











DCUSA Change Report		At what stage is this document in the process?
<h1>DCP 305:</h1> <h2>LDNO Boundary Level Definitions in the EDCM</h2> <p>Date Raised: 12th July 2017</p> <p>Proposer Name: Andrew Enzor</p> <p>Company Name: Northern Powergrid</p> <p>Company Category: DNO</p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<p>The intent of this change proposal is to amend the definitions and application of DNO/LDNO boundaries under the EDCM to avoid instances of double and/or non-charging for certain assets.</p>		
 	<p>The Workgroup recommends that this Change Proposal should:</p> <ul style="list-style-type: none"> • proceed to Change Report <p>Parties are invited to consider the proposed amendments (Attachment 1) and submit their votes using the Voting form (Attachment 2) to dcusa@electralink.co.uk by 17 April 2018</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 305 has been designated as a Part 1 Matter as this change will impact both Distributor and Supplier Parties through amendments to the CDCM.</p> <p>If you have any questions about this paper or the DCUSA Change Process, please contact the DCUSA by email to dcusa@electralink.co.uk or telephone 020 7432 3011.</p>	
	 <p>Impacted Parties: Predominantly DNOs and LDNOs; minor impact on suppliers from revenue matching to correct any DNO revenue surplus/shortfall generated.</p>	
	 <p>Impacted Clauses: Schedules 17 and 18, sections 24, and 26</p> <p>Schedule XX¹, paragraph 45</p>	

¹ As a consequence of DCP 234, due for implementation in April 2018

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<p>The timetable for the progression of the CP is as follows:</p> <p>Change Proposal timetable</p> <table><tr><th>Activity</th><th>Date</th></tr><tr><td>Initial Assessment Report Approved by Panel</td><td>19 July 2017</td></tr><tr><td>Consultation issued to Parties</td><td>12 January 2018</td></tr><tr><td>Change Report issued to Panel</td><td>14 March 2018</td></tr><tr><td>Change Report issued for Voting</td><td>23 March 2018</td></tr><tr><td>Party Voting Ends</td><td>17 April 2018</td></tr><tr><td>Change Declaration Issued to Parties</td><td>19 April 2018</td></tr><tr><td>Authority Decision</td><td>24 May 2018</td></tr><tr><td>Implementation</td><td>First Release after Authority approval</td></tr></table>			Activity	Date	Initial Assessment Report Approved by Panel	19 July 2017	Consultation issued to Parties	12 January 2018	Change Report issued to Panel	14 March 2018	Change Report issued for Voting	23 March 2018	Party Voting Ends	17 April 2018	Change Declaration Issued to Parties	19 April 2018	Authority Decision	24 May 2018	Implementation	First Release after Authority approval
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1. Executive Summary

What?

- 1.1 The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity distributors, 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 (Attachment 3) seeks to resolve a defect identified in the Extra-high-voltage (EHV) Distribution Charging Methodology (EDCM) whereby customers connected to Licensed Distribution Network Operator (LDNO) networks (i.e. networks operated by either an Independent Distribution Network Operator (IDNO) or a Distribution Network Operator (DNO) operating out of area) have the potential to be double- and/or non- charged for the use of certain DNO network assets.

Why?

- 1.3 The definition of the DNO to LDNO boundary under the EDCM has the following defects:

Defect 1:

- 1.4 In respect of LDNO networks with several connectees, including at least one connectee where the associated premises is a Designated EHV Property, the current definition leads to the DNO calculating a boundary equivalent tariff for the Designated EHV Property having applied the customer category at the DNO/LDNO boundary. This results in double-charging for any DNO assets that are for the sole use of the LDNO network, since the LDNO would pay fixed charges in respect of these assets, and then through the boundary category pay again for these DNO network levels as if they were shared assets.

Defect 2:

- 1.5 In respect of an LDNO network which is itself a Designated EHV Property, and with a single connectee at either HV or LV, the current definition leads to the DNO applying the boundary at the Point of Common Coupling for the LDNO network. This results in the DNO charges recovering nothing in respect of assets that are for the sole use of the LDNO network.
- 1.6 More detail, including a worked example of each issue, is included in section 3 – ‘Why Change’

How?

- 1.7 The proposed solution is to introduce separate definitions for the LDNO boundary level for the purposes of section 25 and section 26 of the EDCM. Both definitions would operate in the same way irrespective of the number of customers on the LDNO network.
- 1.8 For section 26 (which relates to LDNO tariffs for Designated EHV Properties, related to defect one above) the customer category would be determined by reference to the same criteria as for DNO

end users, using the LDNO network Point of Common Coupling defined as the point on the DNO network where the power flow associated with generation and load on that LDNO network may interact with the power flows associated with other customers. The section 26 LDNO boundary classification would take the same 15 four-digit code values as now. This would ensure consistency with the sole use asset definition at paragraph 26.7, so that DNO assets would be charged for once and only once, either as sole use assets or shared assets through the customer category.

- 1.9 For section 25 (which relates to LDNO tariffs for properties that are connected to LDNO networks at either HV or LV where the LDNO network would itself qualify as a Designated EHV Property, related to defect two above) the boundary level would be defined by reference to the DNO/LDNO asset boundary. The section 25 LDNO boundary classification would take the same five values as now (0000, 132kV, 132kV/EHV, EHV and HV plus). This would ensure that all DNO network levels used are charged for, irrespective of whether they would be classified as sole use under a power flow analysis or not. This section has now been moved to Schedule XX as a result of DCP 234 'Merging the PCDM and Extended PCDM', due for implementation in April 2018.
- 1.10 Section 24 has removed the references to the five network levels and the fifteen category definitions. These are catered for in Schedule XX (five network levels) and paragraph 26.3 (which refers to paragraph 15.6 for the fifteen category definitions). Also the explanation of Point of Common Coupling is deleted from paragraph 24.7 since it is already explained within the glossary section.
- 1.11 General housekeeping changes have also been undertaken to:
 - replace references to 'IDNO' with 'LDNO' where appropriate and only to those sections where this change is impacted;
 - replace references to 'network' with 'Distribution System' to standardise the text; and
 - correct the inaccurate references to Licence obligation clauses.

2. Governance

Justification for Part 1 Matter

- 2.1 DCP 305 has been designated as a Part 1 Matter as the proposed change impacts the following within clause 9.4 of DCUSA:
 - 9.4.1 it is likely to have significant impact on the interests of electricity consumers;
 - 9.4.2 it is likely to have a significant impact on competition in the distribution of electricity; and
 - 9.4.3 it is likely to discriminate in its effects between one Party (or class of Parties) and another Party (or class of Parties).

Requested Next Steps

- 2.2 The Panel considered that the Working Group has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 305.

2.3 The DCUSA Panel recommends that this CP:

- Be issued to Parties for Voting

3. Why Change?

Background of DCP 305

3.1 The definition of the DNO to LDNO boundary under the EDCM has two defects:

Scenario A - Several connectees on an LDNO network, including at least one connectee where the associated premises is a Designated EHV Property (relates to defect 1)

3.2 In respect of LDNO networks with several connectees, including at least one connectee where the associated premises is a Designated EHV Property, the current definition (using clauses 26.3 and 24.8 of schedule 17 and 18) leads to the DNO calculating a boundary equivalent tariff for the Designated EHV Property having applied the customer category at the DNO/LDNO boundary:

- Clause 26.3: "For the purposes of calculating the boundary-equivalent portfolio EDCM tariffs, each EDCM Connectee on the IDNO² Party's network would be assigned the demand Connectee category relating to the 15 IDNO Party boundary categories."
- Clause 24.8: "IDNO Party Distribution Systems are split into 15 categories based on the network level of the boundary between the host DNO Party and the IDNO Party, and whether or not higher network levels are used by the IDNO Party."

3.3 This may result in double-charging for any DNO assets that are for the sole use of the LDNO network, since the LDNO would pay fixed charges in respect of these assets, and then through the boundary category pay again for these DNO network levels as if they were shared assets.

3.4 However, for an LDNO network with a single connectee where the associated premises is a Designated EHV Property, the current definition (using clause 24.6) leads to the DNO calculating a boundary equivalent tariff for the Designated EHV Property having applied the customer category for the LDNO network (i.e. the point on the DNO network where the power flow associated with the LDNO network interacts with the power flows associated with other DNO connectees).

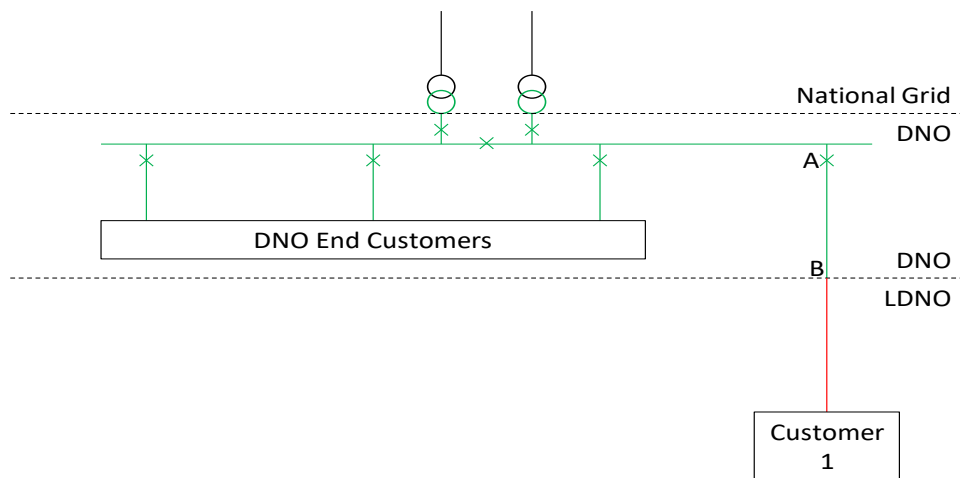
- Clause 24.6: "Where the IDNO Party's Distribution System only has one Connectee (whether a Designated EHV Property or not), the network level of the boundary between the host DNO Party and IDNO Party is determined by reference to the Point of Common Coupling. The Point

² It is recognised that the clauses quoted refer to IDNOs. This is a known defect in both Schedule 17 and 18 and where such instances are being subject to change, this proposal will amend them to refer to LDNOs

of Common Coupling is determined in the same way as it is for an EDCM Connectee connected directly to the host DNO Party's network."

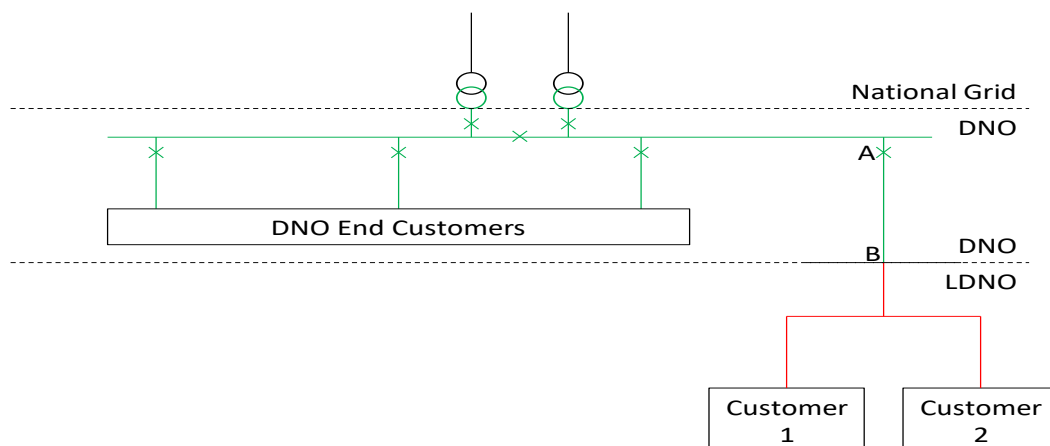
- 3.5 This results in the DNO applying the customer category at the point where assets for the sole use of the LDNO network meet the remainder of the DNO network, and so only charging fixed charges in respect of assets for the sole use of the LDNO network.
- 3.6 For example, consider an LDNO taking a supply from a dedicated DNO 132kV cable from a Grid Supply Point (GSP) (i.e. where the DNO 132kV cable is for the sole use of the LDNO network) and supplying one customer which is a Designated EHV Property through its system, as shown in Figure 1.

Figure 1 – LDNO Network with one Designated EHV Property only



- 3.7 When calculating a boundary equivalent tariff, the DNO would assign the customer category 'by reference to the Point of Common Coupling' (clause 24.6) marked as point 'A' in Figure 1, i.e. 0000 – 'Point of Common Coupling at the GSP, whether the GSP is shared or not', and so the customer would be charged for the DNO 132kV cable from point 'A' to point 'B' as a sole use asset only.
- 3.8 Now consider another customer which is a Designated EHV Property (or indeed any other connectee) connecting to that LDNO network, as shown in Figure 2.

Figure 2 – LDNO Network with two Designated EHV Properties

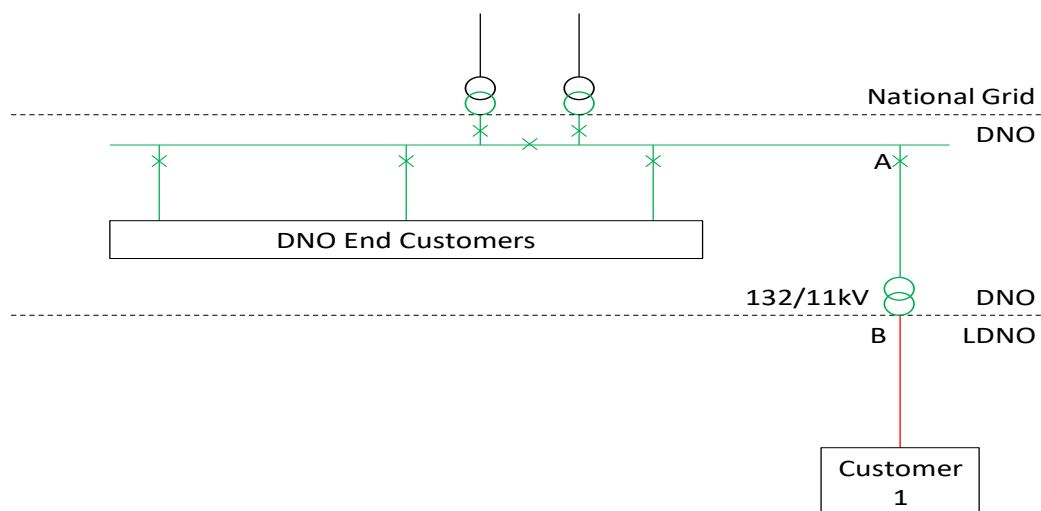


- 3.9 When calculating boundary equivalent tariffs the DNO would assign both customers 'the demand Connectee category relating to the 15 IDNO Party boundary categories' (clause 26.3) which are 'based on the network level of the boundary between the host DNO Party and the IDNO Party' (clause 24.8) marked as point 'B' in Figure 2, i.e. 1000 – 'In England or Wales only, Point of Common Coupling at a voltage of 132 kV, unless the Connectee qualifies for category 0000', and so the customer would be charged for the DNO 132kV cable from point 'A' to point 'B' as both a sole use asset and a shared asset.
- 3.10 DCP 305 seeks to resolve this issue by amending the DCUSA legal text to treat Designated EHV Properties connected to LDNO networks in the same manner regardless of whether there is only a single customer or if there are multiple customers connected to that LDNO network, by setting the Point of Common Coupling to the Point of Common Coupling which would apply if the LDNO network in question were an end user in all cases.

Scenario B - A single connectee where the associated premises is a Designated EHV Property (relates to defect 2)

- 3.11 In respect of a LDNO network which is itself a Designated EHV Property, and with a single customer which is connected at HV or LV, the current definition (using clause 24.6) leads to the DNO applying the boundary at the Point of Common Coupling for the LDNO network. This results in the DNO charges recovering nothing in respect of assets that are for the sole use of the LDNO network.
- 3.12 For example, consider an LDNO taking a supply from a dedicated DNO 132kV/11kV substation fed directly from a GSP and supplying a single HV network customer, as shown in Figure 3.

Figure 3 – LDNO Network with one HV Network customer only

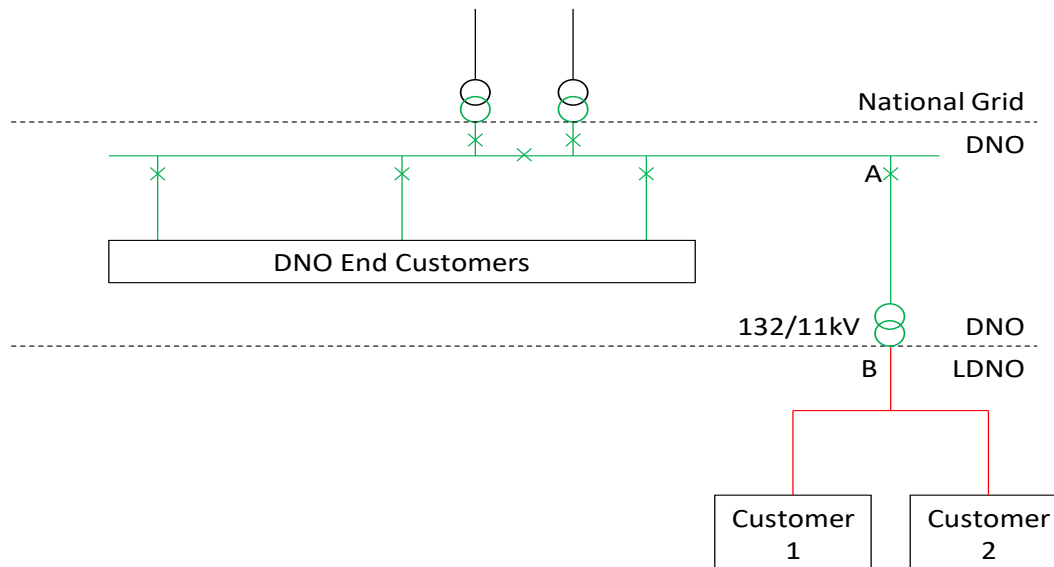


- 3.13 When determining which tariff to apply, the DNO would assign the customer category 'by reference to the Point of Common Coupling' (clause 24.6) marked as point 'A' in Figure 3, i.e. 0000 – 'Point of Common Coupling at the GSP, whether the GSP is shared or not', so this customer would be assigned the 'LDNO 0000: HV HH Metered' tariff. This results in the customer not being charged

at all for use of assets between points 'A' and 'B' (the DNO's 132kV circuits and the DNO's 132kV/11kV substation).

- 3.14 Now consider another HV network customer (or indeed any other connectee) connecting to the LDNO network, as shown in Figure 4.

Figure 4 – LDNO Network with two HV Network customers



- 3.15 Clause 24.6 would no longer apply and so the DNO would assign both customers the category based on the DNO/LDNO boundary, marked as point 'B', i.e. 1001 – 'Point of Common Coupling at a voltage of less than 22 kV on the secondary side of a substation whose primary side is attached to a 132kV distribution circuit'. So, both customers would be assigned the 'LDNO HV plus: HV HH Metered' tariff and would be charged for the assets between points 'A' and 'B'.
- 3.16 DCP 305 seeks to resolve this issue by amending the DCUSA legal text to treat HV and LV customers connected to LDNO networks which are themselves Designated EHV Properties in the same manner regardless of whether there is only a single customer or if there are multiple customers connected to that LDNO network, by assigning the tariff by reference to the DNO/LDNO boundary in all cases.

4. Solution

DCP 305 Working Group Assessment

- 4.1 The DCUSA Panel established a Working Group to assess DCP 305. The Working Group consists of DNO representatives and an Ofgem observer. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.
- 4.2 The Working Group reviewed the two scenarios identified by the Proposer in order to understand the intent of the CP.

- 4.3 The Working Group decided to undertake a Request for Information (RFI) (Attachment 4) to determine whether there were further instances of such connections and if so what approach the relevant DNO had taken when determining the tariffs to be applied i.e. complying with the Proposer's interpretation of the EDCM or taking what could be perceived to be a more logical approach. The latter could be in breach of the EDCM. It was therefore agreed that due to the potential breach concern associated with responding to the RFI, the responses would remain anonymous.

Request for Information to DNOs

- 4.4 The Working Group issued the RFI to DNOs to ascertain whether:

- they had any Customers that fell into either Scenario,
- what approach they had used in determining the tariff; and
- whether they expected any future Customers to fall into either Scenario.

- 4.5 The RFI results indicate the following:

Scenario A

- Two DNOs have an LDNO connection meeting this criteria (i.e. more than one Designated EHV Property connected to a single LDNO network);
- One states that they follow the DCUSA methodology. The other does not but does have a derogation from Ofgem to not charge in line with its published charging methodology in this respect;
- Both DNOs confirmed that a different outcome would result if this proposal was approved, although one indicated that this would then align with their derogation; and
- No new connections were expected within the next 18 months.

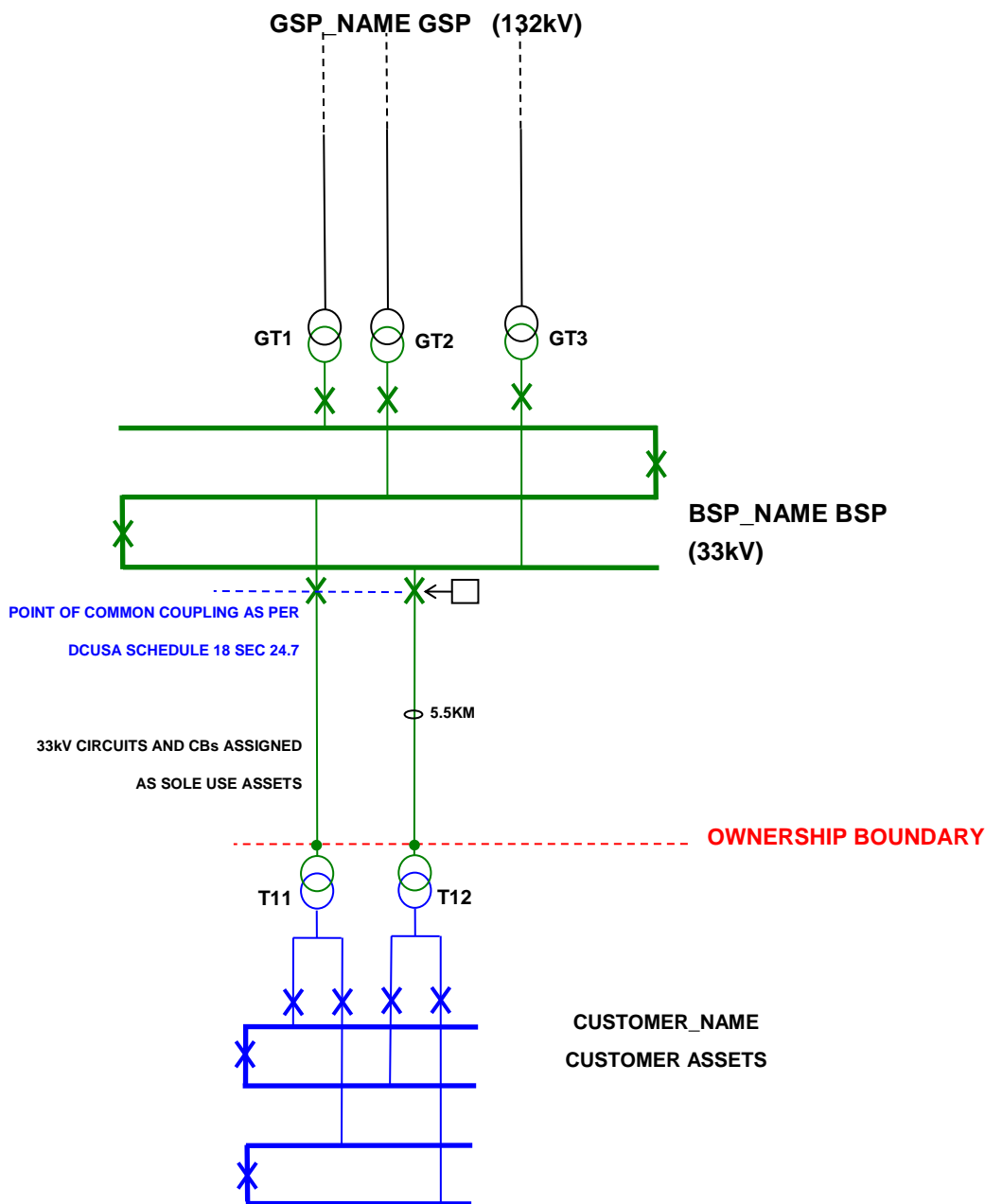
Scenario B

- One DNO has an LDNO connection meeting this criteria (i.e. an LDNO network which is itself a Designated EHV Property, with a single HV or LV customer connected);
- The DNO in question states that they are charging in line with the DCUSA methodology;
- They did not believe that an alternative tariff would apply if this change proposal was approved; and
- No new connections were expected within the next 18 months

- 4.6 The Working Group reviewed the RFI responses and noted that there are instances in both scenarios, although impacting a very small number of customers.

- 4.7 In order to verify the responses, a line diagram showing the network configuration was requested from DNO1 in Scenario A and DNO3 in Scenario B. It should be noted that DNO2 in Scenario A is the Proposer of this CP and has a derogation to not charge in line with its charging methodology in respect of an instance of Scenario A. Their line diagram associated with this scenario is contained within the background section above (figure 2).

4.8 The diagram below shows the line diagram from DNO1 for Scenario A.



4.9 The Working Group noted that DNO1's response to Question 2 states that they are compliant with the EDCM, but the Working Group believes DNO1's interpretation of this differs from that of the Proposer. The Proposer's interpretation would result in the Point of Common Coupling being set at the red dotted line in the above diagram, whilst DNO1's interpretation has set the Point of Common Coupling at the blue dotted line. Based on this information, it was agreed that DNO1's treatment of these customers would be compliant with DCP 305 if it was implemented immediately.

4.10 The Working Group noted that in relation to Scenario B, DNO3 did not wish to provide a line diagram as it would provide the Working Group with confidential customer data as there was only one customer in their portfolio for this scenario. It was noted by the Working Group that it was DNO3's view that if DCP 305 was implemented, there would be no change of tariff for this customer. The Working Group agreed that under certain circumstances, this situation could occur.

DCP 305 Consultation

- 4.11 The Working Group carried out a consultation (Attachment 5) to give DCUSA Parties and other interested organisations an opportunity to review and comment on the proposed DCP 305 solution. The Working Group issued the consultation to DCUSA Contract Managers and Ofgem, to determine whether:
- Parties agreed with the principle of the change;
 - Parties agreed that there is a defect in the methodology associated with Scenarios A and B;
 - the proposed implementation date would impact 2018/19 charges and whether 2019/20 charged would remain compliant; and
 - other sections of the impacted clauses should be updated to replace 'IDNO' with 'LDNO'.
- 4.12 There were seven responses received to the consultation. One respondent was a supplier, five respondents were distributors with one submitting a confidential response, and one respondent was an IDNO. The Working Group discussed each response and its comments are summarised alongside the collated consultation responses in Attachment 5.
- 4.13 A summary of the responses received, and the Working Group's conclusions are set out below:
- 4.14 With regard to the first three questions, all respondents understood the intent of the CP, and agreed that a flaw in the methodology has been identified in respect of both defects. The responses to Question 4 onwards are shown in more detail below.

Question 4: Question to DNOs only: if DCP 305 was implemented immediately, would your published charges for 2018/19 and 2019/20 remain compliant? Please provide rationale.

- 4.15 The five DNO respondents that replied noted that there are customers that are impacted by these scenarios, however these are currently either covered by derogation or the Point of Common Coupling and boundary are one and the same and as a consequence the tariff is the same regardless of whether DCP 305 is progressed.
- 4.16 It was also noted that there may be further customer connections and that, dependent on the implementation date of DCP 305, some DNOs may wish to seek a derogation to cover these. However, those Parties may still be compliant with DCUSA as it currently stands.

Question 5: Do you have any comments on the proposed legal text?

- 4.17 One respondent had a comment that proposed including a reference to the demand Connectee categories (section 15 where the end user categories are defined), given the 15 IDNO Party boundary categories had been deleted.

4.18 The Working Group agreed to this amendment and made the changes to the Legal Text.

Question 6: Should the legal text be updated to other sections of the impacted Schedules to replace IDNO with LDNO? Please provide your rationale.

4.19 Six of the respondents agreed that the legal text should be update to replace IDNO with LDNO in order to ensure continuity throughout the schedules. It was further noted that this has also been included on the DCUSA Panel Housekeeping Log, and other schedules will be updated as a result of DCP 315 'Housekeeping'.

4.20 The Working Group agreed to only update the legal text to reflect LDNO instead of IDNO in the sections of Schedules 17, 18 and XX that this change impacts.

Question 7: Which DCUSA Charging Objectives does the CP better facilitate? Please provide supporting comments.

Respondent Party Type	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5	Objective 6	Undecided / No Comment
Supplier	0	0	0	0	0	0	1
DNOs	3	3	4	2	0	2	0
IDNO	0	0	1	0	0	1	0
Total	3	3	5	2	0	3	1

4.21 There was support for all of the objectives apart from objective 5. The Working Group considered the respondents' views when determining which objectives were better facilitated by this change in section 7.

Question 8: Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

4.22 Some respondents noted possible overlaps with the charging work being undertaken as part of the Charging Futures Forum; however the Working Group agreed that the majority of responses indicated a desire for the proposal to continue being developed as a standalone CP.

Question 9: Are there any alternative solutions or unintended consequences that should be considered by the Working Group?

- 4.23 No respondents noted any alternative solutions or unintended consequences, and the Working Group agreed that the development of DCP 305 could continue.

Question 10: Do you agree with the proposed implementation approach for DCP?

- 4.24 All but one respondent agreed with the proposed implementation approach of first release following Authority approval however one respondent disagreed, noting:
- *“We believe that this change should be introduced to take effect from April 2020, to provide the appropriate notice period which is the usual approach for charging related changes”.*
- 4.25 The Working Group reviewed the responses and unanimously agreed that this CP’s implementation date should be the next release following Authority decision since this change does not impact the tariff setting for defect 1 since all DNOs’ 2018/19 and 2019/20 charges are compliant with DCP 305 and for defect 2 it only changes how the tariffs are applied and, as such, a 15-month lead time for the change is not required. This would also allow for derogations to lapse early and no need for others to potentially be raised which may have been the case if the alternative suggestion of 01 April 2020 were agreed.

Consultation One: Working Group Conclusion

- 4.26 The Working Group agreed that there was no substantive feedback received from respondents apart from support for the CP, so the solution chosen to be taken forward was that detailed in the consultation in addition to some minor housekeeping changes. On this basis, the Working Group was happy for the proposal to proceed to Change Report stage.

5. Legal Text

- 5.1 The legal text amendments are made to both schedule 17 and 18, and schedule XX which will be introduced on 1 April 2018 by DCP 234.
- 5.2 In Schedule 17 and 18 paragraph 24, the five network levels and the fifteen category definitions are deleted and catered for in Schedule XX (five network levels) and paragraph 26.3 (which refers to paragraph 15.6 for the fifteen category definitions). Also the explanation of Point of Common Coupling is deleted from paragraph 24.7 since it is already explained within the glossary section. Finally, paragraph 24.4 (designation of 66kV circuits) has been deleted and moved to paragraph 45A of schedule XX.

- 5.3 In Schedule 17 and 18, paragraph 26 is amended to cater for the two scenarios identified in this CP.
- 5.4 Schedule XX is amended by redefining the definitions of the five network levels contained within paragraph 45.
- 5.5 During the development of the CP, the Working Group noted that the acronyms 'IDNO' and 'LDNO' are used inconsistently in schedules 17 and 18. As a result of views received from the consultation, the Working Group has amended these to consistently refer to 'LDNO' in the impacted section of each schedule.
- 5.6 Two further housekeeping changes have been made to refer to 'Distribution System' in preference to 'network' to standardise the schedule, and two incorrect references to Licence conditions have been updated.
- 5.7 Details of the proposed legal text amendments can be found in Attachment 1

6. Impacts & Other Considerations

Consumer Impacts

Scenario A

- 6.1 The impact of the change to avoid double charging in respect of customers covered by scenario A will vary significantly from case to case, depending on the connection configuration of the customers in question and so is difficult to quantify.
- 6.2 There would be no impact on the customers of either DNO1 or DNO2 who fall under this scenario as a result of DCP 305 – the former because DNO1's interpretation of the legal text has resulted in it applying the Point of Common Coupling which DCP 305 seeks to apply; the latter because DNO2 is operating under a derogation from Ofgem to effectively apply DCP 305 in this specific case and where this derogation is applicable until DCP 305 is either implemented or rejected.
- 6.3 In the case of DNO1, if the Proposer's interpretation of the legal text were to be applied, Point of Common Coupling 1110 – 'Point of Common Coupling at a voltage of 22 kV or more, but less than 132 kV, not at a substation, fed from a substation whose primary side is attached to a 132 kV distribution circuit' would be applied, resulting in the 5.5km 33kV double circuit being charged as both a shared use and sole use asset. In the case of DNO2, if the Proposer's interpretation of the legal text were to be applied, Point of Common Coupling 1000 – 'In England or Wales only, Point of Common Coupling at a voltage of 132 kV, unless the Connectee qualifies for category 0000' would be applied, resulting in the 132kV double circuit cable being charged as both a shared use and sole use asset.

Scenario B

- 6.4 The impact of scenario B will vary depending on the Point of Common Coupling of the LDNO network and the voltage level of the DNO/LDNO boundary. The table below shows the minimum, average and maximum discounts applied to the all-the-way tariffs to determine LDNO tariffs for each of the boundary voltages shown. The impact of scenario B will be the differential between the discount which would be applied if the Point of Common Coupling were used to determine the tariff than if the DNO/LDNO boundary were used. A breakdown of this data by DNO licensee can be found at Attachment 6.

End Customer Voltage	Boundary Voltage	GB Min	GB Average	GB Max
LV	0000	91.2%	95.0%	98.0%
	132kV	74.3%	86.2%	94.0%
	132kV/EHV	65.3%	80.6%	97.9%
	EHV	62.6%	74.0%	88.4%
	HVPlus	50.9%	65.5%	76.3%
HV	0000	85.8%	91.4%	95.9%
	132kV	58.5%	76.3%	90.8%
	132kV/EHV	44.2%	66.5%	96.2%
	EHV	40.1%	55.2%	79.0%
	HVPlus	24.4%	40.4%	56.9%

Environmental Impacts

- 6.5 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 305 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

- 6.6 Ofgem has been fully engaged throughout the development of DCP 305 as an observer on the Working Group.
- 6.7 Without prejudice to the Authority's consideration of DCP 305, Ofgem recently issued a derogation to Northern Powergrid regarding scenario A. Notwithstanding the anonymous RFI, Ofgem would encourage other DNOs to contact them if they are aware of any equivalent circumstances on their own networks, which may require a derogation.

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 six DCUSA Charging Objectives.

- 7.2 The Working Group unanimously considers that the DCUSA Charging Objectives 1, 2, 3, 4 and 6 are better facilitated by DCP 305. The reasoning against each objective is set out below:

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	Positive
<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.	Positive

Charging Objective 1: DNOs have a licence obligation to not distort competition in electricity distribution. This would be achieved by removing an undue barrier to growth by LDNO networks that currently arises from the change in customer categorisation that would result from the connection of a second customer. DNOs also have a licence obligation to not discriminate unduly. This would be achieved by removing unjustified differences in treatment between LDNO networks with one customer and LDNO networks with more than one customer.

Charging Objective 2: Implementation of this change would better meet this objective by removing an undue barrier to growth by LDNO networks due to the change in customer categorisation that would result from the connection of a second customer.

Charging Objective 3: Implementation of this change would better meet this objective by preventing instances of DNOs double charging for certain assets, and instances of DNOs not charging at all for certain assets.

Charging Objective 4: Implementation of this change would better meet this objective by recognising the recent development of LDNO networks serving multiple EHV customers.

Charging Objective 5: Neutral

Charging Objective 6: Implementation of this change would better meet this objective by making the boundary classification for customers connected to LDNO networks under the EDCM simpler, clearer and more logical.

8. Implementation

- 8.1 The proposed implementation date for DCP 305 is the first DCUSA Release following Authority approval. See paragraph 4.25 above for rationale.

9. Code Specific Matters

- 9.1 There are no specific matters identified.

10. Recommendations

Panel's Recommendation

- 10.1 The Panel approved this Change Report on 21 March 2018. 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 305.
- 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 CP.

Attachments

- Attachment 1 - DCP 305 Legal Text
- Attachment 2 – DCP 305 Voting Form
- Attachment 3 – DCP 305 Change Proposal
- Attachment 4 – Request for Information
- Attachment 5 – DCP 305 Consultation and Collated Responses
- Attachment 6 – Scenario B Impact assessment on discount factors