




DCUSA Change Report		At what stage is this document in the process?
<h1>DCP 294</h1> <h2>Capacity Management following acceptance of Connection Offer</h2> <p><i>Raised on 01 March 2017 as a Standard Change</i></p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<b>Purpose of Change Proposal:</b> <p>DCP 294 seeks to put arrangements in place that set out the principles under which the unutilised maximum capacity specified in connection offers or in bilateral connection agreements with IDNOs can be managed in an economic and efficient manner whilst protecting the legitimate requirements of parties requiring capacity which was agreed in connection offers.</p>		
	<p>This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 294 – ‘Capacity Management following acceptance of Connection Offer’</p> <p>Parties are invited to consider the proposed amendment (Attachment 1) and submit their votes using the Voting form (Attachment 2) to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> by <b>17 April 2018</b>.</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>If you have any questions about this paper or the DCUSA Change Process, please contact the DCUSA by email to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> or telephone 020 7432 3011.</p>	
	<p>Parties Impacted: <b>Distribution Network Operators (DNOs), Independent Distribution Network Operators (IDNOs)</b></p>	
	<p>Impacted Clauses:</p> <p>Section 2B of DCUSA: Clause 39</p> <p>Schedule 22 of DCUSA (the CCCM): An amendment to the definition of Development Phase</p>	

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Any questions?

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## Timetable

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

### Change Proposal timetable

Activity	Date
Initial Assessment Report Approved by Panel	08 March 2017
Consultation issued to Parties	27 October 2017
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 the Authority	19 April 2018
Authority Decision	25 May 2018
Implementation	First DCUSA release after Authority approval

## 1 Summary

### What?

- 1.1 The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity Distributors and electricity Suppliers and large Generators. Parties to the DCUSA can raise Change Proposals (CPs) to amend the Agreement with the consent of other Parties and (where applicable) the Authority.
- 1.2 This Change Proposal (CP), is seeking to:
- ensure that the right to vary the capacity of a connection between Distribution Network Operators (DNOs) and Licensed Distribution Network Operators<sup>1</sup> (LDNOs) is clarified and that any such variation considers the development phase of such a connection; and
  - Amend the timeframe of the development phase.

### Why?

- 1.3 The rights to vary the capacity of a connection is either silent, contained in bi-lateral agreements between each company or subject to an interpretation of the Electricity Act.
- 1.4 The development phase of an LDNO network is currently three years and does not cater for the majority of connections.

### How?

- 1.5 Include a variation clause within the main body of DCUSA to cover the rights of both DNOs and LDNOs and change the timeline within the definition of Development Phase from three years to five years.

## 2 Governance

### Justification for Part 1 Matter

- 2.1 DCP 294 has been designated as a Part 1 Matter as the proposed change potentially impacts on both 9.4.1 and 9.4.2 of DCUSA.
- 9.4.1 – it is likely to have a significant impact on the interests of electricity consumers; and

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<sup>1</sup> LDNOs covers both IDNOs and DNOs operating out of area as defined in the electricity distribution licence 13A.15 under the definition of LDNO Distribution System and contained within Schedule 16 of DCUSA.

- 9.4.2 – it is likely to have a significant impact on competition in distribution.

2.2 DCP 294 has been designated as a standard change.

### Requested Next Steps

2.3 The Panel considered that the Working Group have carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 294.

2.4 The DCUSA Panel recommends that this CP:

- Be issued to Parties for Voting.

## 3 Why Change?

### Background of DCP 294

- 3.1 Where LDNOs request a connection from a DNOs' distribution system they will often be building out a new network to serve a development that comprises many premises. These developments may take months or years to complete so the maximum capacity required on the completion of the new network will not be required at the initial energisation of the connection between the LDNOs and the DNOs' distribution systems.
- 3.2 Presently the provisions for managing the capacity during the build out of the new network and up to the completion of the network is covered by the "Capacity Ramping for LDNOs" provisions in Schedule 22 of DCUSA – "the Common Connection Charging Methodology". The Proposer's view is that this process is better managed through Section 2B of the DCUSA – "Distributor to Distributor Relationships" – and that the process for managing capacity at the connection between the LDNO's and DNO's network should be updated to be clear and transparent.
- 3.3 The Proposer is of the view that Capacity Ramping was originally included in the Common Connection Charging Methodology (CCCM) to address issues caused by margin squeeze on LDNOs because of bulk supply tariffs. The Proposer also believes that since the introduction of portfolio billing these arrangements are no longer required for that purpose. DCP 114<sup>2</sup>/115<sup>3</sup> sought to introduce mechanisms to the National Terms of Connection (NTC) where distributors could manage capacities on connections to end customers. Since the connection between the DNO and the LDNO is not covered by the NTCs, the arrangements put in place by DCP 114/115 does not cover those connections. DCP 294 seeks to put in place similar arrangements to manage instances where capacity is underutilised.
- 3.4 In some instances, the development that the connected LDNO is providing connections to will differ to that which was proposed initially and for which the LDNO and the DNO agreed a Bilateral Connection Agreement (BCA). When the development is fully completed the actual Maximum Import Capacity (MIC) or Maximum Export Capacity (MEC) may differ from the value that was agreed in the BCA. The Proposer believes that, in order to prevent capacity in LDNO networks

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<sup>2</sup> DCP 114 – NTC Amendments – Capacity Management (Over-Utilisation)

<sup>3</sup> DCP 115 – NTC Amendments – Capacity Management (Under-Utilisation)

becoming sterile, there should be a consistent and transparent process for DNOs to request reductions in the MIC or MEC in the BCA where it considers appropriate. Section 2B of the DCUSA already contains provisions for instances where the LDNO exceeds the capacity stated in the BCA. It is not proposed that any changes are made to these provisions by DCP 294.

## 4 Solution

### DCP 294 Assessment

- 4.1 The DCUSA Panel established a Working Group to assess DCP 294. This Working Group consists of DNO and IDNO 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](http://www.dcusa.co.uk).
- 4.2 DCP 294 was raised by The Electricity Network Company and seeks to put arrangements in place that set out the principles under which the unutilised maximum capacity specified in connection offers or in bilateral connection agreements with IDNOs can be managed in an economic and efficient manner whilst protecting the legitimate requirements of parties requiring capacity which was agreed in connection offers.
- 4.3 After discussing the intent of the CP, the DCP 294 Working Group highlighted a number of potential areas of concern. These being; impacted parties, connection offers and underutilised maximum capacity.

### Impacted parties

- 4.4 The intent of this CP is specific to IDNOs only whereas the information provided in the CP and contained in the suggested legal text opened this up to all customers. The Proposer acknowledged that this was the case, however, it was the intention to include customers and as such this was an omission. Both the Working Group and the Proposer agreed that the intent could not be amended to include references to customers since this would be outside of the guidelines provided within the terms of reference for the Working Group. It was the view of the Working Group that such instances of underutilisation of capacity is already addressed in the NTC for customers in any event.
- 4.5 However, it was acknowledged that where the reference to IDNOs was used, this should also include DNOs operating out of area. This is because the suggested legal text within Schedule 22 associated with capacity ramping and within Section 2B of DCUSA impact both IDNOs and DNOs operating out of area (together known as LDNOs).

### Connection Offers

- 4.6 The Working Group agreed that since customers were out of scope for the CP, any such reference to connection offers reflects an offer made to a LDNO. It was also agreed that paragraph 1.5 covering speculative developments would also not need to be considered further by this CP.

- 4.7 The Proposer was of the view that a reference to connection offers will still need to be referred to since a BCA is not always put in place between the Host Distributor and the LDNO so any reference to the agreed maximum capacity would be lost.
- 4.8 It was highlighted that within Section 2B of DCUSA, paragraph 38.1 provides the LDNO with the right to request a BCA and that the Host Distributor has to comply with such a request. It was therefore felt that the BCA, which would include a reference to the agreed maximum capacity, is the only document that needs to be referred to within this CP and not both.
- 4.9 The Working Group and the Proposer agreed that the reference to connection offers needs not be made based on the above.

#### **Unutilised Maximum Capacity**

- 4.10 The Working Group were comfortable with the CP being specific to unutilised maximum capacity, however, the Proposer was also considering introducing paragraphs related to overutilized maximum capacity. It was brought to the attention of the Proposer that DCUSA, within Section 2B, already caters for overutilized maximum capacity and that this CP should therefore only consider unutilised maximum capacity as per the intent of the CP.
- 4.11 The Working Group also agreed that the rights covered in the Electricity Act and those contained within any BCAs will be unchanged, though the terms under DCUSA will be in line with the legal text amendments.

#### **Intent of the CP**

- 4.12 Based on the above discussions, the Working Group agreed to refine the solution for the change and therefore agreed the following:

“DCP 294 seeks to put arrangements in place that set out the principles under which the unutilised maximum capacity specified in BCAs with LDNOs can be managed in an economic and efficient manner whilst still protecting the legitimate requirements of the LDNOs.”

- 4.13 The Working Group then discussed the Proposer's principles of the CP. These are summarised as:
- Where capacity is not fully utilised in connection projects or there is no contracted prospect of this capacity being utilised by the LDNO, the Host Distributor is able to ensure that this capacity is available for other connecting customers; and
  - If a LDNO reduces the Maximum Capacity, the basis on which the charge for providing the original connection should be reviewed.
- 4.14 The first principle introduced a discussion on the legal interpretation of the Electricity Act and advice that was provided to a number of DCUSA changes and the Energy Networks Association (ENA) in relation to maximum capacity. The Working Group's conclusion on the legal advice is that the connectee has enduring rights to retain the maximum capacity as long as the connection is required, and the Host Distributor must maintain such a connection unless the connection is no longer required or the connectee agrees to a reduction.

- 4.15 The Working Group therefore agreed that the principle needs to be amended to introduce appropriate arrangements for managing unutilised maximum capacity on similar grounds to that introduced by DCP 115. DCP 115 addresses the issue of under-use of capacity. It clarifies the rights for the Distributor to take appropriate action in cases where the customer does not use some or all of the MIC or MEC reserved for its connection.
- 4.16 On the second principle, the Working Group agreed that both the Host distributor and the LDNO will have designed and built their network based on the maximum capacity requested at the time and based on the connection offer.
- 4.17 The Working Group therefore concluded that the principle should be clarified and relate to where unutilised capacity has been agreed to be made available to the Host distributor (i.e. an agreed reduction in capacity with the LDNO) and a new customer takes advantage of this then the second comer rules associated with the relevant Electricity (Connection Charges) Regulations (ECCRs) may apply.
- 4.18 Based on this amended principle the Working Group agreed that there was no need to change DCUSA since distributors must comply with the relevant ECCRs.

### **DCP 294 Consultation**

- 4.19 The Working Group carried out a consultation (Attachment 4) to give DCUSA Parties and other interested organisations an opportunity to review and comment on the proposed DCP 294 solution. The Working Group issued the consultation to DCUSA Contract Managers and Ofgem on 27 October 2017 to gather Party opinion on:

- The approach to be adopted for unutilised capacity;
- Capacity Ramping; and
- Treatment of customer contributions.

- 4.20 There were nine responses received to the consultation. Six respondents were Distribution Networks Operators and three respondents were Independent Distribution Network Operators. The Working Group discussed each response and its comments are summarised alongside the collated consultation responses in Attachment 4.

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

#### **Question 1: Do you understand the intent of DCP 294?**

- 4.22 All respondents understood the intent of the CP and any concerns received were discussed in other consultation responses.

#### **Question 2: Do you agree with the amended principles of DCP 294?**

- 4.23 All respondents agreed with the amended principles of DCP 294 and as with question one, any concerns are covered in other consultation responses.



### Question 3: What are your thoughts on underutilisation of capacity?

- 4.24 There was a mixed response from industry on this question. There was general support for ensuring that under used capacity was made available, but concerns were raised over how a Host Distributor would know whether this was the case due to lack of metering at the boundary of connection and ensuring that their rights were protected under the Electricity Act.

### Question 4: DCP 115 introduced a process relating to the conditions that must be met for a distributor to propose a variation to reduce the agreed capacity. Based on experience over the last two years since its introduction, are the parameters contained in paragraph 39.12A set at the right values especially since they would be applicable to Distributor to Distributor connections?

- 4.25 Parties views focussed in on the trigger of 75% below the MIC/MEC to request a reduction and the fact that they would not receive such information since no metering is installed.
- 4.26 The Working Group agreed to consider an alternative approach to the trigger suggested but did agree to amend clause 39.12A to reflect the suggestion of amending the 1-month time window to a 3-month time window for the DNO to assess and review the request to vary the MIC/MEC.

### Question 5: Do you agree that Parties may be able to refer any disputes to the Authority for determination under section 23 of the Electricity Act 1989?

- 4.27 Parties disagreed on this. Some believed that you could refer the matter based on such a reference being contained within the NTC introduced by DCP114/115, whereas others did not quote various Electricity Act sections and their interpretation of them.
- 4.28 The Working Group concluded that further consideration was needed for review of the relationship between the current BCAs, Schedule 13 of DCUSA which covers the template BCA and the Electricity Act.

### Question 6: What is your view on capacity ramping?

- 4.29 Once again there were mixed views. A number of respondents stated the need for such arrangements fell away once portfolio billing was introduced, whilst others felt that it had an important part to play. It allows both parties to agree an outline uptake of capacity requirements over the Development Phase of the scheme and also the opportunity to review the uptake of capacity over that period.
- 4.30 The Working Group agreed to retain the clauses covering capacity ramping and review the process.



**Question 7: The Working Group are seeking industry views on removing paragraphs 1.52 and 1.53 from the CCCM and adding paragraphs 39.9A and B to Section 2B of DCUSA?**

- 4.31 There were differing responses to this question of the consultation. Some responses agreed with removing paragraphs 1.52 and 1.53 and adding paragraphs 39.9A and 39.9B to Section 2B of DCUSA, however some respondents thought that the CCCM should be untouched.
- 4.32 The Working Group agreed that the current drafting of the CCCM should be left unaltered, the proposed 39A and 39B of DCUSA should be removed and something new should be drafted to cover the concern over a variation clause be it by referencing the template BCA in Schedule 13 or within Section 2B.

**Question 8: Do you foresee any issues resulting from the fact that, if included in DCUSA, any proposed modifications to these paragraphs will be required to be made with reference to the applicable DCUSA Objectives for changes to DCUSA, while if they remain in the CCCM, any changes are required to be made with reference to the set of relevant objectives associated with changes to charging methodologies?**

- 4.33 Eight respondents provided a view on this question. The majority agreed that they could not foresee any issues. However, one DNO respondent thought that a certain amount of flexibility may be lost should the proposed paragraphs be included in DCUSA as opposed to the CCCM.
- 4.34 The Working Group discussed this and agreed that the clauses are to be retained within the CCCM to maintain a difference between the two processes, one up to the end of the development phase and one post the development phase. Therefore, this would relieve the concerns from the DNO response.
- 4.35 The Working Group also concluded that the decision on the outcome to question 7 above had been made this question redundant i.e. which set of objectives were to be considered by the fact that information should be retained within the CCCM.

**Question 9: Do you consider that there are instances where a reduction in Maximum Import Capacity or Maximum Export Capacity should cause the Connection Charge to be recalculated? Please provide examples.**

- 4.36 Four respondents believed that there would not be any cases where the Connection Charge would need to be recalculated.
- 4.37 One IDNO believed that if a Developer has invested in an asset with resultant Connection Charges in return for a fixed capacity availability, only for the return to be reduced due to DNO/LDNO actions, the Developer would seek for the original investment to be adjusted accordingly. However, the Working Group highlighted that this applied to DCP 115 instead of DCP 294. If the LDNO were

going to be impacted, it would have to be rectified before the BCA is agreed as they would not be able to meet their customer obligations and would be protected by their existing contracts.

4.38 Three DNOs highlighted that the only instance that they believe that the Connection Charge might be recalculated when the ECCR 2002 or 2017 could be applied. The Working Group noted these responses to this question.

4.39 Another DNO believed that if a capacity reduction is identified before the connection/reinforcement is completed, then this could trigger possible re-design of the connection/reinforcement which may trigger the recovery of any wasted investment and may change the customer's costs. The Working Group noted this response and highlighted that there would need to be further discussion in this area.

4.40 The Working Group agreed to review the development phase.

**Question 10: Do you have any comments on the proposed legal text? If yes, please provide suggested amendments.**

4.41 There were a number of comments on the legal text that, together with the comments received to other questions within the consultation, helped the Working Group develop further the CP.

**Question 11: Which of the General and Charging Objectives better facilitate DCUSA by the inclusion of this Change Proposal? Please provide your rationale.**

4.42 There was a mix response to which DCUSA General and DCUSA Charging objectives would be better facilitated by this change.

4.43 It was highlighted by respondents that the following DCUSA objectives are better facilitates:

- General Objectives One, Two, Three and Four
- Charging Objectives One, Two, Three and Four

4.44 One DNO believed that DCUSA General Objectives Two and Three would not be better facilitated if DCP 294 was accepted.

4.45 However, one DNO respondent stated that they did not believe that any of the DCUSA Objectives would be better facilitated if this change was implemented.

4.46 The Working Group highlighted all responses and agreed that they would need to look at this as part of the Change Report stage of the Change Process. More information on the Charging Objectives can be found in Section 5 below.

### Question 12: Do any of these initiatives impact this CP? Please provide your rationale.

- 4.47 Only six respondents provided their opinion on this question.
- 4.48 Five respondents highlighted that they did not believe that any of the stated initiatives would have an impact on DCP 294.
- 4.49 One DNO response suggested that the change would complement the existing initiatives and address under-utilised capacity on the network.
- 4.50 The Working Group concluded that they would be vigilant when reviewing DCP 294 against Ofgem's current initiatives to ensure that it is not reviewed elsewhere. However, the Working Group believe that the DCUSA Change Process is the correct avenue.

### Question 13: Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

- 4.51 Seven respondents to this question did not believe that there are any other wider industry developments that would impact or be impacted by this change. However, two DNO responses highlighted that Ofgem's QMEC work might be the better place for this change to be progressed.
- 4.52 The Working Group did not believe that there would be any wider industry developments that would impact on the change. However, the Working Group have kept an eye on the activities of Ofgem's Network Access Task Force to ensure that there is no duplication of effort.

### Question 14: Are there any alternative solutions or unintended consequences that should be considered by the Working Group?

- 4.53 Five respondents believed that there were not alternative solutions or unintended consequences that should have been considered by the Working Group.
- 4.54 Two DNO responses highlighted that an unintended consequence could be an increase in obligations on DNOs even though there isn't a real benefit to the network. However, when reviewing the consultation responses, the DNO Working Group representatives confirmed that at the time of the consultation these comments were valid but as the Working Group discussions have progressed, the comment is now redundant.

### Question 15: Do you have any comments on the implementation date including consideration on any potential lead time required to put in place processes in advance of its implementation?

- 4.55 From the seven responses to this question, five respondents were happy with the implementation date and believed that there was no need for any lead time.

4.56 However, one DNO stated that if the change would result in a requirement, rather than being optional, it would result in a lead time of at least six months.

4.57 Another DNO highlighted that there could be potential impacts on the implementation timescales if there would need to be a change to the CCCM.

### Working Group Next Steps

4.58 The Working Group agreed that the following key areas needed to be addressed in order to finalise the CP:

- In considering a variation clause, to decide whether to refer to Schedule 13 of DCUSA or put a specific clause within section 2B; and
- To review the capacity ramping clauses.

4.59 In order to develop the above the Working Group requested information from the DNOs in the Working Group (all DNOs being represented in the Working Group) on the following:

- Do you use the template BCA as the basis of the BCAs in place with LDNOs, and if not do you include a variation clause;

and from all Working Group members on:

- review the development phase clauses; and
- consider how long the majority of their connections take to complete.

4.60 The responses received from DNOs was that they all use the template BCA when developing their BCAs with LDNOs. One Working Group member pointed out that since these are bi-lateral agreements they can be changed and that to ensure that such a variation is a right, consideration needs to be made to capturing the clause within section 2B rather than referring to Schedule 13. The Working Group agreed with this approach and also agreed to replicate as much as possible the words contained within Schedule 13, para 8.2 which covers variations.

4.61 Contained within Schedule 13, para 8.2 is the right for either party to vary the BCA (which includes the maximum import capacity and maximum export capacity), as well as a timescale (20 Working Days) to agree to the proposed amended and a right for either party to refer the matter to the Authority under section 23 of the Electricity Act.

4.62 Concerns were raised by Working Group members and the Ofgem observer regarding the right to refer any lack of agreement to the Authority under section 23 of the Electricity Act within the new clause 39.12A. The Working Group agreed to seek legal opinion when the legal text was passed to them for their review.

4.63 Having sought legal review and noting that DCUSA already caters for dispute resolution under clause 58.1, the Working Group agreed to remove the reference to section 23 of the Electricity Act

in clause 39.12A of the proposed legal text and agreed to the minor amendments suggested by the legal advisor.

- 4.64 The Working Group reviewed the feedback on the development phase clauses and all agreed that no changes were needed.
- 4.65 When discussing the Development phase timeline, one Working Group member indicated that 90% of the sites which have adopted (or are adopting) since 1<sup>st</sup> January 2015 complete in five years. The current three-year definition would only capture roughly 52%. Other views mentioned in the consultation suggested that a backstop date of eight years be considered, while other Working Group members preferred the status quo. The majority of the Working Group agreed to change the Development phase definition from three years to five years and retain 'unless otherwise agreed'

## 5 Relevant Objectives

### Assessment Against the DCUSA Objectives

- 5.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better meets the DCUSA Objectives. The Working Group sought Parties views on which of the DCUSA General Objectives are better facilitated by this change.
- 5.2 The Working Group's unanimous view on which DCUSA General Objectives were better facilitated are General Objective 1, 3 and 4.
- 5.3 The Working Group's majority view on the DCUSA Charging Objectives is neutral, however, there was a minority view to support DCUSA Charging Objective One.
- 5.4 The table below showcases the rationale for the above decisions.

#### Impact of the Change Proposal on the Relevant Objectives:

Relevant Objective	Identified impact
General Objective One – the development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	Positive  By including a clause to open up discussions on the freeing up of capacity for use elsewhere on the network
General Objective Two – the facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity	Neutral

General Objective Three – the efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences	<p>Positive</p> <p>By opening dialogue between DNOs and LDNOs, it makes it more transparent that the obligations imposed on their licences are being met</p>
General Objective Four – the promotion of efficiency in the implementation and administration of the DCUSA	<p>Positive</p> <p>Provides clarity on the right of both Parties to vary the BCA</p>
General Objective Five - the promotion of efficiency in the implementation and administration of this Agreement and the arrangements under i	<p>Neutral</p>
General Objective Six - compliance with the Regulation on Cross-Border Exchanges in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators	<p>Neutral</p>
Charging Objective One – 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	<p>Positive</p> <p>It allows distribution parties to have a better understanding of the capacity (through the Development phase) that will be connected to our networks and will allow those parties to more easily manage an efficient, economic and co-ordinated distribution system</p> <p>Neutral</p> <p>There are no additional process or obligations. The only change is how long the development phase will last.</p>
Charging Objective Two – 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)	<p>Neutral</p>

Charging Objective Three – 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	Neutral
Charging Objective Four – that, so far as is consistent with Clauses 3.2.1 to 3.2.1, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party’s Distribution Business	Neutral
Charging Objective Five - that compliance by each DNO Party with the Charging Methodologies facilitates compliance with the Regulation on Cross-Border Exchanges in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulator	Neutral
Charging Objective Six - that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	Neutral

## 6 Impacts & Other Considerations

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

- 6.1 The Working Group considered the views from some respondents that the Change Proposal may be better suited under Ofgem’s Network Access Task Force as part of their Charging Futures Forum (CFF) work.
- 6.2 After discussion, the Working Group agreed that the Task Force was still deciding on its scope of work although there are some links between the two and since the change is at the change report stage they would prefer to continue with progressing this change to a conclusion rather than withdrawing the change or putting it on hold.

### Consumer Impacts

- 6.3 No consumer impacts have been identified.

### Environmental Impacts

- 6.4 In accordance with DCUSA Clause 11.14.6, the Working Group assessed whether there would be a material impact on greenhouse gas emissions if DCP 294 were implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.



## Engagement with the Authority

- 6.5 Ofgem has been fully engaged throughout the development of DCP 294 as an observer on the Working Group.

## 7 Implementation

- 7.1 The proposed implementation date for DCP 294 is the first release after the Authority decision has been made.

## 8 Legal Text

- 8.1 The DCP 294 draft legal text acts as Attachment 1 to this Change Report.
- 8.2 The draft legal text amends Section 2B of DCUSA, by specifically including a variation clause within clause 39 and also amending the definition of 'Development Phase' in Schedule 22 (CCCM) from three years to five years.

### **Add new Clauses 39.12A and 39.12B to Section 2B of DCUSA as follows:**

#### **Variation to the Maximum Import Capacity and Maximum Export Capacity**

- 39.12A Except where a variation requires a Modification, either Party may propose a variation to the Maximum Import Capacity and/or Maximum Export Capacity contained within the Bilateral Connection Agreement by notice in writing to the other Party. The Company and the User shall negotiate in good faith the terms of any such variation.
- 39.12B Where the Bilateral Connection Agreement includes a phased 'Required Capacity' for the 'Development Phase' (as each such expression is defined in Schedule 22), any proposal to vary the Bilateral Connection Agreement made pursuant to Clause 39.12A shall take into account the capacity required for the remainder of such Development Phase, as set out in the Bilateral Connection Agreement.

### **Amend Schedule 22, Section 2 as follows:**

<b>Development Phase</b>	the <del>three-five</del> -year period, unless otherwise agreed with us, commencing on the date of Energisation of an embedded network, <del>during-over</del> which <u>period</u> the development is <u>to be</u> constructed.
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## 9 Code Specific Matters

### Modelling Specification Documents

9.1 Not applicable.

### Reference Documents

9.2 Not applicable.

## 10 Recommendations

### Panel's Recommendation

10.1 The Panel approved this Change Report on 21 March 2018. The Panel considered that the Working Group had carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 294.

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

### Attachments

- Attachment 1 – DCP 294 Legal Text
- Attachment 2 – DCP 294 Voting Form
- Attachment 3 – DCP 294 Change Proposal
- Attachment 4 – DCP 294 Consultation and Collated Responses