

Proposed modification:	Distribution Connection and Use of System Agreement (DCUSA) DCP174 – Qualification and application of LV sub-station tariffs		
Decision:	The Authority ¹ directs that modification DCP174 be made ²		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties		
Date of publication:	9 December 2013	Implementation Date:	First release after approval

Summary of our Decision

We approve the proposed modification, which clarifies the definition of customers who qualify for the low voltage substation (LVS) tariff. This modification:

- removes the different approaches that exist in practice, despite the methodology guidance; and
- tidies up changes which, taken together, improve the efficiency of the distribution use of system charging arrangements.

We believe the modification better facilitates the achievement of the General DCUSA Objectives³. We recognise that some issues were raised that, while outside the intent of this change proposal, are worth considering further. These include amending the definition to provide for customers being removed from the LVS tariff.

Background to the modification proposal

We implemented the common distribution charging methodology (CDCM) on 1 April 2010. It sets out how distribution network operators (DNOs) should calculate distribution use of system charges for users connected at a range of voltages, including both low and high voltages (LV and HV respectively) but excludes extra high voltages. The CDCM introduced a new LVS tariff for customers connected 'at the substation'. This is important to avoid the customer paying for distribution assets that they do not use further down the distribution network. The LVS tariff definition states that it applies to new customers from 1 April 2010 (ie the date the common charging methodology was implemented).

The Methodologies Issues Group has identified that some DNOs are interpreting the definition of LVS in different ways, resulting in an inconsistent application across otherwise equivalent customers.

The modification proposal

Northern Powergrid (the proposer) raised DCP174 on 23 May 2013, seeking to implement the following changes to the LVS tariff definition:

- expanding Note 3 to define 'at the substation' as being where the metering current transformer is in the same chamber as the transformer or in the chamber immediately adjacent to the transformer chamber at an HV/LV substation;
- deleting references to Note 4, HV substation tariffs and the 1 April 2010 from Note 5; and

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ The DCUSA General Objectives (Applicable DCUSA Objectives) are set out in Standard Licence Condition 22.2 of the Electricity Distribution Licence and are also set out in Clause 3.1 of the DCUSA

- specifying the process a DNO party will follow to decide whether a customer should be moved to the LVS tariff. This includes that the DNO may apply administrative charges to cover reasonable costs if a technical assessment or site visit is required.

The proposer believes that DCP174 will better facilitate DCUSA General Objective 3.1.4⁴ by improving clarity and removing any ambiguity in relation to the qualification and application of the LVS tariff, and ensuring there is no longer any scope for different interpretations to be applied.

DCUSA Parties' recommendation

The Change Declaration for DCP174 indicates that DNO, IDNO/OTSO, Supplier and DG parties⁵ were eligible to vote on DCP174. Of the party categories where votes were cast (no votes were cast in the DG party category), DNOs and Suppliers unanimously supported the proposal and its proposed implementation date. The one IDNO that voted did not support either. In accordance with the weighted vote procedure, the recommendation is that DCP174 is rejected. The outcome of the weighted vote is set out in the table below:

DCP174	WEIGHTED VOTING (%)							
	DNO		IDNO/OTSO		SUPPLIER		DG	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	100	0	0	100	100	0	n/a	n/a
IMPLEMENTATION DATE	100	0	0	100	100	0	n/a	n/a

Our decision

We have considered the issues raised by the proposal and the Change Declaration dated 4 November 2013. We have considered and taken into account the vote of the DCUSA Parties on the proposal, which is attached to the Change Declaration. We have concluded that:

- implementation of change proposal DCP174 will better facilitate the achievement of the General DCUSA objectives; and
- directing that the change is approved is consistent with our principal objective and other statutory duties⁶.

Reasons for our decision

We have assessed the proposal and consider it impacts DCUSA General Objective 3.1.4. We consider that DCP174 is neutral with respect to the other General Objectives.

DCUSA General Objective 3.1.4 – the promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it

We agree that the changes proposed clarify the definition of 'at the substation', and therefore should help remove differences in how DNOs interpret it. In addition, removing

⁴ The promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it

⁵ IDNO – Independent Distribution Network Operator; OTSO – Offshore Transmission System Operator; DG – Distributor Generator

⁶ The Authority's statutory duties are wider than matters that the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

certain aspects that are no longer used will improve the accuracy of the definition.⁷ We note that the definition ensures that the changes in this proposal will not cause customers who are already registered on the LVS tariff to be removed from it.

However, we note the only IDNO that voted did not support the proposal because they believe that the current definition is incorrect. This is because it excludes a customer who has a meter connected to the outside bars of a transformer, rather than in the same, or an adjacent, chamber. We further note that, in response to the working group consultation, a number of other respondents raised other concerns with the definition of the LVS tariff. While we recognise these concerns, the intent of this modification is to amend the current definition, rather than introduce a new one, and we believe the incremental improvements to the definition better facilitate General Objective 3.1.4. However, we suggest there may be merit in DCUSA parties considering whether there is a need for further refinements to the definition of the LVS tariff.

Decision notice

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, direct that modification proposal DCP174: '*Qualification and application of LV sub-station tariffs*' be made.

Andy Burgess

Associate Partner –Transmission and Distribution Policy

Signed on behalf of the Authority and authorised for that purpose

⁷ For example, "Note 4" and the "HV substation tariff" are no longer used by the DNOs and 1 April 2010 has passed.