

DCUSA Change Report		At what stage is this document in the process?
<h1 data-bbox="121 353 550 443">DCP 282</h1> <h2 data-bbox="121 483 1023 622">Embedded Distribution Network Operator (EDNO) UMSO</h2> <p data-bbox="121 645 940 678"><i>Raised on the 14 September 2016 as a Standard Change</i></p>	01 – Change Proposal	
	02 – Consultation	
	03 – Change Report	
	04 – Change Declaration	
<p><b>Purpose of Change Proposal:</b></p> <p>DCP 282 seeks to facilitate the management and trading of UMS apparatus connected to EDNO networks via the “host” DNO’s UMSO service on one combined inventory, without the need for additional MPANs, following a request from the customer to the EDNO to do so.</p>		
  	<p>This document is issued in accordance with Clause 11.20 of the DCUSA, and details <a href="#">DCP 282 – Embedded Distribution Network Operator (EDNO) UMSO</a></p> <p>Parties are invited to consider the proposed amendments (Attachment 2) and submit their votes using the Voting form (Attachment 1) to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> by <a href="#">07/04/2017</a></p> <p>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.</p> <p>DCP 282 has been designated as a Part 1 Matter as this change will have an impact on competition (clause 9.4.2) and on customers (clause 9.4.1).</p> <p>If you have any questions about this paper or the DCUSA Change Process, please contact the DCUSA by email to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> or telephone 020 7432 3011.</p>	
	<p>Parties Impacted: DNOs, IDNOs, and Suppliers.</p>	
	<p>Impacted Clauses:</p> <ul style="list-style-type: none"> <li>• Section 1A Preliminary – Clause 1.1 - Definition</li> <li>• Section 2A Distributor to Supplier/ Generator Relationships, Clause 19, 20 &amp; 21</li> <li>• Section 2B Distributor to Distributor/ OTSO Relationships, Clause 42 &amp; 46A; and</li> <li>• Schedule 2B National Terms of Connection, Clauses 2, 4, 7, 16 &amp; 25.</li> </ul>	

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<p>The timetable for the progression of the CP is as follows:</p> <p><b>Change Proposal timetable</b></p> <table border="1"> <thead> <tr> <th>Activity</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>Initial Assessment Report Approved by Panel</td> <td>21 September 2016</td> </tr> <tr> <td>Consultation Issued to Industry Participants</td> <td>15 December 2016</td> </tr> <tr> <td>Change Report Approved by Panel</td> <td>15 March 2017</td> </tr> <tr> <td>Change Report issued for Voting</td> <td>17 March 2017</td> </tr> <tr> <td>Party Voting Closes</td> <td>07 April 2017</td> </tr> <tr> <td>Change Declaration Issued to Parties</td> <td>11 April 2017</td> </tr> <tr> <td>Authority Decision</td> <td>16 May 2017</td> </tr> <tr> <td>Implementation</td> <td>First Release following Approval<sup>1</sup></td> </tr> </tbody> </table>			Activity	Date	Initial Assessment Report Approved by Panel	21 September 2016	Consultation Issued to Industry Participants	15 December 2016	Change Report Approved by Panel	15 March 2017	Change Report issued for Voting	17 March 2017	Party Voting Closes	07 April 2017	Change Declaration Issued to Parties	11 April 2017	Authority Decision	16 May 2017	Implementation	First Release following Approval <sup>1</sup>
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<sup>1</sup> The next DCUSA release is scheduled on the 29 June 2017.

## 1. Executive Summary

### What?

- 1.1 The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity Distributors and electricity Suppliers and large Generators. Parties to the DCUSA can raise Change Proposals (CPs) to amend the Agreement with the consent of other Parties and (where applicable) the Authority.
- 1.2 This CP seeks to facilitate the management and trading of Unmetered Supplies ('UMS') apparatus connected to Embedded Distribution Network Operator ('EDNO') networks via the "host" DNO's UMS Operator ('UMSO') service on one combined inventory of connected unmetered equipment, without the need for additional MPANs, following a request from the customer to the EDNO to do so. An EDNO may in this context be either an IDNO Party or a DNO Party acting outside of the distribution services area specified in its licence.

### Why?

- 1.3 EDNOs have experienced difficulties with some large organisations with portfolios of UMS items often refusing to adopt UMS within EDNO networks due to the need to use one or more additional MPANs to manage separate inventory items. This change will remove the need for additional MPANs and will therefore be of benefit to customers who request this service. The solution proposed is easy to administer, minimises cost impact and removes a perceived barrier to competition in connections.

### How?

- 1.4 By modifying Section 1A – Preliminary, Section 2A '*Distributor to Supplier/ Generator Relationships*', Section 2B '*Distributor to Distributor/ OTSO Relationship's*' and Schedule 2B '*National Terms of Connection*' to facilitate contractual arrangements that allow for the management and trading of UMS apparatus connected to EDNO networks via the "host" DNO's UMSO service. In addition, the change also includes inter-distributor billing so that the EDNOs can recover their income.

## 2. Governance

### Justification for Part 1 Matter

- 2.1 DCP 282 has been classed as a Part 1 Matter therefore Authority consent is required.
- 2.2 This change will have an impact on competition (clause 9.4.2) and on customers (clause 9.4.1).

## Requested Next Steps

- 2.3 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 282.
- 2.4 The DCUSA Panel recommends that this CP:
  - Be issued to Parties for Voting

## 3. Why Change?

### Background of DCP 282

- 3.1 Unmetered customers (often Local Authorities (LAs) providing street lighting) on embedded networks provide detailed inventories to each DNO & EDNO with whom they have connections. Each inventory has separate MPANs. The unmetered customer is required to contract with an energy supplier for each MPAN. This change seeks to facilitate the management and trading of UMS apparatus connected to EDNO networks via the “host” DNO’s UMSO service on one combined inventory, without the need for additional MPANs where the unmetered customer requests such a service from the EDNO.
- 3.2 The change will codify the contractual arrangements required between the DNOs and the EDNOs and between the DNOs/EDNOs and the customer. This will ensure that there is no additional need for the DNO to undertake validation of the inventory data as the obligation to validate the customer’s inventory remains with the EDNO. The contractual arrangements between the DNO and EDNO are facilitated via DCUSA, with no need to change BCAs, and the contractual arrangements between the EDNO and the customer are facilitated via the National Terms of Connection (which should reduce any need to change Connection Agreements). The NTC will also be modified to the extent necessary to reflect the additional elements of relationship between the customer and the DNO.

#### Previous changes

- 3.3 Two previous CPs that looked at a related issue to those presented by DCP 282 were [DCP 168 ‘The Administration of Use of System charges relating to connections from Embedded Distribution Network Operator \(EDNO\) systems to Unmetered Supplies \(UMS\) for LA customers’](#) which was withdrawn and [DCP 203 ‘The rationalisation of discount factors used to determine LDNO Use of System tariffs relating to UMS connections on embedded distribution networks and the associated LDNO tariffs’](#) which was implemented on the 30 June 2016.
- 3.4 DCP 168 was withdrawn as the proposer had unintentionally restricted the scope of the DCP by stating that the intent was to benefit “Local Authority customers”. This restriction would not have allowed all unmetered customers to benefit e.g. developers, private housing associations etc. As a result, DCP 168 was withdrawn.

- 3.5 Under DCP 203 the consultations carried out engaged extensively with LAs and provides evidence as to the materiality of this change.
- 3.6 [BSC CP 1414 'Combining LDSO and Embedded LDSOs UMS Inventories on to single LDSO MSID'](#) was raised on the 14 May 2014. This CP proposed to give Unmetered Supply (UMS) customers the option to trade their UMS connections from embedded Distribution Systems under a single distribution MSID. This would be achieved by combining such inventories of connections with the existing inventory linked to the already-registered host distributor's MSID. Whilst SVG acknowledged the benefits for the customer and UMS connections market, CP1414 was rejected by SVG March 2014. The reason being that as they believed the key impacts were beyond the scope of BSC, Ofgem would be better placed to consider solutions to the issues identified.

### Electricity North West Ltd (ENWL) Trial

- 3.7 In 2015 ENWL agreed to a trial (Attachment 4) with IDNOs to enable the consolidation of inventories. Three parties took part in these trials; namely; the DNO, the IDNO and the unmetered customer. The three main elements to these trials are:
1. *"DNO-IDNO Bilateral Connection Agreement (BCA). This agreement already exists to enable the DNO-IDNO connection. To enable the consolidation of the individual Unmetered Customers inventories under the DNO's MPAN, the agreement is modified to place an obligation on the IDNO to ensure that the individual Unmetered Customers connected to its network:*
    - *Updates their Detailed Inventory to include the developer's unmetered inventory as if it was connected to the DNO's Distribution System;*
    - *includes a network identifier to the Detailed Inventory so that a filter can be applied to determine the Detailed Inventory of each distributor; and*
    - *notifies the Company when any such amendments have been made.*
  2. *The DNO and the Unmetered Customer will have an existing connection agreement, either on a bilateral basis or under the National Terms of Connection (NTC). This agreement was unaffected by the trial.*
  3. *The IDNO required the Unmetered Customer to enter into a connection agreement, on a bilateral basis using a model form template that refers to the NTCs with minor additions, that enacts the obligations placed on the IDNO via the BCA with the DNO. These are in respect of unmetered connections to the IDNO network within the Unmetered Customer's portfolio, and they bind the customer to:*
    - *update its Detailed Inventory to include all Items connected to the IDNO network as if these had been connected to the DNO's network;*
    - *include the IDNO's distribution network identifier against all such Items so that a filter can be applied to distinguish those Items from Items connected to the DNO's network or any other such distributor where a similar agreement exists; and*
    - *as soon as reasonably practicable notify the IDNO when any such amendments have been made".*
- 3.8 Following the completion of this trial, ENWL introduced the above process. Western Power Distribution also agreed to introduce the same process. It is noted that Ofgem and Elexon were

approached about the ENWL trial and their views are provided in Attachment 4. Ofgem highlighted that *“issues regarding the administration and costs associated with DNO and IDNO inventories of UMS have led to various industry initiatives (including changes to the DCUSA, eg DCP 203) to find more efficient and cost-effective processes”* and that they were encouraged that trials undertaken with ENWL offered a workable way forward. Ofgem further noted the Elexon letter of the 03 June which advised that there is no impact on Settlement calculation through combining the UMS inventories in this way; and that the proposed approach seems consistent with the BSC, but that parties could raise consequential changes if necessary.

- 3.9 DCP 282 differs from the trial in that it is acknowledged that the legal text change will reduce the need for multiple bilateral connection agreements to undertake this outlined process, whether between the DNO and EDNO or between the distributors and the customer.
- 3.10 This CP has been raised by UK Power Networks to facilitate the management and trading of UMS apparatus connected to EDNO networks via the “host” DNO’s UMSO service on one combined inventory for HH and a separate combined inventory for NHH, without the need for additional MPANs, following a request from the customer to the EDNO to do so.

## 4. Solution

### DCP 282 Assessment

- 4.1 The DCUSA Panel established a Working Group to assess DCP 282. This Working Group consists of DNO, IDNO and Ofgem representatives, as well as a consultant with expertise in unmetered supplies. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – [www.dcusa.co.uk](http://www.dcusa.co.uk).
- 4.2 The proposed process is set out as follows:
- The EDNO approves the unmetered connection and manages the connection agreement with the customer.
  - The unmetered customer can elect to combine all its data on to one inventory for which the host DNO provides the UMSO service. This combined inventory (DNO and EDNO connected items) will cover all relevant UMS data in the GSP group for that customer. It is noted that customers with a mix of NHH and HH MPANs will still need to submit two separate inventories.
  - The unmetered customer notifies the EDNO of its intention to combine the inventory and provides a single inventory (for DNO and EDNO connected items) to the host DNO and the EDNO(s) with a field identifying the relevant distributor for each item.

- All parties agree, via the DCUSA, the NTC (or bespoke customer connection agreement(s) where they supersede the NTC) that the single inventory can be shared with any distributor named on it.
- The host DNO processes the inventory it receives and bills DUoS charges to the relevant Supplier and the EDNO does not bill the Supplier for those inventory items where an election has been made.

4.3 During this process, the EDNO remains responsible for the quality of the data in the inventory for items in its networks and remains responsible for any associated BSC audit requirements. The proposed legal text explains that the host DNO does not need to perform further checks or validation on any inventory data it receives relating to items not directly connected to an exit point on its own network, other than to check which EDNO the inventory data is pertaining to.

4.4 The proposed legal text places an obligation on the EDNO to ensure its connection agreements oblige the customer, where the use of a combined DNO/EDNO inventory UMSO service has been requested, to provide combined inventories to both the host DNO/UMSO and each EDNO using that service to which it has connections. This obligation provides for the sharing of this data between EDNO and host DNOs. The text facilitates this via the NTC but it is recognised that not all connection agreements reference those, in which case Distributors may choose to develop bespoke agreements which refer to or mirror the NTC.

## DCP 282 Consultation

4.5 The Working Group carried out a consultation (Attachment 4) to give DCUSA Parties and other interested organisations an opportunity to review and comment on the proposed DCP 282 solution. This included DCUSA Contract Managers, the DCMF distribution list, Elexon, Gemserv, Ofgem, and National Grid.

4.6 As part of this consultation, the Working Group sought views on several issues identified as set out below:

### Impact on DCUSA Section 2A –Distributor Billing for Connections not connected to their Network

4.7 A concern was raised that DNOs would potentially be billing and receiving UoS charges in respect of connection points that are not on their networks. Some Working Group members believed that this is not consistent with the DCUSA as it stands. However, other Working Group members had a view that as EDNOs currently collect DUoS revenue on behalf of the host DNO (to pass back as part of the portfolio billing arrangements), a precedent already exists for distributors to charge for use of another Party's distribution system.

4.8 Furthermore, some Working Group members believed, that where a host DNO is connected to the EDNO as part of a nested network, the DNO collects the EDNO's DUoS to pass back through to the EDNO as part of portfolio billing.

- 4.9 The Working Group sought views on, when taking into consideration the rights and obligations created between DNOs and Suppliers under Section 2A Distributor to Supplier/Generator Relationships and the above mentioned views, if there is there anything in the DCUSA text of Section 2A that hinders the proposed solution and which needs to be changed to facilitate the proposed solution of this CP.

### Distribution Price Control

- 4.10 Working Group members discussed how this new process should be treated under the Distribution Price Control especially, as due to the UoS value being so low, there may often be no billing by the EDNO for the income received by the host DNO. Views were sought on how they believe this income should be treated and reported to Ofgem and if its relatively insignificant value should influence the treatment.
- 4.11 Some Working Group members believed that this is covered off by the DNOs Charge Restriction Conditions in their licences which are available on Ofgem's website. However, where inter-distributor billing takes places there is an argument to say that the price control is unaffected. There is a counter argument whereby there is no effect on Distribution price control.
- 4.12 The Working Group requested views on whether respondents believe that the DNO is recovering the revenue on behalf of the EDNO.
- (a) If yes, how should this be dealt with in the price control?
- (b) If yes, should it be dealt with through inter-distributor billing?

### Elective sites

- 4.13 The proposed solution provides for an 'opt in' by the customer rather than a mandatory obligation. An optional approach rather than a mandated approach potentially increases the costs for EDNOs and any DNO that operates out of area.
- 4.14 One member advised that some unmetered customers have expressed a preference for more than one EDNO MPAN. An example provided was a national housing developer requiring a UMS MPAN for each individual property development in order to monitor consumption on each project. In this scenario the unmetered customer is unlikely to take up the combined inventory approach suggested in this CP and having this as a voluntary solution will facilitate customer choice.
- 4.15 The Working Group requested views on whether there was a preference for this solution to be elective or mandatory.

### Ability for DNO and EDNO to validate data between them

- 4.16 The proposal places the obligation on the EDNO to validate their data in the inventories that are submitted to the host DNO. It is recognised that both the DNO and EDNO receive the same data at the same time and so any validation by the EDNO will take place concurrently with the DNO processing the data. Where errors are identified such as invalid charge codes, the DNO shall follow

the same distributor process as if those were connected to its network. Respondents were asked whether they agreed with this approach when considering the Balancing and Settlement obligations that are placed on distributors including audits.

### Service Level Agreements

4.17 The CP does not include provision for Service Level Agreements (SLAs) between DNOs and EDNOs for the validation by the EDNO of the inventory data. The Working Group requested views on whether SLAs should be put in place for EDNOs to verify the content of the customer inventory submissions.

### Billing and Debt

4.18 Working Group members discussed the issue of debt follow up when the host DNO is providing an UMS service on behalf of an EDNO. The discussion centred on who should bear risk of a Supplier default if the DNO is billing on behalf of the EDNO. Respondents were asked whether they perceive a risk and if so how it should be dealt with.

### Simple Bilateral agreements

4.19 The Working Group sought views on the best mechanism for implementing the proposal without the need for any existing BCA variations.

### BSC Letter from Elexon

4.20 The Working Group discussed whether the BSC requires changing and noted that Elexon had already provided a view on this point. Respondents were asked in light of the view provided by Elexon, if a BSC or BSCP change needs to be made, if they would identify the change that needs to be made.

### Consultation Responses

4.21 There were twelve responses received to the consultation. Six respondents were DNOs, five respondents were IDNOs and one code administrator responded. The Working Group discussed each response and its comments are summarised alongside the collated consultation responses in Attachment 4.

4.22 A summary of the responses received, and the Working Group's conclusions are set out below:

## Question 1: Do you understand the intent of DCP 282?

4.23 All respondents understood the intent of the CP.

4.24 On review of responses to question 1, the Working Group discussed the fact that there are multiple settlement inaccuracies such as no counting, double counting (where it is on both the DNO and EDNO inventories) and being settled on the wrong Party's MPAN is occurring already which means settlements are inaccurate when they are reported in to the BSC audit every year.

- 4.25 The Working Group considers that these known instances can be significantly reduced by this change where the customer elects to include the inventory on the host DNO's inventory.

## Question 2: Are you supportive of the principles of DCP 282?

- 4.26 Ten respondents to this question were supportive of the principles of the CP. The majority of these respondents considered that this change would be of benefit to unmetered customers by giving them a choice on how they manage their unmetered supply inventories connected to IDNO networks resulting in greater efficiencies, a better customer experience and dealing with competition in connection concerns.
- 4.27 Two respondents were not supportive of the principles of this change. The first respondent considered that additional industry changes may be required in order for them to support this change fully. The Working Group requested for the respondent to provide clarification on which industry changes they were referring to. At the time of this report, no response was received.
- 4.28 The second respondent considered that the issues being addressed by this change *“directly relate to ineffective processes by Suppliers (and possibly Meter Administrators) in how they control and manage Billing for UMS Units (& for MA's, submission of HH Inventories)”*. This respondent proposed an alternate solution where the *“UMS 'Users' agree “‘portfolio’ contracts with these parties that negate the stated issues of additional Supplier Accounts & Standing Charges and additional MA Contract Costs”*.
- 4.29 The Working Group noted that this alternate approach suggested by the second respondent is outside of the scope of this Working Group and an alternative CP would have to be raised.

## Question 3: Do the rights and obligations created between DNO and Suppliers under Section 2A hinder the solution and need to be changed to facilitate the proposed solution of this CP? If yes, please indicate why and what needs to be changed.

- 4.30 Eight respondents did not consider that the rights and obligations created between DNOs and Suppliers under Section 2A hinder the solution as there is already a precedent for Use of System charges being collected by a single distributor and then settled using the inter-distributor billing process. One respondent had no comment and three respondents considered that it did hinder the solution.
- 4.31 Four respondents requested that Section 2A should be revised. This section considers the obligations between a Company and a User (a User in this instance being the Supplier) in respect of the Metering Points on the Company's distribution system. As drafted Section 2A does not act as a basis for the Company to bill DUoS charges on EDNO metering points.

- 4.32 The Working Group agreed to revise the legal text to include users who supply/supplied unmetered customers of connections in embedded Distribution Systems who opted to include their data in the host DNOs Party UMS inventory.
- 4.33 Another respondent raised a concern in regards to the application of Clause 19 and the invoicing of charges by the Company and payment in respect of Metering Points by the User. Members agreed to add legal text to Clause 19.5.1 to address electricity imported via exit points of unmetered customers of connections in embedded Distribution Systems who have opted to include their data in the host Distributor's UMS inventory.

**Question 4: The Working Group are interested in Parties views on whether you believe that the DNO is recovering the revenue on behalf of the EDNO? (a) If yes, how should this be dealt with in the price control? (b) If yes, should it be dealt with through inter-distributor billing?**

- 4.34 The majority of respondents considered that the DNO is recovering the revenue on behalf of the EDNO but that the amount recovered is negligible. One IDNO respondent provided an example of the revenue recovered by an EDNO for a typical UMS MPAN under Portfolio Billing arrangements.

*"The average consumption on a typical EDNO's Unmetered MPAN is approximately 4,500kWh per annum per UMS MPAN. To use a current DNO's Use of System Charges as an example:*

*NHH UMS Category B (Dusk till Dawn): Estimated Annual Consumption of 4,500kWh:*

*EDNO's Supplier tariff - 2.540 p/kWh = £114.30*

*DNO's LDNO tariff – 1.700 p/kWh = £76.35*

*DUoS currently recovered by EDNO on a typical UMS MPAN per annum: £37.95"*

This IDNO respondent considered that the crux of this issue that causes excessive costs to unmetered customers and affects Competitions in Connections, is to enable the exchange of less than £40 per UMS MPAN per annum under Portfolio Billing which this change will address.

- 4.35 Six respondents agreed that it should be dealt with through the existing process of inter-distributor billing. Some respondents considered that the revenue (which is very low) should be dealt with through inter-distributor billing only where a certain threshold has been reached.
- 4.36 The Working Group agreed to consider whether to deal with the billing aspects as part of this CP. One DNO respondent proposed an approach where *"the supplier will continue to receive an all-the-way DUoS charge in respect of the EDNO inventory data, the DNO's charges in respect of the UMS within the EDNO will be at all-the-way charge rather than the (lower) DNO to EDNO charge. Since two charge rates cannot be applied to inventory items within the single MPAN, and the majority of data within the inventory is likely to be correctly charged at the all-the-way charge, one solution might be for the EDNO to invoice the DNO for the difference between the all-the-way charge and the DNO to EDNO charge element. The DUoS revenue recovered by the DNO could*

*be offset against the EDNO charges. In this way the “margin” is passed over to the EDNO and the DNO’s income is adjusted such that it only recovers the correct revenue under the price control”.*

- 4.37 The Working Group noted that a Clause could be added to Schedule 2b to reflect this approach.
- 4.38 Another DNO respondent highlighted that if an inter-distributor approach was taken that there would be an *“increase in the DNOs’ RDt (Regulated Distribution Network Revenue) and, if the EDNO elects to bill the DNO, an increase to their cost base by the same amount so their ARt (Allowed Distribution Network Revenue) would need to increase by this amount”*. This respondent suggested that *“an additional pass through element to the license or some other appropriate mechanism will need to be introduced in order that that the DNOs’ incomes are not detrimentally or beneficially affected by this change”*.
- 4.39 The Working Group agreed to cover inter-distributor billing as part of this change in Clause 19.4. This could then avoid any issues associated with price control since the DNO would only be recovering their own revenue if the EDNO exercises their right to bill the DNO. It was recognised that the values are currently very small (see paras 4.34 and 4.35) but by putting in place such a right and associated inter-billing processes such as the payment terms and disputes process it would avoid a further change at a later date.

**Question 5: Do you prefer for this solution to be elective or mandatory for all Unmetered Customers? Please provide supporting evidence.**

- 4.40 The majority of respondents considered that the solution should be elective and a summary of the rationale provided is set out below:
- A number of respondents considered that the preferred approach is elective as it provides customer choice on whether to take up the option of submitting a combined inventory or not.
  - Another purpose of the change is to make UMS involvement easier for customers.
  - One IDNO respondent advised that it should be at the discretion of the unmetered customer to decide whether they wish to submit a combined inventory as there are circumstances that have been identified where it would not be the Customers preferred approach.
 

*“For example, a housing developer may have a network in a different town to their existing MPAN’s inventory (but within the same DSA and therefore able to be listed on the same MPAN), but prefers to register against a new MPAN to enable them to monitor consumption on that particular site”.*
  - Another IDNO respondent considered that the change had been raised to reduce administrative burden on unmetered customers and that it would be counter intuitive to place *“additional administrative burden on some unmetered customers who wish to be able to identify distinct unmetered sites by virtue of retaining the EDNOs MPAN and UMSO services”*.
- 4.41 Two respondents considered that the solution should be mandatory. One IDNO respondent did not provide a rationale for their decision. This respondent subsequently examined the rationale

provided by other respondents to the consultation and changed their preference to an elective solution.

- 4.42 The other respondent favouring a mandatory solution (a DNO) considered consultation paragraph 1.3 which stated that *“EDNOs have experienced difficulties with some large organisations with portfolios of UMS items often refusing to adopt UMS within EDNO networks due to the need to use one or more additional MPANs to manage separate inventory items”* and considered that these issues may still continue to exist if the solution is elective. The respondent advised that *“the materiality and merits of the proposal be stated as reasoning behind the mandatory approach. The Customers who require the details of certain site costs can already do this within their Inventory Listing. All they require to do is have the EAC calculated within the items on the inventory and then prices can simply be added to give expected costs for each item, category, location etc. This is a proven process in SPD & SPM where we have held many awareness meetings with Builders and Factor organisations to highlight how this can easily be achieved”*.
- 4.43 The Working Group discussed this comment and noted the feedback from IDNO colleagues that these processes would have to be in place in order for them to manage their own inventories with the customer regardless of the customer electing or not to combine their inventory with the host DNO.
- 4.44 The Working Group voted on whether to support the mandatory or elective solution. All Working Group members with the exception of one member were supportive of an elective solution.

### Question 6: Do you agree that the EDNO should be responsible for validating their data within a combined inventory?

- 4.45 All respondents agreed that the EDNO should be responsible for validating their data within a combined inventory. Some of the comments provided are set out below:
- *“this is in line with the requirements of the balancing and settlement code”;*
  - *“as the equipment is on the EDNO network, the EDNO should be responsible for data validation”;*
  - *“Yes, for accuracy as to items, hours and charge codes etc. as the DNO has no way of validating this information. The EDNO should maintain primary contact with the customer for any error and should ensure that a revised inventory is submitted to the DNO”.*
  - *“The EDNO has a licence obligation to provide an UMISO role and therefore, a responsibility to validate the inventory for unmetered connections in the embedded network”.*
- 4.46 The Working Group unanimously agreed that it is the EDNOs responsibility to validate the inventory and decided to ensure that it is adequately covered in the legal text.

### Question 7: Should there be Service Level Agreements (SLAs) in place for EDNOs to verify the content of the customer inventory submissions?

- 4.47 Ten respondents agreed that it was not necessary to introduce SLAs for EDNOs to verify the content of the customer inventory submissions as it would be an unnecessary administrative burden. Furthermore, EDNO’s have obligations under the National Terms of Connection and Unmetered Supplies Procedure together with the Balancing and Settlement Code Procedure

(BSCP) 520 to ensure that the content of customer inventory submissions is accurate for processing purposes.

- 4.48 One DNO respondent considered that an SLA should be introduced as inaccuracy in the EDNO inventory could cause *“inaccurate consumption to be calculated and entered in to settlement and used for the production of Use of System invoices”*.
- 4.49 The Working Group agreed to not put SLAs in place as part of this change and requested that the DNO respondent who had supported an SLA being introduced provide clarification based on their preferred approach. This DNO respondent advised that they were satisfied that their concerns had been addressed in the legal text, whereby the EDNO remains responsible for the quality of the data in the inventory for items in its networks and remains responsible for any associated BSC audit requirements. On this basis, they also did not consider that an SLA would be required.

### Question 8: If you believe, under the proposal, the DNO would be recovering DUoS on behalf of the EDNO do you have any thoughts on debt recovery?

- 4.50 The majority of respondents did not perceive there to be a significant issue with debt recovery as the DNO can follow their standard debt recovery process.
- 4.51 One respondent advised that the *“DNO should only be required to use very limited endeavours to pursue any debt for unpaid charges which were levied on an EDNO’s behalf and should be indemnified from liability to the EDNO in the event of bad debt”*.
- 4.52 The Working Group noted the responses and agreed to cover off the scope of indemnification of the DNO by the EDNO in the legal text.

### Question 9: Parties are asked whether they perceive a risk of a supplier default and if so how it should be dealt with?

- 4.53 The majority of respondents did not believe that there was a high level of risk of Supplier default. It was noted that the values are generally minimal for EDNO UMS and there are industry processes in place to deal with this scenario already. One DNO respondent advised that *“As the DNO will be including these amounts through their normal DUoS billing they will contribute to the Suppliers’ Indebtedness Ratios as defined in Schedule 1 of DCUSA and so we think that any risk of supplier default will be dealt with by this as part of business as usual”*.
- 4.54 Members noted that where any debt is outstanding, the EDNO will be notified of it by the DNO. The Working Group agreed to consider this point on their review of the legal text.

### Question 10: Should this DCP introduce a mechanism for passing DUoS between the DNO and the EDNO?

- 4.55 The majority of respondents considered that a mechanism should be brought in to allow the passing of DUoS between the DNO and EDNO. Although the amount of DUoS being billed is currently negligible, it may be more significant in the future.
- 4.56 Another respondent considered that it was not within the purview of this CP to introduce a mechanism for passing DUoS between the DNO and EDNO. The inter-distributor billing process

works well and there is always the option for mechanisms to be agreed on a bilateral basis between the DNO and EDNO.

- 4.57 The Working Group agreed to put in place the right for the EDNO to bill and the payment terms associated with such a billing arrangement together with the inter-distributor billing process. This supports the issue associated with Question 4 above.

**Question 11: Do Parties believe the introduction of the proposal can be achieved without impacting any existing BCAs?**

- 4.58 Most respondents considered that there would be no impact on existing BCAs due to the changes introduced by this CP. The existing BCA template does not require changing and the proposed legal text facilitates this solution under the NTC.
- 4.59 The Working Group noted the responses.

**Question 12: In light of the advice provided by Elexon (see attachment 5), do you believe that a BSC and or BSCP change needs to be made? If yes, please specify the change required.**

- 4.60 The majority of respondents on consideration of Elexon's advice from their General Counsel that the combining of inventories is consistent with the BSC and does not impact settlements, agreed that they did not consider there were any changes required via a BSC or BSCP as a result of this change.
- 4.61 One respondent suggested that a subsequent change to the Operational Information Document (OID) to explain and provide guidance would be required. In particular section 8.2 (Standard Inventory Format) needs to be amended to accommodate the additional field for the DNO/IDNO identifier. Another respondent advised the Working Group to ask the DCUSA legal advisors how well the proposed DCUSA change sits alongside the BSC (notably paragraph 8.2 of section S), BSCP520 and the OID.
- 4.62 Following the DCP 282 legal text review, the Working Group agreed to ask Elexon to sense check the legal text for inconsistencies and any consequential impact with the BSC.

## Question 13: Does the legal text as drafted meet the intent of the change?

- 4.63 Nine respondents considered that the legal text meets the intent of the change. One respondent had no comment. Two respondents' highlighted that they did not consider that the legal text met the intent of the change.
- 4.64 The Working Group noted that these respondents' comments on the legal text had been addressed under other questions.

## Question 14: Do you have any comments on the proposed legal text?

- 4.65 Five respondents provided comments on the legal text. Some of the comments on the legal text are set out below:
- *"In the new clause 42.14, replace 'Unmetered Supplies Office' with 'Unmetered Supplies Operator'. In schedule 2B, Section 4, add in a new definition:
 
    - *Unmetered Supplies Operator or UMSO – has the meaning given to that term in Section 58.2.14 of the BSC*
 In schedule 2B, the new clause 7, should it be 7.1.3 and not 7.1.14? Also, add in 'is' - Company Name: The name of the Company to which the Connection Point 'is' connected. In schedule 2B. is 4.1.5 (ii) worded correctly? Should it be '..., the Inset Company...having issued an Unmetered Supplies Certificate...' rather than '..., the DNO...having issued an Unmetered Supplies Certificate...'"*
  - *"Yes, we believe the term 'office' was not the intended term for the header in Clause 42.14 but should have been 'Service'".*
  - *"In the DCUSA there is already mention of Clause 42.14":*
  - *"We believe the text could be better constructed using the likes of new section 42.14 as an overall explaining section then avoiding the changes at every stage thereafter. 42.14.2, (a,b,c) is not in a consistent format".*

- 4.66 The Working Group walked through and addressed these comments on the review of the legal text. Members also agreed to amend the incorrect references to 42.13 and 42.14 that should read 42.12 and 42.13. These incorrect references have been captured in the housekeeping log should this change be rejected and a housekeeping update need to be pursued.

**Question 15: Would there be any system impacts or process changes required to implement this proposal? Please provide your rationale inclusive of any financial, resource or system impact or restriction.**

- 4.67 Seven respondents did not identify significant system impacts to accommodate this change. Some DNO respondents highlighted that there would be significant changes required in the administration of UMS inventories and their associated billing and revenue transfers.
- 4.68 An IDNO respondent noted that a combined UMS inventories process is in place in five distribution areas and that for them *“there are no functional system impacts or process changes required to implement this proposal, only a potential increase in administration as more UMS Customers take advantage of this new process and the benefits it will bring”*.
- 4.69 One DNO respondent suggest that *“there would be system changes to incorporate EDNO flag and the ENDO MPID (for scenarios where there are multiple EDNO operating in one DNO area). This would be required to allow the DNO to hold a distinct record of their own and the ENO equipment and to apportion the associated consumption values and income accordingly. Other changes such as report parameters to provide reports on an EDNO and DNO basis. Additional functionality to allow multiple entries for standing data such as switch regimes etc where EDNO/DNO values differ. Our system also generates the P0218 – Collated Supplier Registrations, which if amended in the BSC to accommodate this change would also need updating in our system. Additional resource would also be required as the EDNO items would need to be input in to the system by the DNO as additional entries”*.
- 4.70 The Working Group noted the response and accepted that there would be process changes.
- 4.71 Another DNO respondent advised that they would need to *“develop reporting systems to calculate EDNO inventory units and values, per customer and per EDNO in order to validate future revenue pass through values. The D0314 Portfolio Billing process will have to be amended if this is used to account for pass-through. EDNOs will require to stop all DUoS Billing to Suppliers for UMS category (or double charging will occur!) and also remove or de-energise UMS MPANs, other than perhaps a master one? DNOs will need to review communication channels with UMS and EDNO parties. EDNO’s will need to roll out educational and training material to all parties impacted, and receive sign on from them as to their updated obligations”*
- 4.72 The Working Group noted the response and clarified the process in regards to the D0314 dataflow. The D0314 flow is the ‘Non Half Hourly Embedded Network DUoS Report’ that the Supplier

Volume Allocation Agent (SVAA) sends to the distributor. It is a report of the consumption data for Metering Points (i.e. EDNO MPANs) on embedded networks. The report is sent to Host DNOs for all EDNO's NHH MPANs in their distribution services area. When the EDNO's UMS inventory is transferred to, or starts out on the DNO's existing MPAN, it is no longer reported in Settlements under the EDNO's MPAN. Instead, as it is the DNO's MPAN, the consumption data is reported to the DNO under the normal D0030 'Aggregated DUoS Report' processes and not the D0314.

**Question 16: Which DCUSA General Objectives does the CP better facilitate? Please provide supporting comments.**

1. The development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System.
2. The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity.
3. The efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences.
4. The promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it.
5. 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.

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

Respondent Party Type	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5	No Objectives
<b>DNOs</b>	4	4	0	0	0	1
<b>IDNO</b>	3	4	1	0	0	0
<b>Suppliers</b>	1	1	0	0	0	0
<b>Total</b>	8	9	1 <sup>2</sup>	0	0	1

<sup>2</sup> This was withdrawn during the Working Group discussion.

4.74 Eight respondents considered that DCUSA General Objective 1 is better facilitated by this change and some of the reasons provided are highlighted below:

- *“as it facilitates DNOs and IDNOs working together for the benefit of their customers”.*
- *“would be better facilitated as there would be co-ordination between network operators to enable DUoS for unmetered supplies to be billed in a manner which is preferred and sought by customers”.*
- *“The change introduces efficiency and co-ordination for the DNO and EDNO”.*

4.75 Nine respondents considered that DCUSA General Objective 2 is better facilitated by this change for the following reasons:

- *“will be better facilitated as it provides a more efficient and improved process for customers to manage their unmetered supply inventories. It also removes a perceived barrier to an IDNO bidding for new connection work”.*
- *“by giving UMS customers the option to provide combined inventories, any potential barrier to competition would be removed”.*
- *“Additional EDNO UMS MPANs and their associated additional costs (than if the inventory was connected to the incumbent DNO) are cited as a reason to delay the adoption of EDNO networks. This CP will remove that barrier and promote competition in the distribution of electricity”.*
- *“would be better facilitated as existing arrangements may be interpreted as a barrier to distribution competition”.*
- *“as it allows the promotion of competition in the distribution of electricity”.*
- *“It has been stated elsewhere in the industry that the need to separately manage UMS has been a potential barrier in competing for new connections for IDNOs. This change would help to overcome any such barrier. However, it could be argued that this change might have an adverse impact on competition in supply if the EDNO inventory has a different supplier to the DNO inventory it will be combined into”.*

4.76 One respondent did not agree that DCUSA Objective 1 and 2 was better facilitated but this change and provided the following reasons:

*“We believe the EDNO position as outlined in Section 4.13 stating the process requires to be elective undermines the claims made as to the complexity and uncontrollable nature of the status quo. The point raised in Section 4.13 makes it clear that an EDNO can and has managed the UMS process successfully for certain customers who also have a wide geographical and EDNO portfolio”.*

As stated in Q2, while this respondent recognises *“that the EDNO has encountered issues with large customers and Suppliers in getting sites adopted, this is not an issue for the DNO to resolve and rather than getting the DNO to resolve the issue questions should be asked of those organisations that quite clearly are not following the spirit of the National Terms of Connection*

*(Local Authorities themselves) and Suppliers who act in an anti-competitive manner in refusing to accept such customers”.*

- 4.77 The Working Group noted that the majority of respondents considered that Objectives 1 and 2 are better facilitated by this CP. The Working Group noted that one respondent had an alternative view and that the points raised had been addressed in previous Working Group responses. Please refer to Section 7 of this report for the Working Group’s rationale on which DCUSA General Objectives are better facilitated by this change.

## **Question 17: Do you require any lead time from the approval being made to comply with this change?**

- 4.78 Nine respondents did not consider they needed any lead time to comply with this change. One DNO respondent considered that as the solution was not complete, they were unable to assess whether a lead time was required.
- 4.79 One respondent advised 6 months lead time would be required for system changes. The attendee agreed to check that six months is the time required to adjust their systems for this change. At the time of this report, no response was received.
- 4.80 The Working Group considered the responses and agreed to propose that this change be implemented in the first release following Authority consent.

## **Question 18: Are you aware of any wider industry developments that may impact upon or be impacted by this CP?**

- 4.81 All respondents were not aware of any wider industry developments that would impact upon this CP.
- 4.82 The Working Group agreed with this position.

## **Question 19: Are there any alternative solutions or unintended consequences that should be considered by the Working Group?**

- 4.83 Eight respondents did not have any alternative solutions or matters that should be considered by the Working Group.
- 4.84 One respondent highlighted the trial undertaken within ENWL’s distribution services area. This respondent considered that a national solution under DCUSA to be a much more efficient solution for customers. If the CP is not implemented by *“all DNO Parties, UMS Customers in DSAs that do not permit the combining of inventories will be at a significant disadvantage to those UMS Customers that can do so in other DSAs”*. Also *“an unintended consequence of not implementing this CP is that Settlements will continue to be inaccurate (and will increase going forward) as it is”*

*this respondents “experience that UMS Customers not able to combine inventories are intentionally not contracting with a supplier for the EDNO MPAN in order to remove all admin and additional energy costs. As a result, the consumption data is not entering the Settlements process at all. As a direct result of this failure, currently the DNO is also not recovering the DUoS for the use of their distribution system. Allowing combining of inventories will ensure those units are not lost to Settlement.*

- 4.85 Another respondent considered that *“it depends on the final solution but understanding the impact on MPANs and Registrations and Tariffs could lead to other changes going forward. While EDNOs might need to remove MPANs, DNOs may consider creating them to identify EDNO UMS and ensure the correct allocation of any revenue”.*
- 4.86 The Working Group understood that the reference to ‘creating them’ was referring to internal system creation and not to be used in settlements.

## Working Group Conclusions

- 4.87 The Working Group reviewed each of the responses received to the consultation and concluded that all of the respondents understood the intent of DCP 282.
- 4.88 The Working Group agreed that the majority of respondents were supportive of the principle of the CP.
- 4.89 The Working Group noted that the majority of respondents felt that specifically DCUSA General Objectives 1 and 2 were better facilitated by this change.
- 4.90 The Working Group considered the responses on inter-distributor billing and agreed to add a process to the legal text to provide a right for the EDNO to bill and the payment and dispute processes associated with it.
- 4.91 Members noted the success of the ENWL trials which resulted in four additional DNOs agreeing to introduce a process with IDNOs to enable the consolidation of inventories. This change differs from the trial as the proposed legal text introduces contractual terms to enable DNOs to bill DUoS to Suppliers for connections on EDNO networks and will reduce the need for multiple bilateral connection agreements to undertake this outlined process, whether between the DNO and EDNO or between the distributors and the customer.
- 4.92 In Ofgem’s *“The findings of our review of the electricity connections market”*<sup>3</sup> published in 2015, it was highlighted in relation to unmetered supplies inventories *“Billing arrangements between a supplier and a large customer (eg a local authority) may become more complex and costly if the customer has unmetered assets (ie street lighting) on both a DNO and an IDNO network. We understand that this issue results from the arrangements of the Balancing and Settlement Code.*

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[https://www.ofgem.gov.uk/sites/default/files/docs/2015/01/connections\\_competition\\_review\\_findings\\_2.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2015/01/connections_competition_review_findings_2.pdf)

*This code is administered through open governance process, which allows parties to propose changes to the code for consideration by the industry and if appropriate, approval by us. We encourage parties to propose modifications that will address this issue*". The Working Group noted that the intent of this CP addresses this issue.

- 4.93 The Working Group noted that the DCP 203 Authority decision letter stated that *"The current arrangement is a potential barrier to competition because the LDNO faces administrative costs which the DNO does not"*. This CP enables an unmetered customer to decide whether to combine their UMS inventories onto a single DNO MPAN which removes this potential barrier to competition in connections.

## 5. Legal Text

- 5.1 The proposed DCP 282 legal text has been reviewed by the DCUSA Legal Advisor and acts as Attachment 2.

### Legal Text

- 5.2 This CP adds new Clauses 19.4A and 19.4B to Section 2A 'Distributor to Supplier/ Generator Relationships'. Where the EDNO has appointed a DNO party to be the UMSO, the Use of System charges will not be payable by the Supplier to the EDNO but to the DNO Party as part of the DNO inventory and shall be calculated on the all the way tariff(s).
- 5.3 It also proposes to modify Section 2B 'Distributor to Distributor/ OTSO Relationships' Clause 42 Metering Equipment to allow the DNO to provide its UMSO service where a Customer provides data regarding unmetered equipment connected to a User's System. The EDNO will indemnify the DNO against all acts or omissions by the DNO in providing the UMSO service on its behalf.
- 5.4 A new clause 46A has been included to cater for the right of the EDNO to bill the DNO for their proportion of the Use of System charges. It also includes the payment terms and covers off supplier disputes.
- 5.5 It also modifies Schedule 2B National Terms of Connection (NTC) so that where the Premises are connected to an EDNO network, the NTC will create additional obligations between the embedded Customer and the DNO as well as the EDNO to which it is connected. The embedded Customer also agrees that the DNO shall have no liability for any act or omission by the Customer relating to the data provided to the DNO undertaking the UMSO service.
- 5.6 This CP corrects Clause numbers 42.14 and 42.13 to Clause 42.13 and 42.12. Should this change be rejected, this issue has been captured on the housekeeping log and a housekeeping change will be raised to amend the numbering.
- 5.7 The Working Group agreed that the legal text meets the intent of this change.

## 6. Impacts & Other Considerations

- 6.1 This change impacts IDNOs, DNOs, Suppliers and Unmetered Supplies customers as it introduces a method to facilitate the management and trading of UMS apparatus connected to EDNO networks via the “host” DNO’s UMSO service on one combined inventory.
- 6.2 Parties were invited to comment on the process and system impact this CP would have on them under question 15 of the consultation. The Working Group noted that the majority of respondents considered there to be an impact from the administration of the combined UMS inventories but did not consider there to be a significant systems impact introduced by this change.

## Consumer Impacts

- 6.3 The Working Group considered the consumer impacts introduced by this change. The Working group concluded that the change benefits unmetered customers by introducing a scheme that removes additional administration and financial costs for customer’s UMS inventories incurred when connected to an EDNO (that would not be incurred if the inventory was connected to the DNO). The benefits to the unmetered customer are:
- Reducing additional costs levied by the Supplier when applying fixed/standing charges, due to use of fewer MPANs.
  - Reducing additional costs levied by the Supplier when the unmetered customer is unable to take advantage of their existing negotiated energy contracts due to the low EACs on EDNO UMS connections.
  - Reducing additional costs when the unmetered customer intends to trade the inventory ‘half hourly’ and needs to contract with a Meter Administrator to do so.
  - Reducing administration costs – fewer MPANs mean fewer invoices for processing (from receipt through to settlement).
  - By being voluntary, it allows customer choice for unmetered customers and does not mandate a process which may be inappropriate in some cases.

## Environmental Impacts

- 6.4 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 282 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

- 6.5 Ofgem has been engaged throughout the development of DCP 282 as an observer on the Working Group.

# 7. Relevant Objectives

## Assessment Against the DCUSA Objectives

- 7.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better meets the DCUSA Objectives. There are five General DCUSA Objectives. The full list of objectives is documented in the CP form provided as Attachment 3.
- 7.2 The majority of the Working Group considers that the DCUSA General Objective 1 is better facilitated by DCP 282 and the Working Group unanimously considers that DCUSA General Objective 2 is better facilitated by this change. The reasoning against this objective is set out in the table below:

Impact of the Change Proposal on the Relevant Objectives:	
Relevant Objective	Identified impact
<b>General Objective One</b> - The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	DCUSA General Objective 1 will be better facilitated as the change introduces greater co-ordination between the DNOs and EDNOs for the benefit of unmetered customers. Although there will be an increased administrative burden for the DNO, this is outweighed by the holistic benefit to all Parties.
<b>General Objective Two</b> - The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity	DCUSA General Objective 2 will be better facilitated as the CP simplifies arrangements for unmetered customers and removes a potential barrier for EDNOs competing for new connections.

## 8. Implementation

- 8.1 The proposed implementation date for DCP 282 is the first release following Authority approval.

## 9. Code Specific Matters

- 9.1 n/a

## 10. Recommendations

### Panel's Recommendation

- 10.1 The Panel approved this Change Report on 15/03/17. 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 282.

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.

### Attachments

- Attachment 1 - DCP 282 Voting Form
- Attachment 2 - DCP 282 Draft Legal Text
- Attachment 3 - DCP 282 Change Proposal
- Attachment 4 - DCP 282 Consultation Documents