

DCUSA Consultation		At what stage is this document in the process?
<h2>DCP 328</h2> <h3>Use of system charging for private networks with competition in supply</h3> <p><i>Raised on 15<sup>th</sup> August 2018 as a Standard Change</i></p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<b>Purpose of Change Proposal:</b> The intent of this change is to ensure that use of system charging remains cost-reflective when competition in supply on a private network is in place.		
<p>The Workgroup recommends that this Change Proposal (Attachment 1) should: proceed to Consultation</p> <p>Parties are invited to consider the questions set in section 10 and submit comments using the form attached as Attachment 2 to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> by <b>01 February 2019</b>.</p> <p>DCP 328 has been designated as a Part 1 Matter and a standard change.</p> <p>The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the Change Proposal (CP).</p>		
<p><b>Impacted Parties:</b></p> <p>DCUSA parties: Suppliers, DNOs and IDNOs</p> <p>Others: private network operators and customers connected to private networks. Potential impact on data collectors or the Supplier Volume Allocation Agent also, should an accompanying Balancing and Settlement Code change be required.</p>		
<p><b>Impacted Clauses:</b> To be determined based on the option chosen from this consultation</p>		

**Commented [JL1]:** Assumes submission day of 11 January 2019 and a three week review period

## Contents


1. Summary	3
2. Governance	4
3. Why Change?	5
4. Working Group Assessment	<del>12</del> <sup>14</sup>
5. Legal Text	<del>27</del> <sup>29</sup>
6. Relevant Objectives	<del>27</del> <sup>29</sup>
7. Impacts & Other Considerations	<del>29</del> <sup>22</sup>
8. Implementation	<del>29</del> <sup>22</sup>
9. Consultation Questions	<del>29</del> <sup>22</sup>

## Timetable

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

### Change Proposal timetable

Activity	Date
Initial Assessment Report Approved by Panel	08 August 2018
First Consultation issued to Parties	11 January 2019
Assessment of Consultation from Working Group	February 2019
Second Consultation Issued to Parties	March 2019
Change Report issued to Panel	June 2019
Change Report issued for Voting	June 2019
Party Voting Ends	July 2019
Change Declaration Issued to Parties	July 2019
Authority Decision	August 2019
Implementation	TBC

 Any questions?

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**Commented [JL2]:** This looks more realistic and caters for the delay in the first consultation and the five week review period of the Authority.

Richard, please update our workplan accordingly.

## 1 Summary

### What?

- 1.1. There are several scenarios in which multiple customers can be connected to an electricity distribution system (private network) operated by a licence exempt distributor (known throughout this document as a Private Network Operator (PNO)) with that private network then connected to the local licensed distributor's<sup>1</sup> network further upstream. Common examples include airports which often have a single point of connection to the local distribution network, with a private network serving individual shops and operations within the terminal buildings. Private networks also exist for generation sites and are becoming increasingly common for the 'co-location' of storage, whereby a storage facility is added to (for example) a wind farm to give control over the time periods in which the power generated by the wind farm is exported onto the licensed distributor's network.
- 1.2. Where such private networks exist, there is only one connection to the licensed distributor's network at the point where the private network connects to the wider network. The private network then serves multiple customers, generally operating under an exemption from holding a distribution licence. In some circumstances, the PNO will appoint an electricity Supplier, and will pay a single electricity bill in respect of a single Meter Point Administration Number (MPAN) at the ownership boundary between the licensed distributor and the PNO, which is then shared amongst the customers connected to the private network through some agreed contractual framework (potentially using some private metering on each customer's connection to the private network to determine that customer's share of the total bill).
- 1.3. Customers connected to a private network are entitled to request competition in supply, which PNOs are obliged to deliver if requested. This means that, rather than the customer paying their share of the total electricity bill for the entire private network, the customer can enter into contract with their chosen Supplier to provide their electricity and pay a separate electricity bill to that Supplier. In order to facilitate this, licensed distributors are required to provide additional MPANs to be used for customers who have requested competition in supply in order to differentiate units which relate to that customer from the remainder of the customers connected to the private network.
- 1.4. This creates complications for use of system charging. For half hourly site-specific settled customers (i.e. those in measurement class C, D or E), licensed distributors receive usage data by MPAN in order to invoice use of system charges, with an invoice being issued per MPAN per month. Hence when competition in supply is in place, if the licensed distributor followed standard processes, it would issue an invoice in respect of each MPAN, some of which in fact relate to customers connected to the private network.

**Commented [RC3]:** The document needs an introduction to explain the range of scales of PNO that is being considered, particularly when later sections infer that there is an IDNO would be at EHV/HV and a PNO would be HV/LV. There are also differences between commercial and domestic.

**Commented [RC4]:** We should say that if there is a desire for third party connection and the PNO wishes to charge for the network costs, this needs to be approved by Ofgem as fair and cost reflective.

**Commented [RC5]:** A request for competition in supply – PNOs are obliged to a point, there are exceptions.

There was a suggestion that this may be in the statutory instrument.

<sup>1</sup> A licensed distributor is either a Distribution Network Operator or an Independent Distribution Network Operator, collectively known in this consultation document as distributors unless the text is specific to either party.

- 1.5. The licensed distributor only has a relationship with the PNO (as the party which has a connection to the licensed distributor's network), with that relationship likely to be underpinned by a connection agreement, detailing the maximum import (and if applicable maximum export) capacities of the private network.

### Why?

- 1.6. Without clarity in the charging methodology, there is a risk that licensed distributors will take different approaches, undermining the intended commonality of the charging methodologies.
- 1.7. Competition in supply on a private network does not alter the use of the licensed distributor's network; hence the change proposal asserts that the use of system charges faced by the multiple Suppliers involved when competition in supply is in place should sum to the same total as would be applied if a single Supplier were supplying the site as a whole.
- 1.8. When competition in supply is not in place (i.e. there is a single Supplier and one MPAN) fixed and capacity charges would be applied in respect of that single MPAN. Where competition in supply is in place (i.e. there are multiple Suppliers and multiple MPANs), if all tariff elements are applied in respect of all MPANs (as would be expected), multiple fixed and capacity charges would be applied. This undermines the equivalence in charges (which the change proposal suggests should be seen) faced by the single Supplier (where competition in supply is not in place) and the sum of charges faced by multiple Suppliers (where competition in supply is in place).

### How?

- 1.9. There are a number of possible solutions to this issue which are discussed in detail later in this consultation document.

## 2 Governance

### Justification for Part 1 Matter

- 2.1. The Proposer considers that this Change Proposal should be considered a Part 1 Matter as it satisfies one or more of the following criteria:
- a) it is likely to have a significant impact on the interests of electricity consumers;
  - b) it is likely to have a significant impact on competition in one or more of:
    - i. the generation of electricity;
    - ii. the distribution of electricity;
    - iii. the supply of electricity; and
    - iv. any commercial activities connected with the generation, distribution or supply of electricity;

## Current Next Steps

- 2.2. This consultation will be open for a period of three weeks. Following this, the Working Group will review responses and determine the appropriate next steps. This is likely to involve further refinement of the options for change followed by further industry consultation on the refined solution.

## 3 Why Change?

### Background of DCP 328

- 3.1. Elexon have a guidance document for Third Party Access to Licence Exempt Distribution Networks<sup>2</sup>. This focuses on the Balancing and Settlement Code (BSC) obligations and processes associated with facilitating competition in supply (referred to as 'third party access') for electricity customers connected to private networks. The proposed options detailed in this consultation are designed to work with the options available for settlement where competition in supply is in place, as summarised in the guidance.

**Q1:** Have you read the Elexon guidance on third party access and do you understand that these options are designed to work with this guidance?

- 3.2. There are several scenarios in which multiple customers can be connected to a private network operated by a PNO, with that private network then connected to the local licensed distributor's network further upstream. Common examples include airports which often have a single point of connection to the local licensed distributor's network, with a private network serving individual shops and operations within the terminal buildings. Private networks also exist for generation sites and are becoming increasingly common for the 'co-location' of storage, whereby a storage facility is added to (for example) a wind farm to give control over the time periods in which the power generated by the wind farm is exported onto the local licensed distributor's network.
- 3.3. Where such private networks exist, there is only one connection to the licensed distributor's network at the point where the private network connects to the wider network. The private network then serves multiple customers, generally operating under an exemption from holding a distribution licence. In some circumstances, the PNO will appoint an electricity Supplier, and will pay a single electricity bill in respect of a single MPAN at the distribution to private network boundary, which is then shared amongst the customers connected to the private network through some agreed contractual framework.
- 3.4. A simple example is shown in [Figure 1](#)~~Figure 4~~.

**Commented [JL6]:** I suggest that this question is refined to read:

Do the options suggested in this consultation document compliment the BSC document? If not why not.

It may also need to be relocated since at this point the options are not known.

**Commented [EA7]:** Agree with John, but suggest we do not refer to complimenting the guidance, but rather to complimenting the BSC itself, on the basis that the guidance simply aims to make the code more accessibly but has no regulatory weight.

I think the question should also come later once we have properly detailed the issue and defined the options.

<sup>2</sup> [Third Party Access to Licence Exempt Distribution Networks](#)

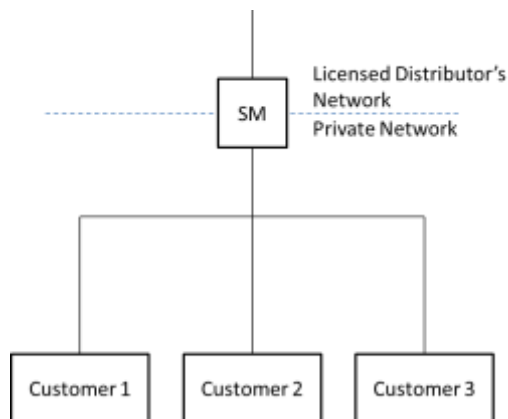


Figure 1 - three customers on a private network

- 3.5. The meter marked as 'SM' will be used in Settlement, and the commercial arrangement with the Supplier will be with the PNO. The PNO is then likely to pass through the charges from the Supplier to the end customers – to do so, it may use private (i.e. non-Settlement) meters for each customer to derive the amount due from each customer, or the energy cost could be included in the lease of the site for each customer.
- 3.6. Customers connected to a private network are entitled to request competition in supply, which PNOs are obliged to deliver if requested. This means that, rather than the customer paying their share of the total electricity bill for the private network, the customer can enter into contract with their chosen Supplier to provide their electricity and pay a separate electricity bill to that Supplier. In order to facilitate this, licensed distributors are required to provide additional MPANs to be used for customers who have requested competition in supply in order to differentiate units which relate to that customer from the remainder of the customers connected to the private network.
- 3.7. If customer 1 in the example above now wishes to use a different Supplier to that used by customers 2 and 3, there are three possible metering arrangements which can be used which will facilitate competition in supply on a private network as stated in the Elexon guidance document mentioned on paragraph 3.1 above namely:
- difference metering;
  - full Settlement metering; or
  - shared metering.
- 3.8. Under all metering options, the licensed distributor is obliged to provide Meter Point Administration Services (MPAS) to customers on the private network and in so doing provides MPANs against which metering data is recorded in Settlement.

**Commented [RC8]:** There are various comments in the document about charging through a lease, this is not common if charging is on a per unit basis, this would generally be a bespoke agreement. DEFRA have gone out of their way to discourage energy charges in a lease.

## Difference Metering

- 3.9. In order for difference metering to be used to facilitate competition in supply for customer 1, metering arrangements as shown in [Figure 2](#) would be required.

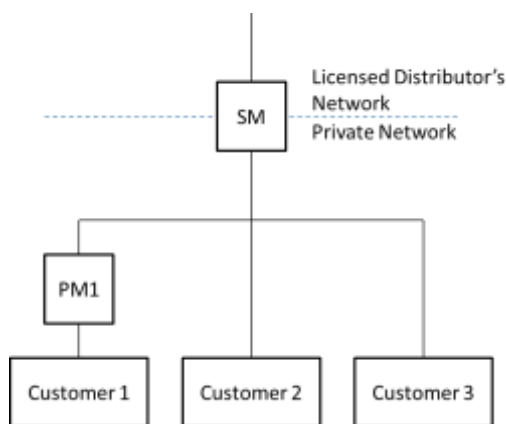


Figure 2 - competition in supply using difference metering

- 3.10. In order for difference metering to be used, all metering systems involved ('PM1' and 'SM' in this example) must be half hourly metering systems.
- 3.11. Under a difference metering approach, Settlements metering measuring customer 1's usage ('PM1') will be used in Settlement for their units under a separate MPAN. These units will also have flowed through the boundary meter ('SM') and so a correction is required to avoid double counting. This is made through subtracting units used by customer 1 ('PM1') from units measured through the boundary ('SM'). For example, if customer 1 were to now be supplied by 'Supplier A' using 'MPAN A' and customers 2 and 3 continue to be supplied by the PNO, who in turn takes his energy from 'Supplier X' using 'MPAN X', the units in Settlement for the two suppliers would be as follows:

- *Supplier A Units = MPAN A = PM1*
- *Supplier X Units = MPAN X = SM - PM1*

This maintains Settlement accuracy by ensuring that units are counted in Settlement once and only once.

## Full Settlement Metering

- 3.12. In order for full Settlement metering to be used to facilitate competition in supply all the customers on the private network would need to have settlement metering and no settlement boundary meter as shown in [Figure 3](#) below.

**Commented [RC9]:** Change to M1 and M2  
AE to send over diagrams

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**Commented [DT10]:** Worth adding MPANs A B C etc. in to all the figures for clarity.

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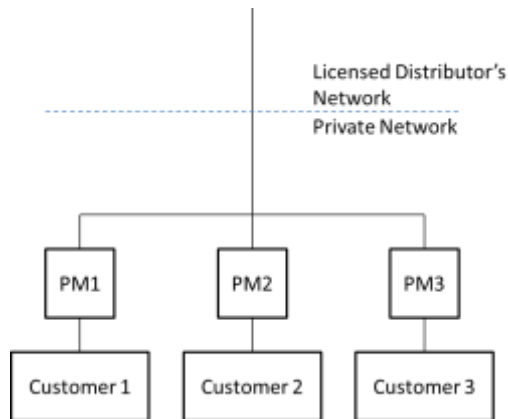


Figure 3 - competition in supply using full Settlement metering

- 3.13. The BSC refers to such an arrangement as an 'Associated Distribution System'. Full Settlement metering can be used with either half hourly metering systems, non-half hourly metering systems, or a combination of the two, and is often used for connections such as blocks of flats, where the ownership boundary between the licensed distributor and the PNO is at the base of the building whilst each flat is separately metered – the rising mains within the building form a private network or 'Associated Distribution System'.
- 3.14. Under a full Settlement metering approach, Settlements metering that measures the usage of customer 1, customer 2 and customer 3 would be used in Settlement under separate MPANs, with the boundary meter (previously 'SM') no longer used.
- 3.15. Under this arrangement there is no customer at the boundary and all customers on the private network have a chosen a Supplier. Let us assume for this example that customer 1 is still supplied by 'Supplier A' using 'MPAN A', and customer 2 has chosen supplier B and customer 3 has chosen Supplier C using 'MPAN B' and 'MPAN C' respectively. The units in Settlement for the two Suppliers would be as follows:

- *Supplier A Units = MPAN A = PM1*
- *Supplier B Units = MPAN B = PM2*
- *Supplier C Units = MPAN C = M3*

This maintains Settlement accuracy by ensuring that units are counted in Settlement once and only once.

## Shared Metering

- 3.16. In order for shared metering to be used to facilitate competition in supply for customer 1, metering arrangements as shown in [Figure 4](#) would be required.

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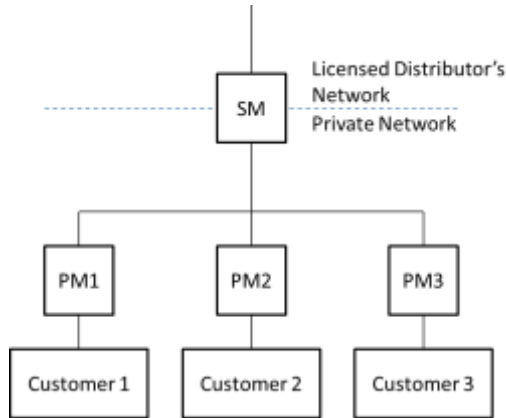


Figure 4 - competition in supply using shared metering

In order for shared metering to be used, all metering systems involved must be half hourly metering systems.

3.17. Under a shared metering approach, Settlements metering at the boundary (i.e. measuring the usage of all **three** customers) is used to determine the total units entered into Settlement, with non-Settlement metering measuring the usage of each individual customer being used to determine the proportion of the total units in Settlement which is allocated to each Supplier. The means of allocation is agreed between the Suppliers in question, with the most straightforward mechanism being simply proportional to the units used by each customer.

3.18. Assuming the customers use the same Suppliers as under the full settlement example, customer 1 would be supplied by 'Supplier A' using 'MPAN C', and customers 2 and 3 would be supplied by 'Supplier B' using 'MPAN D'. The units in Settlement for the two Suppliers would be as follows:

- $Supplier\ A\ Units = MPAN\ C = SM \times (PM1 / (PM1 + PM2 + PM3))$
- $Supplier\ B\ Units = MPAN\ D = SM \times (PM2 + PM3 / (PM1 + PM2 + PM3))$

This maintains Settlement accuracy by ensuring that units are counted in Settlement once and only once.

### Use of System Charging Implications

3.19. Under all metering options, the ownership boundary between the **licensed** distributor and the PNO remains unaltered, and the connection agreement is between the PNO and the licensed distributor, with the agreed capacity reflecting the agreed capacity at the boundary. Assuming each of the customers does not alter their usage in this process, this will remain appropriate, as units through the boundary will not change. Given the boundary arrangements have not changed, and usage of the licensed distributor's network has also not changed, the change proposal asserts that total use of system charges should not change.

**Commented [JL11]:** Same concern over use of customer as per difference metering. For discussion.

**Commented [JL12R11]:** Still not convinced over the use of supplier A and B. should it be supplier B be X? If B then why a meter at the boundary – it would be a fully settled site

**Commented [RC13R11]:** AE to review calculations

**Commented [RC14]:**

3.20. However, under each of the three metering options there will be multiple MPANs with metering data in Settlement. Under current processes, the licensed distributor would assign a tariff to each MPAN reflecting the type of customer connected and the voltage of connection, and then invoice the registered Supplier of each MPAN accordingly based on data received through Settlement.

3.21. This results in several issues for use of system charging and associated administration:

- a) **Assigning tariffs:** Depending on the tariffs which the licensed distributor assigns to each customer, there is a risk that the licensed distributor will be invoicing in respect of assets which are in fact private network assets. For example, a customer within a private network could be connected to the Low Voltage (LV) network whilst the ownership boundary between the licensed distributor and the PNO is at the High Voltage (HV)/LV substation. If the licensed distributor were to assign tariffs based on the voltage of connection of the customer, it would assign an LV network tariff to the embedded customer and so would be charging in respect of LV circuit assets which it does not own or operate.
- b) **Losses within the private network:** Losses within the private network will not be accounted for in the units in Settlement. Under the difference metering option, customers with competition in supply, units recorded against MPANs for customers with competition in supply will be artificially low as losses between the ownership boundary between the licensed distributor and the PNO and the customer will not be included in those units – the differencing calculation will instead assign those losses to remaining customers. Under the full Settlement option, units recorded against all MPANs will be artificially low as losses on the private network will not be taken into account at all. The treatment of losses under the shared metering option will depend on the calculation used to apportion boundary units between customers, which may or may not accurately take losses into account. This issue is particularly prevalent if customers within the private network are at lower voltage than the boundary (i.e. if there is some transformation within the private network, and so corresponding transformation losses). The units in Settlement for a customer embedded within the private network will not reflect the flows at the ownership boundary between the licensed distributor and the PNO which that customer caused, because losses will have been incurred between the boundary and the customer metering.
- c) **Fixed charges:** Where competition in supply is not in place, one fixed charge will be applied in respect of the one MPAN at the boundary. Where competition in supply is in place, fixed charges will be applied in respect of all MPANs.
- d) **Agreed capacity charges:** Where competition in supply is not in place, one agreed capacity charge will be levied at the boundary, based on the capacity agreed between the licensed distributor and the PNO, formalised in a connection agreement. It is not clear what agreed capacity the licensed distributor should charge in respect of MPANs which relate to connections to the private network where the licensed distributor has no commercial relationship with the customer and so no basis on which to determine the agreed capacity.

- e) **Excess capacity charges:** Where competition in supply is not in place, one excess capacity charge will be levied at the boundary if the aggregate usage of all customers connected to the private network (as measured by the boundary metering) exceeds the agreed capacity at the boundary; if not, no excess capacity charge will be levied. Even if the agreed capacity issue detailed in the previous point can be overcome by allocating boundary capacity to individual end users, diversity of usage within the network is problematic for excess capacity charging, where there is a possibility that some (or all) users exceed their allocated capacity at certain times whilst the private network as a whole remains within its agreed capacity as a result of different users exceeding their allocated capacity at different times. Thus simply allocating boundary capacity between end users on the private network may result in excess capacity charges being applied where none would be applied in the scenario where competition in supply is not in place.

**Charging for export sites:** If one of the sites within the private network includes some generation which exports onto the private network, the units exported are likely to be used by other customers within the private network, and so will offset flows at the ownership boundary between the licensed distributor and the PNO. The import and export units for each customer within the private network will be seen separately in Settlement, and so the licensed distributor will charge import units and (where applicable) credit export units. Generation credits at a given voltage are not the inverse of demand charges at that voltage, and so the total use of system charge for customers connected to the private network will be different if the import and export from each customer is charged separately to that which would have been charged had all usage been charged at the boundary.

- f) **Charging for reactive power:** Under the difference metering approach, reactive units metered at customer connections will be deducted from reactive units metered at the boundary. Such differencing will not accurately reflect reactive power flows at the boundary.
- g) **Sites with multiple feeders:** there are complications for the difference metering arrangements where a private network has multiple feeders, each with a Connection Agreement, agreed capacity, and possible different voltages. Under this scenario it may not be clear to which of the multiple feeders the differencing should be applied.

**Commented [RC15]:** Charging for export sites or those with multiple feeders – is this not what complex site mapping is for – to correct these meter data?

3.22. DCP 328 is seeking to formalise the approach which licensed distributors should take when invoicing use of system charges in respect of private networks where competition in supply is in place, to ensure commonality between different licensed distributors and to maintain cost-reflectivity wherever possible.

**Q2: Do you understand the intent of DCP 328?**

**Q3: Are you supportive of the principles of DCP 328?**

## 4 Working Group Assessment

### DCP 328 Working Group Assessment

4.1. A Working Group has been established to discuss potential solutions. The solutions which the Working Group has considered are:

- Option 1 – Invoice only the boundary Supplier;
- Option 2 – Invoice all Suppliers based on the tariff which the licensed distributor would apply if the end user were connected at the ownership boundary between the licensed distributor and the PNO with a correction to fixed charges and some form of capacity allocation;
- Option 3 – Invoice all Suppliers as if the customer were connected to the licensed distribution network, with the PNO able to 'claim' some use of system revenue back from the licensed distributor in respect of private network assets;
- Option 4 – Invoice the PNO direct; and
- Option 5 – Invoice all Suppliers based on new use of system charges which only include elements of charging which relate to voltage levels provided by the licensed distributor

4.2. In order to assess the advantages and disadvantages of each option, the Working Group considered four scenarios:

- **All HH Site Specific Settled with difference metering** – a scenario where all customers seeking in supply have half hourly metering and half hourly metering is in place at the ownership boundary between the licensed distributor and the PNO with difference metering being used in Settlement (see [Figure 2](#)[Figure 2](#)). Such a setup would be typical of an airport where a small number (perhaps one) customer connected to the private network is seeking competition in supply.
- **All HH Site Specific Settled with full settlement metering** – a scenario where all customers connected to the private network have half hourly metering and the full settlement option is used in settlement, with each customer choosing their own supplier (see [Figure 3](#)[Figure 3](#)).
- **All NHH or HH Aggregate Settled with full settlement metering** – a scenario where all customers connected to the private network have non-half hourly metering or half hourly whole current metering (i.e. aggregated data is used in Settlement) and the full settlement option is used in settlement, with each customer choosing their own supplier (see [Figure 3](#)[Figure 3](#)). This setup is most likely to be used for a block of flats where the connection to the licensed distributor's network is at the base of the building and the 'rising mains' to each flat form a private network, with each flat having its own metering system and each tenant choosing their electricity supplier.
- **Combination of HH and NHH Settled with full settlement metering** – a scenario where customer connected to the private network have with non-half hourly of half hourly metering and the full settlement option is used in settlement, with each customer choosing their own

**Commented [RC16]:** There may be 2 solutions here, one for large industrial networks and one for smaller networks where the PNO does not want to/has no interest in charging (other than say a fixed charge), or at least a PNO operates all at the same voltage connection.

**Commented [RC17]:** There is an expectation being set here and I do not believe it is helpful. There needs to be the acceptance (and I thought we agreed this on the first call) that there is a hierarchy of networks here. Reactive and capacity can only be charged (and agreed) between the PNO and the embedded customer (there can be charges to incentivise the PNO's appropriate management of their network, but not to the embedded customer by the DNO). We should say this up front, and therefore cross refer to this opening statement in the pros and cons sections where relevant. The *only* way this can be dealt with at embedded customer level is if the PNO waives any right to charge for their network and operates on a fully settled approach. That clearly does not work for larger commercial networks where fully settles would be horrifically expensive and impractical.

**Commented [EA18]:** Section added to introduce the scenarios we have used for the pros and cons.

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supplier (see [Figure 3](#)). This setup is most likely to be used for a commercial building where the connection to the licensed distributor's network is at the base of the building and the 'rising mains' to each section of the building form a private network, with commercial customers within the building each having their own metering system (some of which are half hourly and some non-half hourly) and each choosing their own supplier.

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4.3. The Working Group has considered the options listed in paragraph 4.1 in the context of each scenario listed in paragraph 4.2 and below is a more detailed analysis of each option.

## Option 1 – Invoice only the boundary Supplier

4.4. Under this approach, the licensed distributor would continue to invoice use of system charges only to the Supplier registered to the boundary MPAN in Settlement. In order to invoice all units, this solution requires the licensed distributor to either receive or be in a position to calculate gross units at the boundary, whereas in settlements it will only show net units (i.e. with units used by embedded customers having been differenced from the boundary MPAN).

4.5.

Scenario	Pros	Cons
Overall		<ul style="list-style-type: none"> <li>Can only be applied where there is a boundary MPAN with an appointed Supplier</li> </ul>
All HH Site Specific Settled with difference metering	<ul style="list-style-type: none"> <li>All charges (including capacity and reactive power) can be levied accurately based on boundary metering data</li> <li>Provided an agreement is in place between the Meter Operator/Data Collector and boundary Supplier, the boundary Supplier will receive the same boundary metering data as the licensed distributor so can validate invoices</li> <li>By invoicing based on actual boundary metering data (rather than e.g. the sum of embedded customer metering data) the licensed distributor will always invoice for the units which it has delivered, avoiding any issues with losses within the private network and the risk of inaccuracy when 're-aggregating' embedded customer metering data to determine boundary data</li> </ul>	<ul style="list-style-type: none"> <li>Needs a mechanism by which the licensed distributor receives gross boundary metering data (which will not be received through Settlement)</li> <li>Needs a mechanism by which the licensed distributor applies zero rates in respects of data received through settlement for the PNO (both embedded customers and difference boundary data). Full charges will be applied to the supplier of the boundary point MPAN based on the gross boundary point metering data.</li> <li>The boundary Supplier is invoiced by the licensed distributor in respect of units which it has not supplied (i.e. the units used by embedded customers for which another Supplier is responsible). There</li> </ul>

Commented [EA19]: Now included in final point

Commented [RC20]: Consideration needs to be given to losses – here or n introduction

	<ul style="list-style-type: none"> <li>Private network is treated as a single customer – so the licensed distributor's charges will always be exactly equal to the charges which would have been levied had a single customer been connected at the ownership boundary between the licensed distributor and the PNO and the licensed distributor is only invoicing in respect of its own assets</li> </ul>	<ul style="list-style-type: none"> <li>will need to be additional processes in place to recover these costs from the other Suppliers of embedded customers, which may be between PNO and supplier or supplier and supplier.</li> </ul>
All HH Site Specific Settled with full settlement metering		Solution relies on a boundary MPAN with an appointed Supplier – hence does not cater for this scenario
All NHH or HH Aggregate Settled with full settlement metering		Solution relies on a boundary MPAN with an appointed Supplier – hence does not cater for this scenario
Combination of HH and NHH Settled with full settlement metering		Solution relies on a boundary MPAN with an appointed Supplier – hence does not cater for this scenario

## Consumer Impacts

- 4.6. If the licensed distributor is billing at the boundary, the boundary Supplier is receiving all of the licensed distributor's charges which are likely to be passed on to the boundary customer (i.e. the PNO). Allocation of the licensed distributor's charges between the PNO and its customers (including those with competition in supply) would then rely on appropriate commercial arrangements between the PNO customers and the suppliers involved. .
- 4.7. The need for additional (likely manual) processes for Suppliers will increase the cost to serve of embedded customers, potentially reducing Supplier engagement and the extent to which embedded customers benefit from competition.

**Commented [EA21]:** As with my comment on the pros and cons, I think we need to be clear on the options here, and perhaps refer to a reliance on appropriate commercial arrangements between the PNO and its customers to apportion these costs.

**Commented [EA22]:** Has a 'con' gone missing from the table? This is not listed as a con and perhaps should be.

**Commented [RC23]:** Add to introduction?

**Commented [JL24]:** Comment from Chris Barker  
CB:  
If I remember correctly we also commented that each options questions (i.e. *What are your views on option 1 detailed in 4.3 and would you like the Working Group to consider this option further?*) would also be more open and offer parties the chance to include, pros, cons and consumer impacts the workgroup has not already identified.

**Q4:** What are your views on option 1 and would you like the Working Group to consider this option further?

**Option 2 – Invoice all Suppliers based on the tariff which the licensed distributor would apply if the end user were connected at the ownership boundary between the licensed distributor and the PNO with a correction to fixed charges and some form of capacity allocation**

4.8. Under this approach, the licensed distributor would invoice UoS charges to both the boundary Supplier and the Supplier of embedded customers (under the difference metering approach) or the Suppliers of all embedded customers (under the full Settlement or shared metering approach), based on units received through Settlement, using the tariff which the licensed distributor would apply if the customers were connected at the ownership boundary between the licensed distributor and the PNO. In this way, units would be charged once and only once.

4.9. A solution would be needed to the issues raised at the end of the 'Why Change' section (paragraph 1.8). This could be achieved for fixed charges by applying a proportion of the fixed charge to each supplier which would ensure that the total of fixed charges applied for all customers connected to the private network is equivalent to the fixed charge which would have been applied had there only been a single boundary MPAN. For capacity charging, some means of capacity allocation would be required to split the agreed capacity at the ownership boundary between the licensed distributor and the PNO between the connected customers.

**Commented [WP25]:** Reference the para numbers

**Commented [JL26R25]:** Para number added.

**Commented [RC27]:** DNO's should not charge for capacity/reactive etc. at the point of connection between the embedded customer and the PNO. We agreed that the DNO/IDNO can only charge for their assets, therefore this should be stated up front, instead of raising expectations. The National Transmission Network do not negotiate or charge PNOs for capacity, they deal with the DNO. The process trickles from there...

Scenario	Pros	Cons
Overall	<ul style="list-style-type: none"> <li>Licensed distributors and Suppliers already receive (almost) all information required to facilitate this approach through existing settlement arrangements</li> <li>Each Supplier pays UoS charges only for units which it has supplied</li> <li>Licensed distributor would assign the tariff which would be assigned to a single customer connected at the ownership boundary between the licensed distributor and the PNO – so licensed distributor is only invoicing in respect of its own assets</li> <li>All units are charged based on the tariff which the licensed distributor would apply at the boundary – so assuming the sum of units charges is equivalent to the sum of units through the boundary, the</li> </ul>	<ul style="list-style-type: none"> <li>Licensed distributors and Suppliers would need additional information identifying private network MPANs in order to appropriately assign tariffs</li> <li>The need for additional (likely manual) processes for Suppliers will increase the cost to serve of embedded customers, potentially reducing Supplier engagement and the extent to which embedded customers benefit from competition.</li> <li>PNO's own network costs still need to be recovered, either through agreement with embedded customer or through UoS charges to Supplier(s) of embedded customer(s).</li> </ul>

	total units charges levied will be the same as those which would be levied if a single customer were connected at the ownership boundary between the licensed distributor and the PNO	
All HH Site Specific Settled with difference metering		<ul style="list-style-type: none"> <li>Capacity and reactive power charging will be inaccurate compared to option 1</li> <li>The connection agreement will be between the licensed distributor and PNO for capacity at the boundary, which is being monitored by boundary metering – the licensed distributor would be (arbitrarily) dividing this capacity between PNO customers</li> <li>Option 1 results in charges which are exactly equal to that which would have been levied had a single customer been connected at the ownership boundary between the licensed distributor and the PNO – this option will create a similar but not identical charge because the excess capacity charging issue and reactive power charging issues identified in the 'why change' section (paragraph 1.8) cannot be resolved under this mechanism.</li> </ul>
All HH Site Specific Settled with full settlement metering	<ul style="list-style-type: none"> <li>Fixed charges can effectively be split between the number of embedded customers to ensure the equivalent of one fixed charge is levied in aggregate</li> </ul>	<ul style="list-style-type: none"> <li>Capacity charging will rely on the licensed distributor 'assigning' some of the boundary capacity to each embedded customer. The licensed distributor has no basis for doing so, and risks indicating that each embedded customer has that agreed capacity – the only agreed capacity which is relevant to the embedded customers is that with the PNO</li> <li>If the licensed distributor splits capacity between embedded customers, it may</li> </ul>

**Commented [RC28]:** Arbitrary capacity is worse than calculated – but see my above point, it is for the embedded customer to agree with the PNO any capacity – this allows suitable planning and maintenance of the PNO's network. It is inappropriate for this to be dealt with any other way. The same applies to all of the issues raised in this box.



		<p>also levy excess capacity charges for individual embedded customers, when each customer may well have operated within their agreed capacity with the PNO and in aggregate (because of diversity between embedded customers) remained below the agreed capacity for the private network, but exceeded their 'portion' of the boundary capacity</p> <ul style="list-style-type: none"> <li>• Reactive power flows through each embedded customer's metering will not sum to the reactive power flows at the boundary, so reactive power charging will be inaccurate</li> <li>• In order to accurately split fixed charges, the licensed distributor will need to know how many customers are connected to the private network, including when this changes over time. The licensed distributor will then need to amend the fraction of the fixed charge which is applied in respect of each embedded customer – which could be a cumbersome process</li> </ul>
All NHH or HH Aggregate Settled with full settlement metering		<ul style="list-style-type: none"> <li>• The tariffs levied in respect of NHH customers connected to licensed distributor networks assume they are connected at LV and are based on the load profile of either residential or small commercial customers. The boundary tariff applied would be likely to be based on the load profile of an industrial customer (i.e. the appropriate 'HH Metered' tariff for the voltage of the ownership boundary between the licensed distributor and the PNO and so may not be cost-reflective</li> </ul>

Combination of HH and NHH Settled with full settlement metering		<ul style="list-style-type: none"> <li>The tariffs levied in respect of NHH customers connected to licensed distributor networks assume they are connected at LV and are based on the load profile of either residential or small commercial customers. The boundary tariff applied would be likely to be based on the load profile of an industrial customer (i.e. the appropriate 'HH Metered' tariff for the voltage of the ownership boundary between the licensed distributor and the PNO ) and so may not be cost-reflective</li> </ul>
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## Consumer Impacts

4.10. Each customer will be charged by their Supplier rather than the PNO for the use of the upstream distribution network (either explicitly via 'pass-through' arrangements or through inclusion in the supplier's tariff), the same as they do if they were connected to the licensed distributor's network. However PNO network costs will still need to be recovered, either through agreement with customer or by PNO UoS charges to Supplier(s) of embedded customer(s).

4.11. Structure of charges for embedded customers could be different to structure of charges for equivalent Distributor connected customer.

Commented [WP29]: Explain further

Commented [EA30]: I think this is getting at the difference in structure between NHH LV charges (which would apply to an ATW DNO connected customer) compared to (for example) the HV HH structure which would apply if the PNO were connected at HV. But given the DNO will receive NHH aggregated data for the end customer, I don't think the DNO could apply the tariff which would apply at the boundary in this case because the DNO cannot identify each customer's usage. So does this option work at all for NHH end customers?

If not, I think this option effectively becomes a 'backup' option to option 1 when a site with all HH customers uses full settlement or shared metering.

Commented [EA31]: Already included as a con

**Q5: What are your views on option 2 and would you like the Working Group to consider this option further?**

**Option 3 – Invoice all Suppliers as if the customer were connected to the licensed distributor's network, with the private network operator able to 'claim' some use of system revenue back from the licensed distributor in respect of private network assets**

4.12. Under this approach, the licensed distributor would invoice the Supplier of both the embedded customers and the boundary Supplier use of system charges as if those end customers were connected direct to its network. As a result, the licensed distributor would have recovered some UoS charges in respect of assets on the private network, to which the PNO should be entitled, and so the PNO would be eligible to claim back a portion of UoS revenue from the licensed distributor.

Scenario	Pros	Cons
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Overall	<ul style="list-style-type: none"> <li>Suppliers face identical processes and charges for embedded customers as for equivalent licensed distributor connected customers. This will potentially facilitate engagement by Suppliers and so increase the extent to which embedded customers benefit from competition</li> <li>A single contractual agreement with the licensed distributor would be required by the PNO to recover UoS charges. This is more efficient than maintaining multiple contractual agreements with (changing) Suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>If the licensed distributor treats credit to the PNO as a cost, it will not fully recover its revenue allowances. Would either require a licence change to allow such PNO credits to be treated as pass-through costs or for the costs to be treated as negative regulated revenue</li> <li>Need for either a contractual agreement with licensed distributor and PNO to agree what value can be claimed or for the mechanism by which this value is determined to be defined in DCUSA</li> </ul>
All HH Site Specific Settled with difference metering	<ul style="list-style-type: none"> <li>If the amount which the PNO is eligible to claim is set relative to the boundary metering data, the net charge for the private network will be the same as under option 1</li> </ul>	<ul style="list-style-type: none"> <li>Creates a complex mechanism by which the end result of option 1 is achieved</li> </ul>
All HH Site Specific Settled with full settlement metering		<ul style="list-style-type: none"> <li>Issues with capacity and reactive power charging identified under option 2 remain under this scenario</li> </ul>
All NHH or HH Aggregate Settled with full settlement metering	<ul style="list-style-type: none"> <li>NHH licensed distributor tariffs are calculated specifically for each given end user group (e.g. domestic customers) – this approach enables existing tariffs to be used without needing to define tariffs for such customers with different boundary voltages</li> </ul>	<ul style="list-style-type: none"> <li>Would require meter reads for private network customers to be disaggregated from meter reads for other customers to enable the credit to the PNO to be calculated</li> </ul>
Combination of HH and NHH Settled with full settlement metering	<ul style="list-style-type: none"> <li>NHH licensed distributor tariffs are calculated specifically for each given end user group (e.g. domestic customers) – this approach enables existing tariffs to be used without</li> </ul>	<ul style="list-style-type: none"> <li>Would require meter reads for NHH and HH aggregate Settled private network customers to be disaggregated from meter reads for other customers to</li> </ul>

**Commented [DT32]:** Another con is that it discriminates between an IDNO and a DNO. There is no mechanism for the DNO to credit the IDNO where the IDNO credits the PNO. No facility under portfolio billing.

**Commented [EA33R32]:** See 'other considerations' section – I do not believe this is an issue and have attempted to explain why

**Commented [JL34R32]:** For discussion

**Commented [EA35]:** I disagree with respect to capacity charging. The issue identified in option 2 is that the DNO is likely to overcharge for capacity because of diversity. But if it does so, it will simply 'over-credit' back to the PNO when the usage of all customers is aggregated to derive the DNO to PNO credit

	needing to define tariffs for such customers with different boundary voltages	enable the credit to the PNO to be calculated
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## Consumer Impacts

- 4.13. There is a risk of picking up more costs if costs are not fully recovered

### Other Considerations

- 4.14. The Working Group discussed the impact this option could have on IDNOs, and whether this option would discriminate against IDNOs in a situation where a private network is connected to an IDNO network. In this situation, the IDNO would invoice the Suppliers of the embedded customers (typically using the tariff which the host DNO would apply to those end customers if those end customers were connected to the host DNOs network). The PNO would be entitled to 'claim' a portion of that revenue from the IDNO. But under existing processes the DNO also invoices the IDNO to recover its portion of UoS charges in respect of those end customers. Members of the Working Group were concerned that, as a result, the IDNO could be required to pay credits to both the host DNO and PNO, resulting in a reduced IDNO margin.

- 4.15. In order to reconcile these concerns, the Working Group considered the revenue which would be available to an IDNO under equivalent scenarios with and without a PNO operating the LV network.

**Figure 5** Figure-5 shows a typically scenario with customers connected to an IDNO network.

**Commented [EA36]:** How does this risk arise? And who is exposed to it?

**Commented [EA37]:** Covered in pros and cons

**Commented [EA38]:** Starter for ten on explaining the IDNO impact

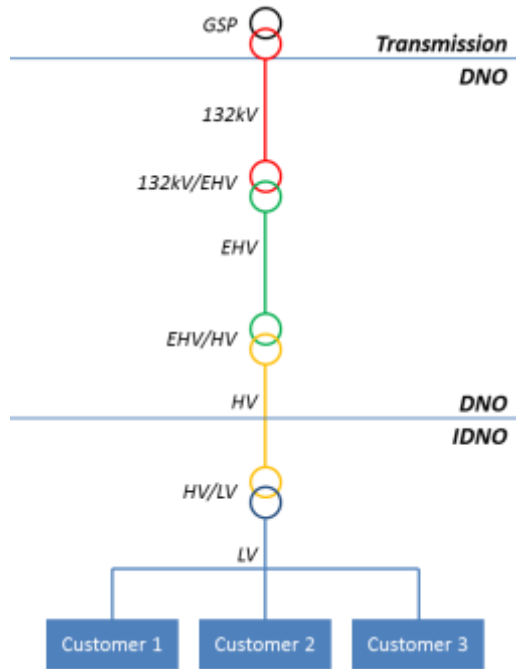


Figure 5 - IDNO connected end customers without PNO

- 4.16. Under this arrangement, the IDNO would invoice the Suppliers of the end customers, typically using the tariff which the host DNO would apply if the customers were connected direct to the host DNO's network. The DNO would then invoice the IDNO 'discounted' UoS charges in respect of those end customers – in this case with the discounts calculated to take into account that the IDNO is connected to the host DNO network at HV and is supplying LV customers, so should be entitled to revenue in respect of a portion of the HV circuits network level, and all of the HV/LV transformation and LV circuits network levels.
- 4.17. [Figure 6](#) shows an equivalent scenario, but with a PNO owning and operating the LV network.

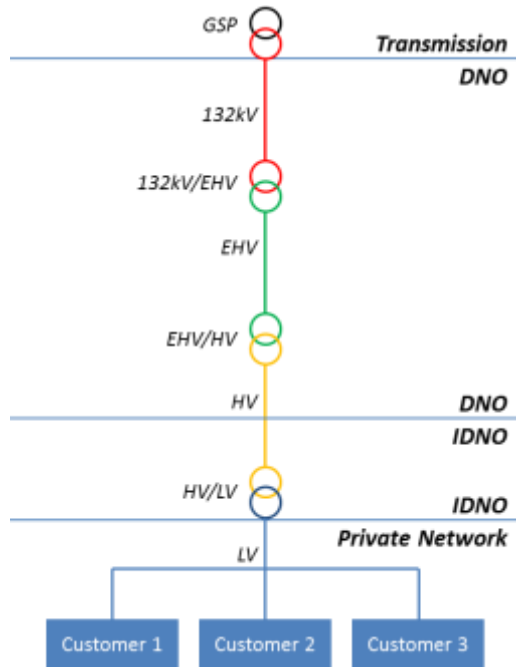


Figure 6 - PNO connected end customers with PNO network connected to IDNO network

- 4.18. As under the more standard arrangement shown in [Figure 5Figure-5](#), the IDNO would invoice the Suppliers of the end customers, typically using the tariff which the host DNO would apply if the customers were connected direct to the host DNO's network. The DNO would then invoice the IDNO 'discounted' UoS charges in respect of those end customers. The DNO would be 'blind' to the involvement of the PNO, and so would apply the same charges as under the standard IDNO arrangement shown in [Figure 5Figure-5](#) – i.e. with the discounts calculated to take into account that the IDNO is connected to the host DNO network at HV and is supplying LV customers, so the DNO should not recover revenue in respect of a portion of the HV circuits network level, and all of the HV/LV transformation and LV circuits network levels. With this transaction complete, the IDNO is left with all UoS revenue in respect of the LV circuits and HV/LV transformation network levels and a portion of the HV circuits network level.
- 4.19. Under the option being considered, the PNO would be entitled to claim some UoS revenue from the IDNO. In this example, the PNO would be entitled to claim UoS revenue in respect of the LV circuits network level. This being the case, the IDNO will be left with all UoS revenue in respect of the HV/LV transformation network level and a portion of the HV circuits network level, being those network levels where it owns and operates assets.

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## Q6: What are your views on option 3 and would you like the Working Group to consider this option further?

### Option 4 – Invoice the PNO direct

- 4.20. Under this approach, the licensed distributor would invoice UoS charges direct to the PNO based on total units at the boundary, with no charges applied to the units recorded in Settlement against MPANs which relate to customers connected to the private network or against the boundary MPAN if applicable. The PNO may then directly pass through the licensed distributor's charges to customers connected to the private network or recover those costs through another means (e.g. included in the lease for each customer).
- 4.21. In order to invoice all units, this solution requires the licensed distributor to either receive or be in a position to calculate gross units at the boundary, where Settlement will only show net units (i.e. with units used by embedded customers having been differenced from the boundary MPAN).
- 4.22. This solution has the advantage of the Distributor only invoicing in respect of the boundary, being where its responsibility ends, and avoids the issues presented in option one where the boundary supplier is being invoiced use of system charges in respect of units which it has not supplied (under the difference metering approach). Unlike option one this option is also compatible with all metering approaches.

**Commented [RC39]:** Ofgem will not allow energy charges to be collected through a lease when there is a charging statement. There is also a push that the DEFRA are trying to discourage lease embedded energy costs and a move to charging by unit to encourage energy efficiency.

**Commented [EA40]:** These are pros and cons so should be in the table only

Scenario	Pros	Cons
Overall	<ul style="list-style-type: none"> <li>Tariffs would be assigned at the boundary, so the licensed distributor is invoicing only in respect of its own assets</li> </ul>	<ul style="list-style-type: none"> <li>Need for zero tariffs to be applied to MPANs on private network for 'standard' Supplier invoices</li> <li>The need for additional (likely manual) processes for Suppliers will increase the cost to serve of embedded customers, potentially reducing Supplier engagement and the extent to which embedded customers benefit from competition</li> <li>PNOs do not accede to the DCUSA, so DCUSA obligations covering licensed distributor to Supplier invoices (e.g. the obligation to pay) would not apply</li> <li>PNO's own network costs still need to be recovered, either through agreement with embedded customer or through</li> </ul>

**Commented [RC41]:** Is this the case for most (if not all) options?

		UoS charges to Supplier(s) of embedded customer(s).
All HH Site Specific Settled with difference metering	<ul style="list-style-type: none"> <li>Achieves the same position as option 1, albeit charges have been levied on the PNO rather than the boundary Supplier</li> </ul>	
All HH Site Specific Settled with full settlement metering	<ul style="list-style-type: none"> <li>Enables more appropriate capacity and reactive power charging than other options as charges are levied for the network as a whole.</li> </ul>	<ul style="list-style-type: none"> <li>Reactive power charging would not be fully accurate as reactive power flows at the boundary will not be equivalent to the sum of reactive power flows at embedded customer metering points</li> </ul>
All NHH or HH Aggregate Settled with full settlement metering		<ul style="list-style-type: none"> <li>Would require meter reads for private network customers to be disaggregated from meter reads for other customers to enable the charges to the PNO to be calculated</li> </ul>
Combination of HH and NHH Settled with full settlement metering		<ul style="list-style-type: none"> <li>Would require meter reads for private network customers to be disaggregated from meter reads for other customers to enable the charges to the PNO to be calculated</li> </ul>

**Commented [RC42]:** Why is it mentioned only under one metering option? Also (as noted above) it is inappropriate for this to be dealt with any way other than at the DNO/PNO boundary.

**Commented [WP43]:** Is that right?

**Commented [EA44]:** No – lingering from option three I expect

## Consumer Impacts

4.23. Impacts the relationship with the PNO in regard to UoS charges

**Commented [DT45]:** Impacts

4.24. After consideration of the above the Working Group concluded that this option was not appropriate as PNOs do not have to accede to DCUSA.

**Commented [EA46]:** Is this a consumer impact?

**Commented [EA47]:** Detailed in pros and cons

**Commented [DT48]:** Do not

**Commented [EA49]:** 'do not have to' or 'cannot'? i.e. if they were to accede, under what Party category would they do so?

**Q7: What are your views on option 4 and would you like the Working Group to consider this option further?**

## Option 5 – Invoice all Suppliers based on new use of system charges which only include elements of charging which relate to voltage levels provided by the Distributor

4.25. Under this approach, the licensed distributor would invoice UoS charges to both the boundary Supplier and the Supplier of embedded customers (under the difference metering approach) or the Suppliers of all embedded customers (under the full Settlement or shared metering approach), based on units received through Settlement, using new tariffs calculated for each licensed distribution network to private network boundary voltage based on the voltage levels which the licensed distributor provides. This could be carried out using the calculations in the Common Distribution



Charging Methodology which are calculated on a voltage level basis prior to being aggregated to tariff level.

- 4.26. Provided the breakdown of which tariff elements should and should not apply for a given end user (based on the licensed distribution network to private network boundary) treats LV services and LV mains distinctly, this solution would resolve the issue of multiple fixed charges as the fixed charge is recovered in respect of service assets which would always be owned by the PNO and so the licensed distributor would not be charging a fixed charge. For capacity charging, some means of capacity allocation may be required to split the agreed capacity at the licensed distribution network to private network boundary between the connected customers.

Scenario	Pros	Cons
Overall	<ul style="list-style-type: none"> <li>Process of charging would be more straightforward for Suppliers as there would be dedicated distribution tariffs for these customers, hence the customers should benefit from competition</li> </ul>	<ul style="list-style-type: none"> <li>Need for a large number of new tariffs (every tariff with every possible ownership boundary between the licensed distributor and the PNO voltage level)</li> <li>PNO's own network costs still need to be recovered, either through agreement with embedded customer or through UoS charges to Supplier(s) of embedded customer(s).</li> </ul>
All HH Site Specific Settled with difference metering		<ul style="list-style-type: none"> <li>Capacity charging will rely on the licensed distributor 'assigning' some of the boundary capacity to each embedded customer. The licensed distributor has no basis for doing so, and risks indicating that each embedded customer has that agreed capacity – the only agreed capacity which is relevant to the embedded customers is that with the PNO</li> <li>If the licensed distributor splits capacity between embedded customers, it may also levy excess capacity charges for individual embedded customers, when each customer may well have operated within their agreed capacity with the PNO and in aggregate (because of diversity between embedded</li> </ul>

**Commented [RC50]:** This appears to miss the fact that there is still the PNO charges to be allocated and capacity allocation is inappropriate by the distributor.

**Commented [WP51]:** Or is it every voltage level of boundary connection

		<p>customers) remained below the agreed capacity for the private network, but exceeded their 'portion' of the boundary capacity</p> <ul style="list-style-type: none"> <li>Reactive power flows through each embedded customer's metering will not sum to the reactive power flows at the boundary, so reactive power charging will be inaccurate</li> </ul>
All HH Site Specific Settled with full settlement metering		<ul style="list-style-type: none"> <li>Capacity charging will rely on the licensed distributor 'assigning' some of the boundary capacity to each embedded customer. The licensed distributor has no basis for doing so, and risks indicating that each embedded customer has that agreed capacity – the only agreed capacity which is relevant to the embedded customers is that with the PNO</li> <li>If the licensed distributor splits capacity between embedded customers, it may also levy excess capacity charges for individual embedded customers, when each customer may well have operated within their agreed capacity with the PNO and in aggregate (because of diversity between embedded customers) remained below the agreed capacity for the private network, but exceeded their 'portion' of the boundary capacity</li> <li>Reactive power flows through each embedded customer's metering will not sum to the reactive power flows at the boundary, so reactive power charging will be inaccurate</li> </ul>
All NHH or HH Aggregate	<ul style="list-style-type: none"> <li>Enables differences between the licensed distributor to private network</li> </ul>	



Settled with full settlement metering	and end customer voltage to be appropriately considered (i.e. licensed distributor tariffs 'discounted' to reflect licensed distributor assets not used)	
Combination of HH and NHH Settled with full settlement metering		

Commented [JL52]: We probably need to say something here

### Consumer Impacts

- 4.27. The need for additional (likely manual) processes for Suppliers will increase the cost to serve of embedded customers, potentially reducing Supplier engagement and the extent to which embedded customers benefit from competition.

Commented [EA53]: This is a con so should be in the table

Q8: What are your views on option 5 and would you like the Working Group to consider this option further?

Q? - Are there any other options which the Working Group has not identified? Please provide full details.

Commented [JL54]: This was equally supported by Chris Barker who raised two further points:  
CB  
Also I believe during the last working group session we agreed to add a question where parties could provide their own option if they believed another should be considered besides the five provided.

## 5 Legal Text

### DCP 328 Proposed Legal Text

- 5.1 The legal text will be developed once there is an agreed solution,

## 6 Relevant Objectives

### Assessment Against the DCUSA Objectives

- 6.1. For a DCUSA Change Proposal to be approved it must be demonstrated that it better meets the DCUSA Objectives.
- 6.2. The Proposer believes that this change will :
- **Charging Objective one:** no impact.
  - **Charging Objective two:** better met, as the change will ensure that competition to supply customers connected to private networks is not distorted by the application of inappropriate use of system charges in respect of some or all customers connected to private networks.
  - **Charging Objective three:** better met, as the change will ensure that the charges faced by multiple Suppliers supplying customers on a private network are broadly equivalent to the

We also discussed parties choosing their least favourite change to help us focus on the key options when developing the solution. I can't remember if we settled on providing more clarity to each of the questions, for each of the options, or to add one overarching question towards the end whereby we ask something like 'which option/s do you feel should not be pursued, and why?'



charges faced by a single Supplier supplying the private network operator on an equivalent site without competition in supply.

- **Charging Objective four:** better met, as DNOs are seeing increasing volumes of requests to facilitate competition in supply on private networks. Without the change and the regulatory clarity it seeks to create, there is a risk of a divergence in application of the common charging methodologies across DNO licensees.
- **Charging Objective five:** no impact.
- **Charging objective six:** perhaps not as well met, as the change may introduce additional complexity into the charging arrangements. This is considered necessary to ensure cost-reflectivity is maintained.

DCUSA Charging Objectives	Identified impact
<input type="checkbox"/> 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	None
<input type="checkbox"/> 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)	Positive
<input type="checkbox"/> 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	Positive
<input type="checkbox"/> 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	Positive
<input type="checkbox"/> 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.	None
<input type="checkbox"/> 6 that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	Negative

**Q9: Do you believe that the DCUSA Charging Objectives are better facilitated by this CP. Please provide your rationale?**

**Commented [DT55]:** General objectives missing?

## 7 Impacts & Other Considerations

### Does this Change Proposal impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

- 7.1. Depending on the solution developed, there may be a need for parallel changes to the BSC to ensure that licensed distributors either receive directly, or are able to calculate, the data needed to charge in line with the solution to this change.
- 7.2. This change does not impact on any SCR currently in progress, nor is it expected to impact on the SCR launched in December 2018 following Ofgem's consultation 'Getting more out of our electricity networks by reforming access and forward-looking charging arrangements'

**Q10: Are you aware of any wider industry developments that may impact upon or be impacted by this CP?**

**Commented [JL56R55]:** As it stands we need to consider whether it is likely to impact the general objectives or just the charging objectives.

## 8 Implementation

- 8.1. The implementation date for the change proposal is yet to be determined.

## 9 Consultation Questions

- 9.1 The Working Group is seeking industry views on the following consultation questions:

Number	Questions
1	Have you read the Elexon guidance on third party access and do you understand that these options are designed to work with this guidance?
2	Do you understand the intent of DCP 328?
3	Are you supportive of the principles of DCP 328?
4	What are your views on option 1 and would you like the Working Group to consider this option further?
5	What are your views on option 2 and would you like the Working Group to consider this option further?

**Commented [JL57]:** I have suggested that we amend this title and consider its location so this section may be affected.



6	What are your views on option 3 and would you like the Working Group to consider this option further?
7	What are your views on option 4 and would you like the Working Group to consider this option further?
8	What are your views on option 5 and would you like the Working Group to consider this option further?
	Are there any other options which the Working Group has not identified? Please provide full details
9	Do you believe that the DCUSA Charging objectives are better facilitated by this CP. Please provide your rationale?
10	Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

9.2 Responses should be submitted using Attachment 2 to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than, **01 February 2019**.

9.3 Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate any parts of a response that are to be treated confidentially.

### Attachments

Attachment 1 – DCP328 Change Proposal

Attachment 2 – DCP 328 Consultation Response Form