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| **DCUSA Consultation** | | At what stage is this document in the process? |
| DCP 291  Application of Generation Credits to EDCM Customers  *Raised on the 10 February 2017 as a Standard Change* | | |  | | --- | | **01 – Change Proposal** | | **02 – Consultation** | | **03 – Change Report** | | **04 – Change Declaration** | |
| **Purpose of Change Proposal:**  The intent of this Change Proposal is to apply EDCM generation credits to all generators whether intermittent or non-intermittent, on the basis that a LRIC/FCP charge 1 exists. | | |
| Description: Description: YES_GREEN | The Workgroup recommends that this Change Proposal should:  proceed to Consultation Parties are invited to consider the questions set in section 10 and submit comments using the form attached as Attachment 1 to dcusa@electralink.co.uk by **xx xxxx 2017.** DCP 289 has been designated as a Part 1 Matter and an urgent change.  The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the Change Proposal (CP). | |
| Description: Description: High_Impact | Impacted Parties: Distributed Generation, Suppliers and Customers | |
| Description: Description: High_Impact | Impacted Clauses: Schedule 17 and 18 (EDCM) | |

***Guidance On The Use Of This Template****:*

*Code Administrators will produce this Report using the original proposal as the source.*

*The Workgroup will verify all of the information provided, adding the Impact Assessment.*

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| Contents  1. Summary 3  2 Governance 4  3 Why Change? 4  4 Working Group Assessment 5  5 Legal Text 6  6 Relevant Objectives 6  7 Impacts & Other Considerations 7  8 Implementation 8  9 Consultation Questions 8  Timetable  The timetable for the progression of the CP is as follows: Change Proposal timetable  |  |  | | --- | --- | | **Change Proposal timetable:** | | | Activity | Date | | Initial Assessment Report Approved by Panel | 15 February 2017 | | Consultation issued to Parties | TBC | | Change Report issued to Panel | 18 October 2017 | | Change Report issued for Voting | 20 October 2017 | | Party Voting Ends | 10 November 2017 | | Change Declaration Issued to Parties | 14 November 2017 | | Authority Decision | 19 December 2017 | | Implementation | 18 October 2017 | | **Any questions?** |
| Contact:  **Code Administrator** |
| **DCUSA@electralink.co.uk** |
| **02074323000** |
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| **0117 933 2349** |

1. Summary

#### What?

## 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.

## This Change Proposal (CP) seeks to address a MIG issue raised in November 2016 which identified differences in the application of generation credits to generators[[1]](#footnote-1).

## This change proposal would also seek to remove an inconsistency between the CDCM and EDCM in the application of generation credits to intermittent and non-intermittent generators. Within the CDCM all generators are eligible for credits on their export kWh, albeit currently intermittent generators receive the same credit pence per unit throughout the day and non-intermittent generators receive credits in the RED AMBER GREEN time bands. Within the EDCM only generators with an F factor greater than zero (as determined under P2/6 or ETR130) have the potential to receive a credit if a charge 1 under FCP or LRIC is determined.

## Further to this DCP268 “DUoS Charging Using HH Settlement Data” seeks to charge credits for all generators in the CDCM on a RED AMBER GREEN time band basis.

## This lack of consistency, and transparency of whether a generator will receive a credit across the two charging methodologies, does not assist generators when identifying where and how they should locate plant.

## This change proposal would allow credits to be paid to all generators who export onto the distribution network regardless of generation type.

#### Why?

## All EDCM generators would be eligible to receive a credit on its measured export output within the super red time band.

## **How?**

## This is a relatively simple change to implement. Within the EDCM model there is an input field “Proportion eligible for charge 1 credits”. This would be set to 1 for all generators.

1. Governance

#### Justification for Part 1 Matter

## This Change Proposal (CP) is considered a Part 1 Matter as it affects the level of charges for embedded generation and therefore impacts on competition for embedded generation as specified under 9.4.2 (A).

#### Current Next Steps

* Consultation Document issues for a period of two weeks
* Implement changes to the legal text in light of consultation responses
* Change Report drafted and submitted to DCUSA Panel
* Change Report issued for voting
* Change Declaration issued
* Ofgem Decision
* Potential implementation date: 01 April 2019

1. Why Change?

#### Background of DCP 291

## At the November and December 2016 DCMF MIG meetings, it was noted that for a number of sites, a specific generator was deemed to be not eligible for credits in a particular DNO area, whereas those same sites may be eligible for credits in some of the other DNO areas.

## The DCMF MIG observed that the DNO which deemed the generators to not be eligible only applies credits where a generator is required to meet the minimum standards for the security of supply ‘P2/6 standards’, meaning that generators would not be eligible for credits if the network does not require reinforcement, despite charge 1 implying that reinforcement is required. A DCMF MIG member stated that this approach does not recognise that Distributed Generation is freeing up network capacity and enabling more demand customers to connect in the future. A second issue relating to a new plant’s running regime was also identified, which may have a zero f factor – therefore not receiving a credit – despite it potentially being able to contribute to P2/6 security. It was noted that this approach is not forward looking and does not provide the correct price incentive on distributed generators to help DNO by exporting power during the super-red time period.

## The group noted that the following within the EDCM User Manual in respect of the eligibility criteria for charge 1 credits:

## *‘set to zero if the F factor that is assigned to the Connectee as described in the FCP/LRIC methodology is equal to zero, and 1 otherwise’*

for the avoidance of doubt the proportion eligible for charge 1 credits is 0 or 1 whilst the f factor can take any value between 0 and 1, in line with P2/6.

## DNOs completed a Request for Information (RFI) which was reviewed at the January 2017 DCMF MIG. Whilst reviewing the RFI responses, members questioned whether DNOs are in effect approaching the issue in the same way but interpreting it differently, rather than being non-compliant with the relevant charging arrangements.

## DCMF MIG members agreed that consistency is crucial, especially for non-DNO parties. In principle, DCMF MIG members also agreed that credits ought to be granted to generators if and only if they are in a position to support the network.

## Rather than a generator relying on meeting the minimum standards for the security of supply ‘P2/6 standards’ in order for it to be eligible to apply for credits, some DCMF MIG members favoured the solution of granting credits for all generation as each generator will only receive a credit if it exports during the super-red timeband as determined by each DNO.

## On this basis it was agreed that a DCUSA Change Proposal be drafted to that effect, proposing that the input proportion eligible for charge 1 credits within the EDCM model should be set to 1 for all generators, with the relevant conditions to be determined and decided on by the working group.

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| **Q1: Do you understand the intent of DCP 291?**  **Q2: Are you supportive of the principles of DCP 291?** |

1. Working Group Assessment

#### DCP 291 Working Group Assessment

## The DCUSA Panel established a Working Group to assess DCP 291. This Working Group consists of DNO and Supplier representatives, an Ofgem observer and other interested parties. 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).

* 1. DCP 291 was raised by Western Power Distribution and seeks to apply EDCM generation credits to all generators, if LRIC/FCP charge 1 is positive.
  2. In their 2012 decision letter relating to the application of credits to intermittent generators under the EDCM, Ofgem noted that they would not implement the suggested proposals set out by the DNOs as: *‘it could lead to demand customers paying for both partial credits and for network reinforcements.’[[2]](#footnote-2)*
  3. Some Working Group members argued that intermittent generators still generate at time of peak, and so they should still be eligible of receiving credits just as the non-intermittent generators do because they too are contributing to the network at that particular time. Other Working Group members disagreed, noting that there had been no change since the 2012 Ofgem decision and that it was unlikely that they would change their view in light of no specific evidence to the contrary being supplied. Double charging still exists as when the reinforcement costs are being calculated, DNOs set up the network with non-intermittent generators on the F factor and intermittent generators are not included in the calculations. Reinforcement costs are thus based only on non-intermittent generators, and the cost difference is used to calculate generation credits for non-intermittent generators. The reinforcement cost is likely to be higher as intermittent generators are not included as part of the cost calculations.
  4. <Section on RFI results to be compiled after receiving all responses to RFI and IA spreadsheet to be updated>
  5. This consultation document has been developed to gather information and feedback from market participants on this proposed change.

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| **Q3: Do you believe that intermittent generators should receive credits in the local network/nodal group and remote network/nodal group? Please provide rationale.**  **Q4: Noting the Ofgem decision letter from 2012, do you believe that the reasons for rejection are still relevant? Please provide rationale.** |

1. Legal Text

## **DCP 291 Proposed Legal Text**

Include Section reference

## *Charge 1 is applied to export charges as a credit. The credit is expressed as a negative charge rate in p/kWh and is applied in respect of active power units exported during the DNO Party’s super-red time band. The credit rate is set to ~~zero~~one for all generation Connectees ~~who are assigned an F Factor of zero~~. The credit rate is calculated as follows:*

## *[p/kWh super-red export rate] = -100\*[Proportion eligible for charge 1 credits] \*([network charge 1 £/kVA/year] + [parent charge 1 £/kVA/year] + [grandparent charge 1 £/kVA/year]) \* ([Chargeable export capacity]/[Maximum export capacity]) /[number of hours in the super-red time band]*

## *Where:*

## *The proportion eligible for charge 1 credits is given the value of one for all generators Connectees.~~zero if the F factor that is assigned to the Connectee as described in the FCP methodology is equal to zero, and 1 otherwise. section will be used to produce the legal text that changes the Code~~.*

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| **Q5: Do you have any comments on the proposed legal text for DCP 291?** |

1. Relevant Objectives

## **Assessment Against the DCUSA Objectives**

* 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. The full list of objectives is documented in the CP form provided as Attachment 4.

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| **Q6: Which DCUSA Charging Objectives does the CP better facilitate? Please provide supporting comments.** |

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| **DCUSA Charging Objectives** | **Identified impact** |
| 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 |
| 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)  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 |
| 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 | None |
| 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 |
| 6 that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration. | None |

1. Impacts & Other Considerations

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

## This Change Proposal could have potential interactions with:

* DCP 268 ‘DUoS Charing Using HH settlement data’
* DCP 274 ‘The application of export capacity charges in the EDCM’
* DCP 283 ‘The calculation of generation credits in the CDCM’
* DCP 287 ‘Generation credits in the EDCM’

#### Consumer Impact

## DCP 291 Impact Assessment

#### Environmental Impacts

## In accordance with DCUSA Clause 11.14.6, the proposer assessed whether there would be a material impact on greenhouse gas emissions if DCP 291 were implemented. The proposer did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

#### Engagement with the Authority

## Ofgem has been fully engaged throughout the development of DCP 291 as an observer on the Working Group.

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| **Q7: Are you aware of any wider industry developments that may impact upon or be impacted by this CP? Please provide rationale.** |

1. Implementation

## The proposed implementation date for DCP 291 is 1 April 2019.

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| **Q8: Are you supportive of the proposed implementation date of 01 April 2019?**  **Q9: Do you have any other comments on DCP 291?** |

1. Consultation Questions

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

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| **Number** | **Questions** |
|  | Do you understand the intent of DCP 291? |
|  | Are you supportive of the principles of DCP 291? |
|  | Do you believe that intermittent generators should receive credits in the local network/nodal group and remote network/nodal group? Please provide rationale. |
|  | Noting the Ofgem decision letter from 2012, do you believe that the reasons for rejection are still relevant? Please provide rationale. |
|  | Do you have any comments on the proposed legal text for DCP 291? |
|  | Which DCUSA Charging Objectives does this CP better facilitate? Please provide supporting comments.   1. The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated and economical Distribution Networks. 2. 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 3. The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences. 4. The promotion of efficiency in the implementation and administration of this Agreement 5. Compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators 6. Compliance with the Charging Methodologies promotes efficiency in its own implementation and administration |
|  | Are you aware of any wider industry developments that may impact upon or be impacted by this CP? Please provide rationale. |
|  | Are you supportive of the proposed implementation date of 01 April 2019? |
|  | Do you have any other comments on DCP 291? |

## Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk no later than, **xx xxxx 2017**.

## 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 – DCP 291 Consultation Response Form

1. http://www.energynetworks.org/electricity/regulation/distribution-charging/distribution-charging-working-groups.html [↑](#footnote-ref-1)
2. https://www.ofgem.gov.uk/sites/default/files/docs/2012/11/edcm-for-export---decision-letter---16nov12---final\_0.pdf [↑](#footnote-ref-2)