed for the CUSC modifications and that they also believed that the scope of the BSC Modification P383 should be widened for the purposes of the DCUSA to account for the approach taken by the Working Group to include all SVA storage facilities not just those that hold a licence.

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4.43 One respondent didn't believe that the certification of storage facilities should, for DCUSA purposes, be aligned to that which is being developed for the CUSC modifications, explaining *"this is due to the inherent differences between the transmission Network where there may only be a small number of large connectees and distribution networks, where there may a large number of smaller connectees."*

4.44 The Working Group agree that the ultimate decision on whether scope of P383 can and/or should be widened to support the certification processes under DCPs 341/342 to include storage facilities that do not require a licence will rest with the group developing P383. It should be noted that the Code Administrator for P383 has been an observer to this Working Group and has a copy of the responses received.

4.45 Further to this, the Working Group highlight that Ofgem is expecting to be in receipt of these CPs by the end of August 2019 and as such, any amendments to the current solution would mean not meeting that expectation. However as noted in paragraph 4.4 and 4.25 above, these CPs are focussed on changes to the charging methodologies and the certification process could be amended later if so desired and in a much shorter timeframe, given there would not be a need for an 18-month lead time.

Question 6 – Do you believe that the proposed solution for DCP 341 is reflective of the Governments/Ofgem's policy intent to reduce regulatory barriers to the further deployment of storage? Please provide your rationale.

4.46 The Working Group noted that nine of the thirteen respondents do believe that the proposed solution for DCP 341 is reflective of the Governments/Ofgem's policy intent to reduce regulatory barriers to the further deployment of storage. Of the remaining four respondents, one did not provide a response and two referred back to their responses to a previous question and one provided detailed rational behind not believing that the proposed solution for DCP 341 is reflective of the Governments/Ofgem's policy intent. The Working Group agreed that these should be highlighted in the Change Report and for reference, are provided below:

"Firstly, Ofgem's policy intent is not clear, with contradictory positions being adopted in different publications.

In its open letter of 23rd January 2019, Ofgem stated:

"We think that storage should only face one set of residual network charges, and that those should be applied in a manner consistent with generation."

This is already the case – both storage and other embedded generation face one set of residual charges in respect of imports.

However, Ofgem's policy under the TCR is that residual charges should apply to 'final demand' only. We assume that demand for storage and demand for the operation of a generator is not 'final demand' (this is an assumption as 'final demand' has not yet been clearly defined). Hence, Ofgem's policy under the TCR contradicts this extract from its open letter.

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Secondly, as stated in response to question two, we have not yet seen justification for applying residual charges to 'final demand' only. We continue to hold the view that all demand should attract residual charges. If residual charging is a 'barrier' to the deployment of storage then it is an economic barrier, not a regulatory barrier. To selectively remove such economic barriers is akin to a backdoor subsidy. If Government wishes to subsidise storage then it should do so explicitly, not through distortions in use of system charges."

Question 7 – Do you agree with the Working Groups solution that storage tariffs will only be applicable to storage facilities that are metered with current transformer (CT) metering? Please provide your rationale.

4.47 The Working Group noted that nine of the thirteen respondents agree with the Working Groups solution that storage tariffs will only be applicable to storage facilities that are metered with current transformer (CT) metering. Of the remaining four respondents, one didn't know, one referred back to their responses to a previous question and conceded that although it would be preferred that the solution encompasses both CT and WC, they do accept that it "is a pragmatic solution to enable a 'quick win' for the majority of storage sites".

4.48 The remaining respondent raised concerns about the Working Group's "rationale for limiting the tariffs to CT metered storage facilities being coincidental rather than based on first principle reasons why WC metered facilities should not be eligible". In response, the Working Group noted the following:

- All DNOs have members on the Working Group and when asked if they were aware of any WC metered storage facilities that would meet the other eligibility criteria, none responded in the affirmative.
- One Working Group member reached out to Regen, to seek an understanding as to whether they or its members had any concerns with the proposed approach, to which the answer was that they did not.
- As noted against responses above, introducing equivalent tariffs for WC metered sites would delay the implementation of these CPs beyond April 2021 for little or no benefit and that there is an expectation that these will be provided to Ofgem by the end of August so that a decision can be made in time to be included in the charges for 2021/22.

Question 9[11] – Do you consider that DCP 341 and DCP 342 better facilitates the DCUSA Charging Objectives?

If so, please detail which of the Charging Objectives you believe are better facilitated and provide supporting reasons.

If not, please provide supporting reasons

[11] Question 8 was specific to DCP 342 and as such, has been excluded from this document.

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4.49 At a high level, the following table sets out whether each respondent considered that the proposal better facilitates the DCUSA Charging Objectives and which they believed to be in scope.

Respondent	Charging Objective 1	Charging Objective 2	Charging Objective 3	Charging Objective 4	Charging Objective 5	Charging Objective 6
1.	Positive	Positive	Positive	Positive	Positive	Positive
2.	Positive	Positive	Positive	Positive	-	-
3.	Positive	Positive	Neutral	Positive	-	-
4.	-	-	-	-	-	-
5.	Positive	Positive	Positive	Positive	Positive	Positive
6.	Positive	Positive	Positive	Positive		
7.	Positive	Positive	Positive	Positive	Positive	Positive
8.	Positive	Positive	Positive	Positive	N/A	N/A
9.	Negative	Negative	-	-	-	-
10.	Positive	Positive	Positive	Positive	-	-
11.	Positive	Negative	Negative		-	-
12.	Positive	Positive	Positive	Positive	-	-
13.	-	Positive	-	-	-	-

4.50 The Working Group note that their assessment of the DCUSA Objectives and a summary of the views provided by respondents is contained in section 6 below.

Question 10 – Are you supportive of the proposed implementation date of 01 April 2021?

4.51 The Working Group noted that ten of the thirteen respondents were supportive of the proposed implementation date of 01 April 2021. Of the remaining three, one had no strong views on the proposed implementation date and two were not supportive. One commented that this was due to the supporting principles not yet being properly established and that there is a chance that they could change in the future. The other raised concerns about sites that are co-located, however the Working Group note that the scope of the change is limited to standalone storage facilities. It is expected that any changes to address mixed/co-located sites will likely be progressed via the TCR and/or other DCUSA Change Proposals that could be raised in the future, if this was thought to be required.

Question 11 – Do you have any comments on the draft legal text for DCP 341?

4.52 The Working Group noted that no further comments were received with respect to the draft the legal text for DCP 341 except by one respondent who referred to their response on a previous question.

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Question 13[12] – Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

4.53 The Working Group noted that ten of the thirteen respondents were either not aware of any wider industry developments that may impact upon or be impacted by DCPs 341/342 or were comfortable that there were none beyond those already picked up by the Working Group and set out in the consultation. Two respondents noted that consideration should be given to in progress BSC modifications which could also act as enablers to facilitate co-located storage and as well as aligning the certification/declaration processes and the criteria that determine eligibility for being excluded from certain network charges. Such modifications being:

- P375 'Settlement of Secondary BM Units using metering behind the site Boundary Point'; and
- P379 'Enabling consumers to buy and sell electricity from/to multiple providers through Meter Splitting'.

4.54 The Working Group are of the view that seeking to create contingencies for outcomes unknown, introduces both a level of uncertainty and the probable delay in implementing DCP 341 and DCP 342, which Ofgem is expecting to be with them for decision in August.

4.55 The other respondent that provided further comments, reiterated previous comments made during a response to another question around the lack of clarity in the thinking in the area of residual charges and who they should be applicable to and when, and that further clarity from the Authority would be welcomed. The Working Group noted that, although they have some sympathy with the respondent's views the Working Group has proceeded with a solution based on the information currently available to it.

Question 14 – Do you have any other comments on either or both DCP 341 and DCP 342?

4.56 The Working Group noted that one respondent had further comments with respect to DCP 341 and DCP 342, which was that they believe the Working Group should consider alternative modification proposals to both DCP 341 and DCP 342. These alternatives would mirror the approach proposed by CMP280 and CMP281 by only requiring that HH Settlement Metering Systems are used to measure the Imports and Exports at the storage facility. It was noted that this would impact the limited timescales needed to implement the CPs on 01 April 2021 and would also require a member of the Working Group to support such an alternative.

[12] Question 12 was specific to DCP 342 and as such, has been excluded from this document.

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Working Groups Final Solution

4.57 With respect to the proposed changes to the methodology which were set out in the consultation document and covered in paragraphs 4.27 to 4.31 above, the Working Group agreed that no amendments are needed following their review of the responses to the consultation.

4.58 With respect to the elements of the CP related to eligibility criteria and the definition and identification of storage facilities, the Working Group have made some amendments to the definition following receipt of the legal drafting by the DCUSA legal advisors and due to Ofgem's recently issued 'Clarifying the regulatory framework for electricity storage: Statutory consultation on proposed modifications to the electricity generation licence':

- The definition now contains more detail to cater for any auxiliary demand/import needed for the operation of the storage facility (e.g. security systems/lighting) being acceptable and eligible for the residual exempt charges;
- The wording has also been strengthened to ensure it is clear that only 'standalone' storage sites will be eligible for the residual exempt charges; and
- The word 'Eligible' has been added to the front of the defined term 'Electricity Storage Facility' to create a distinction between the definition included within the proposed amendments to the generation licence in order to avoid confusion between the proposed licence condition and the requirements set out within the DCUSA.

5 Code Specific Matters

Consideration of Industry Codes

5.1 The Working Group discussed the crossover of this CP with a number of ongoing modifications across industry, noting that there are some directly related to this CP and some others designed to facilitate possible enduring solutions. In developing this CP, the Working Group has, where possible, maintained consistency with the other ongoing modifications. Specifically, the Working Group has considered the following industry code modifications:

- CMP281 'Removal of BSUoS Charges From Energy Taken From the National Grid System by Storage Facilities'
- CMP280 'Creation of a New Generator TNUoS Demand Tariff which Removes Liability for TNUoS Demand Residual Charges from Generation and Storage Users' and
- P383 'Enhanced reporting of demand data to the NETSO to facilitate CUSC Modifications CMP280 and CMP281'

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5.2 Given the above, the Secretariat convened a meeting of the relevant code administrators to facilitate a discussion that took place on 03 May 2019. It was noted that the discussion centred around the potential for a cross-code solution with respect to exempting storage facilities from residual charges. Attendees included representatives from National Grid as the Electricity System Operator with knowledge or involvement in the CUSC modifications, Elexon as the Code Administrator for the BSC and as the Proposer of the CMP280 Workgroup Alternative Modification and ElectraLink as the Code Administrator for DCUSA. A high-level overview of the topics covered is set out below:

- furthering the collective understanding of each modification and considering progress to date;
- the expected timelines to produce final reports and proposed implementation dates;
- views/thoughts as to whether there is a solution that provides consistency in the legal requirements (e.g. common definitions, principles and outcomes) and where appropriate the use of common processes and systems;
- how achieving alignment/consistency might interact with the timescales for development; and
- what contingency arrangements might be needed to facilitate alignment/consistency.

5.3 There was a suggestion that to align the CUSC and DCUSA modifications would be a good win for industry and for Code Administrators/Managers. For alignment to be achieved, it was recognised that the main two discrepancies between the CUSC and DCUSA proposals would need to be addressed. These main discrepancies are set out below:

5.4 The approach taken by the DCP 341/342 Working Group that storage tariffs will only be applicable to storage facilities that are metered with CT metering is a limitation that has not been built into solutions for CMP280/281. The Working Group's rationale is set out more detail in paragraph 4.29 above.

5.5 The approach taken by the CMP280/281 Workgroup that a storage operator seeking exemption from residual charges would need to become a generation licensee is a limitation that has not been built into solutions for DCPs 341/342.

5.6 During their deliberations on the solutions for DCPs 341/342 and in the context of potentially aligning approaches across industry, the DCP 341/342 Working Group noted that the CMP280 and CMP281 workgroup recognised (as did the Proposer of P383) that these modifications are likely to be 'stepping stones' toward an enduring solution for all generators as will be set out in Ofgem's final decisions on its TCR SCR and on changes to the generation licence standard conditions (intended to clarify the role of storage within the licensing arrangements), and the RIIO-ED2 framework.

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5.7 In principle there is agreement that alignment would be beneficial for industry generally, however if achieving it means Ofgem's view that these CPs are a 'quick win' is eroded then industry will not have fulfilled the function that Ofgem expected. The Working Group's rationale is set out more detail in paragraph 4.25 above.

6 Relevant Objectives

Assessment Against the DCUSA Objectives

6.1 For a DCUSA CP to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. There are five General Objectives and six Charging Objectives. The full list of objectives is documented in the CP form provided as Attachment 7 and the table below contains the list of Charging Objectives. This CP impacts the Charging Objectives.

DCUSA Charging Objectives	
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	that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.

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The Proposer's view

6.2 **Charging Objective One:** Standard Licence Condition four of the electricity distribution licence requires that Distributors operate their businesses in a way that does not distort competition in the generation of electricity. This CP will ensure that storage facilities connected at HV and LV are able to compete on a level playing field with traditional embedded generation technologies, and so will avoid a distortion to competition in the generation of electricity.

6.3 **Charging Objective Two:** This CP will ensure that storage facilities connected at HV and LV are able to compete on a level playing field with traditional embedded generation technologies, and so will avoid a distortion to competition in the generation of electricity.

6.4 **Charging Objective Three:** This CP will increase the cost-reflectivity of tariffs for storage facilities by ensuring they are not exposed to residual charges.

6.5 **Charging Objective Four:** DNOs are seeing an increase in the number of applications for the connection of storage facilities to their networks. This CP will ensure that such storage facilities can compete on a level playing field with other embedded generators.

Views from respondents to consultation

6.6 The following paragraphs provide a summary of the views provided in response to question 9 of the consultation which sought views as to whether or not respondents believed that DCP 341 and DCP 342 better facilitate the DCUSA Charging Objectives. It should be noted that one respondent did not provide comment on this question and thus the below excludes it from the responses received.:

6.7 **Charging Objective One:** Of the twelve respondents, ten were of the view that DCP 341 has a positive impact on Charging Objective One, and of those ten, five were in agreement with the Proposer's rationale outlined in the consultation document and three did not provide any reasoning for their view. One respondent with the view that DCP 341 has a positive impact stated that this is *"as a result of the changes which are being proposed align to those which Ofgem are keen to be taken forward"* and the other stated *"These CPs facilitate competition, reducing barriers to entry for storage sites by aligning their operating cost base with existing generation sites."*.

6.8 Of the remaining two, one provided a view that DCP 341 would have a negative impact, stating "*The application of residual charging to 'final demand' only has not yet been justified. As a result, we consider any change which moves the burden of residual charging from demand which is not 'final demand' onto 'final demand' (which DCP 341/342 will do) will reduce cost-reflectivity."* The final respondent did not provide a view on this Objective,

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6.9 **Charging Objective Two:** Of the twelve respondents, ten were of the view that DCP 341 has a positive impact on Charging Objective Two, and of those ten, five were in agreement with the Proposer's rationale outlined in the consultation document and three did not provide any reasoning for their view. One respondent with the view that DCP 341 has a positive impact stated that this is *"implementing DCP341 and DCP342 should address a barrier to participation by certain storage facilities compared to other conventional generators."* and the other stated *"These CPs facilitate competition, reducing barriers to entry for storage sites by aligning their operating cost base with existing generation sites."*.

6.10 The remaining two, provided views that DCP 341 would have a negative impact, with one stating *"as a result of these changes, in that a storage customer will be treated differently (for their import connection) by not paying any residual to that of any other generator, who would continue to pay residual charges under the changes proposed."* and the other stating *"By removing residual charging from standalone storage only, this change will create a distortion between standalone storage and other embedded generation."*.

6.11 **Charging Objective Three:** Of the twelve respondents, eight were of the view that DCP 341 has a positive impact on Charging Objective Three, and of those eight, four were in agreement with the Proposer's rationale outlined in the consultation document and three did not provide any reasoning for their view. One respondent with the view that DCP 341 has a positive impact stated that *"These CPs facilitate competition, reducing barriers to entry for storage sites by aligning their operating cost base with existing generation sites."*.

6.12 One respondent provided a view that DCP 341 would have a neutral impact, stating *"since the aggregate amount being recovered by residual charges is unchanged"*. One respondent provided a view that DCP 341 would have a negative impact, stating *"as a result of these changes, in that a storage customer will be treated differently (for their import connection) by not paying any residual to that of any other generator, who would continue to pay residual charges under the changes proposed."* It was noted that two respondents did not provide a view on this Objective,

6.13 **Charging Objective Four:** Of the twelve respondents, nine were of the view that DCP 341 has a positive impact on Charging Objective Four, and of those nine, five were in agreement with the Proposer's rationale outlined in the consultation document and three did not provide any reasoning for their view. One respondent with the view that DCP 341 has a positive impact stated that *"These CPs facilitate competition, reducing barriers to entry for storage sites by aligning their operating cost base with existing generation sites"*. It was noted that three respondents did not provide a view on this Objective,

6.14 **Charging Objective Five:** Of the twelve respondents, it was noted that eight did not provide a view on Charging Objective Five, and three that have been counted as having a view that DCP 341 has a positive impact did not provide any reasoning for their view. One respondent provided a view that there would be no impact on this Objective.

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6.15 **Charging Objective Six:** Of the twelve respondents, it was noted that eight did not provide a view on Charging Objective Six, and three that have been counted as having a view that DCP 341 has a positive impact did not provide any reasoning for their view. One respondent provided a view that there would be no impact on this Objective.

Working Group Assessment

6.16 Following a review of the consultation responses and finalising the solution for DCP 341, the Working Group made an assessment against each of the DCUSA Charging Objectives and the paragraphs below detail the outcome of that assessment.

6.17 **Charging Objective One:** There was a majority view from the Working Group that DCP 341 has a neutral impact on Charging Objective One and there was a minority for DCP 341 having either a positive or a negative impact on Charging Objective One.

6.18 **Charging Objective Two:** There was a majority view from the Working Group that DCP 341 has a positive impact on Charging Objective Two and there was a minority for DCP 341 having a negative impact on Charging Objective Two. With those in the majority agreeing with the rationale provided by the Proposer.

6.19 This CP will ensure that storage facilities connected at HV and LV are able to compete on a level playing field with traditional embedded generation technologies, and so will avoid a distortion to competition in the generation of electricity.

6.20 **Charging Objective Three:** There was an even split of views from the Working Group as to whether DCP 341 has a positive or negative impact on Charging Objective Three and there was a minority view for a neutral impact.

6.21 **Charging Objective Four:** There was a majority view from the Working Group that DCP 341 has a positive impact on Charging Objective Four and there was a minority for having either a neutral impact or having no impact at all. With those in the majority agreeing with the rationale provided by the Proposer.

6.22 **Charging Objective Five:** There was a majority view from the Working Group that DCP 341 has no impact on Charging Objective Five and there was a minority view for a neutral impact.

6.23 **Charging Objective Six:** There was a majority view from the Working Group that DCP 341 has a neutral impact on Charging Objective Six.

6.24 **Overall view:** Following the Working Group's assessment of each of the DCUSA Charging Objectives, the Working Group considered whether DCP 341 better facilitates the DCUSA Charging Objectives when considering them together. It was noted that there is a majority view from Working Group members that overall DCP 341 better facilitates the DCUSA Objectives.

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7 Impacts & Other Considerations

Significant Code Review Impacts

TCR SCR Interaction

7.1 This CP has a significant crossover with the TCR SCR which is currently being progressed by Ofgem. Ofgem has indicated that it views this CP as 'quick wins' which can be progressed in isolation whilst the TCR looks at the issue of residual charging more fundamentally.

7.2 The Working Group noted that Ofgem released a 'minded to' consultation on 28 November 2018 and which closed on 04 February 2019 and the Working Group has undertaken the development of these CPs with this in mind.

Electricity Network Access and Forward-Looking Charging Review SCR Interaction

7.3 Following Ofgem's consultation issued on 23 July 2018, it was noted that on 18 December 2018 Ofgem published its decision to launch an SCR entitled 'Electricity Network Access and Forward-looking Charging Review' (the 'Access SCR'). The documentation with that decision included the scope and form of the review.

7.4 The scope of the Access SCR explicitly excludes residual charging, which is the subject of the TCR. However, the Access SCR may have a material impact on the level of residual charging, and so does interact with this CP. The Working Group does not consider this interaction to be sufficiently material to halt the progress of this CP.

Managing Legal Text Interactions

7.5 The Terms of Reference for each DCUSA Working Group contain instructions on how they are to prepare legal text, specifically that:

1. The legal text should be cross checked against all approved but still to be implemented CPs to ensure that any CP takes into consideration changes to the same DCUSA paragraph and produces a final version of that paragraph; and
2. The proposed legal text changes are track changed against the most recently published charging methodology pre-release.

7.6 The way in which the Working Group have taken account of the legal text interactions between DCP 341 and DCP 268 is detailed in Section 9 below.

Model Impacts

7.7 The Working Group considered that Parties would benefit from being able to understand the impact that this CP has on the models and so requested the DCUSA modelling consultant to provide updated versions of the CDCM, Annual Review Pack (ARP) and EDCMs. The DCP 341 Modelling documentation acts as Attachment 4.

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7.8 The CDCM model has been modified to include three new tariffs (LV, LV Sub, and HV Metered Storage Import), which mirror the paired cost reflective tariffs but don't then add the residual fixed adder to unit rate. This has required additional rows and columns to be added throughout the model, as well as significant changes in the calculations on the "Pseudo-load coefficients" and "Revenue matching" sheets. An amended ARP has been provided, which is in line with the amendments made to the CDCM and the EDCMs have also been amended to account for the introduction of the new CDCM tariffs into the LDNO discounting calculations.

7.9 DNOs, who are also Working Group members have successfully populated the DCP 341 CDCM model and replicated the expected resulting outputs from this modified model.

Impact Assessment

7.10 The Working Group requested the DCUSA modelling consultant to carry out an impact assessment using proxy data for forecast volumes in place of actual forecast volumes data for storage sites as it was noted that this is not something that is readily available. The proxy volumes data was provided to the modelling consultant via a spreadsheet that included a revised 2020/21 volume forecast for each DNO licensee with estimated units for the storage tariffs. In providing this data, the Working Group used the following assumptions:

- 5% of HH metered exported units at each voltage (i.e. 5% of the sum of the volumes associated with the intermittent, non-intermittent, intermittent no RP charge and non-intermittent no RP charge tariffs at each voltage) are exported by storage. The total import volumes associated with the new storage import tariffs is set to the same level, i.e. assuming 1:1 import to export ratio for storage.
- Total volumes have been split across the red/amber/green time bands in the same proportion as the HH metered import tariff at that voltage.
- 5% of generation customer counts are assumed to relate to storage, i.e. the MPAN count for new tariffs has been set to 5% of the total generation MPAN count at that voltage.
- Storage sites have import capacity and excess reactive units set to the average of HH metered demand customers at that voltage. They have no excess capacity.
- There are no storage sites connected to LDNO networks.

7.11 The Working Group noted that the DCP 341 tariff impact assessment provided by the DCUSA modelling consultant was as expected but that the changes in annual charge show some unexpected results, with some of the half hourly metered tariffs showing decreases in £/customer despite increases in unit rates. It was noted that this issue has been seen previously and is related to changes in volumes between the two scenarios meaning kWh/customer has changed sufficiently to skew the £/customer impact. The impact assessment provided by the DCUSA modelling consultant acts as Attachment 5 to this consultation.

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7.12 The Working Group highlight that this feature is explained well in the documentation provided by the DCUSA modelling consultant, but to avoid the need to explain it in the consultation document the Working Group made a modification to the impact assessment to use a constant kWh/customer applied to the old tariffs and new tariffs to come up with the impact £/customer impact assessment. The Working Group's version of the impact assessment can be found as Attachment 6.

7.13 For fixed charges, capacity, charges, exceeded capacity charges, and reactive power charges, there is no change in any tariffs. Since the only changes are in the application of residuals, with cost-reflective charges not changing by design, this is expected.

7.14 The following table summarises the impact of DCP 341 on core all-the-way tariffs (excluding the LPN licence area). The complete dataset by licensee and including all tariffs can be found at Attachment 6.

Tariff	Min	Average	Max
Domestic Unrestricted	0.0%	0.1%	0.5%
Small Non Domestic Unrestricted	0.0%	0.1%	0.5%
LV HH Metered	0.0%	0.1%	0.5%
LV UMS (Pseudo HH Metered)	0.0%	0.1%	0.4%
LV HH Metered Storage Import	-43.7%	-28.3%	-2.4%

7.15 In LPN there is negative scaling, which means that the revenue derived from the underlying forward looking charges exceeds the forecast of allowed revenue and so residual revenue is negative.

7.16 This means that for the LPN licence area, the storage import unit rates actually increase, since the negative residual reduces the existing tariffs. As a result, there are some very minor reductions in the unit rates of the other demand tariffs (no more than 0.1%) due to the fact that more revenue is now being recovered from the storage customers, leading to a fall in the residual revenue that needs to be recovered.

7.17 The Working Group note that this means it would be unlikely that an eligible storage facility would request to be placed on one of the new storage tariffs as they would end up having the residual element of their charges applied. The Working Group expect that an eligible storage facility would make use of the existing LV HH Metered tariff, which as a result of the negative scaling, means that the residual element of their charges would not be applied.

7.18 The following table summarises the impact of DCP 341 on core all-the-way tariffs (including the LPN licence area). The complete dataset by licensee and including all tariffs can be found at Attachment 6.

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Tariff	Min	Average	Max
Domestic Unrestricted	0.0%	0.1%	0.5%
Small Non Domestic Unrestricted	0.0%	0.1%	0.5%
LV HH Metered	0.0%	0.1%	0.5%
LV UMS (Pseudo HH Metered)	0.0%	0.1%	0.4%
LV HH Metered Storage Import	-43.7%	-25.4%	12.9%

Environmental Impacts

7.19 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 341 were implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

Engagement with the Authority

7.20 Ofgem has been engaged throughout the development of DCP 341 as an observer of the Joint Working Group.

8 Implementation

8.1 It is proposed that this CP should be implemented as soon as possible and in line with the requirement for DNOs to provide 15 months' notice of changes to Use of System charges, the earliest implementation date is 01 April 2021.

9 Legal Text

9.1 The legal text for DCP 341 has been developed by the Working Group and has been reviewed by the DCUSA legal advisors and the Proposer is satisfied that the legal text meets the intent of the solution. The DCP 341 legal text is provided as Attachment 1 to this Change Report.

9.2 The legal text sets out the introduction of a new set of tariffs for CDCM customers which will be applied in respect of the demand element of storage facilities, and mirror the existing LV HH metered, LV Sub HH metered and HV HH metered tariffs but with no 'adder' applied to unit rates (i.e. with no residual element). The name of new tariffs to be introduced are:

- LV Site Specific Storage Import;
- LV Sub Site Specific Storage Import; and
- HV Site Specific Storage Import

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9.3 In order to ensure that the tariffs calculated for the new tariffs align with the existing demand tariffs on which they are based, it will be necessary to aggregate data for the new tariffs with the existing tariffs on which they are based for the majority of the tariff calculations. This ensures that the calculations for the three pairs of tariffs remain aligned for each step of the CDCM with only the application of residual charges differing.

9.4 The legal text drafting also introduces a new note under Table 5 set out under paragraph 141 which sets out that the Storage Import tariffs will only be applicable to Eligible Electricity Storage Facilities. How Distributors could ascertain whether a storage facility meets the eligibility criteria that would allow them to apply one of the new tariffs has been clarified in a definition for an Eligible Electricity Storage Facility within Schedule 16, which is detailed further in paragraphs 4.58 to 4.60 above.

9.5 With respect to DCP 341, the baseline text to which changes should be made against is the 01 April 2020 pre-release version of the DCUSA which was issued in October 2018. However, following the Authority's decision to approve DCP 268 'DUOS Charging using HH Settlement data' on 08 April 2019, the Working Group were required to consider the amendments being made by DCP 268. It was noted that a number of amendments in this change impact a number of paragraphs amended by DCP 268. This change therefore considers those approved paragraphs that this change is seeking to amend as if DCP 341 is approved then both DCP 268 and DCP 341 will be implemented in the same DCUSA release on 01 April 2021.

9.6 DCP 268 changed the title of LV HH metered to LV Site Specific likewise LV Sub HH metered to LV Sub Site Specific and HV HH Metered to HH Site Specific and so the naming convention for the three new tariffs introduced by DCP 341 has utilised these updated names conventions.

10 Recommendations

Panel's Recommendation

10.1 The Panel approved this Change Report on 17 July 2019. The Panel considered that the Working Group had carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 341.

10.2 The Panel have recommended that this report is issued for voting and DCUSA Parties should consider whether they wish to submit views regarding this Change Proposal.

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11 Attachments

- Attachment 1 – DCP 341 Legal Text
- Attachment 2 – DCP 341 Voting Form
- Attachment 3 – DCP 341/342 Consultation and Collated Responses
- Attachment 4 – DCP 341 Modelling Documentation
- Attachment 5 – DCP 341 CEPA/TNEI Impact Assessment
- Attachment 6 – DCP 341 Working Group Impact Assessment
- Attachment 7 – DCP 341 Change Proposal Form

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