

COMBINING DNO AND IDNO UNMETERED INVENTORIES

1. Introduction

1.1. What problem are we seeking to resolve?

There is currently a requirement for Unmetered Customers to provide a detailed inventory to each DNO & IDNO with whom they have connections. Each of these inventories has separate MPANs. The Unmetered Customer is then required to contract with an energy supplier for each MPAN. This adds to the administrative burden for all industry stakeholders.

This level of granularity was introduced to enable the correct inter-distributor (DNO-IDNO) use of system charging. In practice, the financial value of this charging is minimal.

Where the Unmetered Customer wishes to trade the IDNO equipment on a half-hourly (HH) basis, it must submit a separate HH inventory. This significantly increases the costs to the Unmetered Customer in comparison to inclusion within a single inventory for the Distribution Services Area (GSP). Many Unmetered Customers are investing in CMS controlled equipment, which relies on HH settlement.

In practice, many Unmetered Customers are including the IDNO connected equipment within their DNO inventory with the effect that settlements may be erroneously double counting the consumption. In addition, the BSC Auditor has reported that in many cases the IDNO MPANs are not becoming registered, therefore the consumption is missing from settlement¹.

The risks and impacts introduced by not implementing the suggested solution described below are:

- Competition between the DNOs and IDNOs could be restricted, prevented, or distorted, as the DNO does not experience the issue of Unmetered Customer adoptions with their directly connected Unmetered Customers.
- Settlements is affected through the following:
 - The Unmetered Customer does not contract with the same supplier as they do for their DNO inventory, through choice or because some suppliers will not contract for an MPAN where the consumption is below their commercial decision to apply a threshold e.g. 50,000kWh. A typical IDNO UMS connection consumption is approx. 4000kWh (as determined by KPMG in recent BSC audits). Given this level of consumption, the Unmetered Customer is often unable to contract with their current supplier on previously agreed preferential rates.
 - Where the Unmetered Customer is able to contract with their preferred supplier, due to the fact that the IDNO inventories and associated kWh consumption is frequently so small it does not register in the megawatt field of the Settlements Supercustomer and HH DUoS Reports (D0030 and D0036). As a result, no DUoS is charged to the Supplier or between the DNO and the IDNO. However, the supplier is still able to charge the UMS Customer.
 - Some customers are already including the IDNO connected equipment on the inventory they submit to the DNO. Notwithstanding the issues above, this may be resulting in double counting within settlements.
- There is no governance around the existing process of Unmetered Customers adding IDNO inventories to DNO MPANs (often intentionally).

¹ <https://www.elexon.co.uk/wp-content/uploads/2015/07/BSC-Auditors-Summary-of-Market-Issues-03-July-2015.pdf> page 21

- Unmetered Customers will incur additional, often substantial, charges for their unmetered consumption, predominantly to allow the DNO and IDNO inter-distributor billing.

1.2. History of Changes

A series of changes have been raised to seek to address the concerns.

DCUSA DCP203² was raised in Feb 2014 and has been agreed by parties in Apr 2016. This simplifies the DNO-IDNO billing arrangements, which reduces the number of MPANs, required in each GSP Group.

BSC CP1414³ was raised in May 2014 to formalise the consolidation of inventories. Despite overwhelming Unmetered Customer support, SVG rejected the proposal in March 2015.

2. Trial

2.1. Summary

In 2015 Electricity North West Ltd agreed to a trial with IDNOs to enable the consolidation of inventories. The trial relies on support from the DNO, the IDNO and the Unmetered Customer. A number of Local Authorities are currently taking part in these trials.

As there are three parties involved the agreement is split into three elements:

1. DNO-IDNO Bilateral Connection Agreement (BCA). This agreement already exists to enable the DNO-IDNO connection. To enable the consolidation of the individual Unmetered Customers inventories under the DNO's MPAN, the agreement is modified to place an obligation on the IDNO to ensure that the individual Unmetered Customers connected to its network:
 - Updates their Detailed Inventory to include the developer's unmetered inventory as if it was connected to the DNO's Distribution System;
 - includes a network identifier to the Detailed Inventory so that a filter can be applied to determine the Detailed Inventory of each distributor; and
 - notifies the Company when any such amendments have been made.

The modification to the DNO-IDNO BCA will also require that the IDNO supports the DNO in complying with its obligations under the BSC.

It is important to note that whilst the DCUSA contains a template BCA, all DNOs have developed their own versions that vary from the template in the DCUSA. As such it is possible for each DNO to make this modification independently of the DCUSA thereby avoiding the need for changing the DCUSA. A copy of the amendment to the BCA used in the Electricity North West Ltd trial is included in Appendix A.

2. DNO-Unmetered Customer will have an existing connection agreement, either on a bilateral basis or linked to the National Terms of Connection (NTC)⁴. This does not need to change.
3. IDNO-Unmetered Customer will have an existing connection agreement, on a bilateral basis using a model form template that refers to the NTCs with minor additions, that enacts the obligations placed on the IDNO via the BCA with the DNO. These are in

² www.dcusa.co.uk/SitePages/Activities/Change-Proposal-Register.aspx

³ www.elexon.co.uk/change-proposal/cp1414/

⁴ www.connectionterms.org.uk/

respect of unmetered connections to the IDNO network within the Unmetered Customer's portfolio, and they bind the customer to:

- update its Detailed Inventory to include all Items connected to the IDNO network as if these had been connected to the DNO's network;
- include the IDNO's distribution network identifier against all such Items so that a filter can be applied to distinguish those Items from Items connected to the DNO's network or any other such distributor where a similar agreement exists; and
- as soon as reasonably practicable notify the IDNO when any such amendments have been made.

It is important to note that currently the NTCs can only place obligations on the Unmetered Customer to the distributor whose MPAN is registered with the customer's nominated electricity supplier, which will be the host DNO. However, the NTCs are subordinate to any bespoke connection agreement between the customer and the host DNO. This is crucial as many Unmetered Customers (local authorities in particular) have legacy bespoke connection agreements with the DNO. As such, this allows these arrangements to proceed without making amendments to the NTCs provided that the IDNO and customer can put the bespoke connection agreement in place referred to above. A copy of the template agreement used in the Electricity North West Ltd trial is included in Appendix B.

2.2. Establishing the Agreements

To enable the framework to operate the DNO, IDNO and Unmetered Customer need to establish the agreements, as described above. Once in place the arrangement can commence.

2.3. Inventory Processing

2.3.1. Unmetered Customer

The Unmetered Customer maintains an inventory of all the unmetered connected equipment.

The inventory should identify the party with whom the connection is made – DNO or IDNO.

Where the Unmetered Customer covers more than one DNO area then they already need to differentiate between DNO1, DNO2, DNOx. If there are IDNO connections in each DNO area, then they will need to distinguish the connection in the following level of detail:

- DNO1 direct connection
- DNO1 embedded IDNO1
- DNO1 embedded IDNO2
- DNO2 direct connection
- DNO2 embedded IDNO1
- DNO2 embedded IDNO2
- etc.

The frequency of submitting detailed inventories should be agreed with the DNO/IDNO as now. Each time the inventory is submitted to the DNO(s) the detailed inventory should be sent as follows:

To	Information
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DNO1	DNO1 direct connection DNO1 IDNO1 DNO1 IDNO2
DNO2	DNO2 direct connection DNO2 IDNO1 DNO2 IDNO2
IDNO1	DNO1 IDNO1 DNO2 IDNO1
IDNO2	DNO1 IDNO2 DNO2 IDNO2

The detailed inventory could be sent as per the BSCP520 standard, with an extra column identifying the DNO/IDNO or as separate files for each different DNO/IDNO combination.

2.4. DNO

The DNO will highlight any difficulties with processing the inventories (e.g. invalid charge codes, switch regimes, or combinations) to the Unmetered Customer. If these require a resubmission of the detailed inventory, then the Unmetered Customer will resend the relevant part to the DNO and/or IDNO.

2.5. IDNO

The IDNO will highlight any missing equipment which they believe is connected to their network to the Unmetered Customer.

The IDNO will consider if they wish to raise an invoice for the DUoS income, due to them from the DNO, for the unmetered consumption on their network.

2.6. Adoptions

Where new unmetered equipment is established on the IDNO network then it will normally be initially assigned a new MPAN and charged to the developer. At the time that the Unmetered Customer adopt the new equipment the following will occur:

- The contractual arrangement between DNO, IDNO & Unmetered Customer will be established (if not already established)
- The date of adoption is agreed
- The Unmetered Customer will update this inventory with the new equipment and submit to the DNO & IDNO, as above
- The IDNO will amend the inventory on the “developer MPAN” (and de-energise or disconnect where appropriate).

3. Next Steps and Ofgem Steer

The trial with Electricity North West Ltd has proven that the arrangements can operate successfully. The framework of bilateral agreements facilitates the arrangement.

IDNOs have approached both UKPN and WPD who have expressed their support for IDNOs to combine UNMETERED inventories within their Distribution Services Area.

IDNOs intend to seek a steer from Elexon (as the secretariat to the BSC) to indicate if they believe that these arrangements can be put in place without the need to modify the industry codes, namely the DCUSA and BSC. The initial approach will be made to Elexon seeking confirmation of whether the trial, if adopted on an on-going basis, would be compliant with the BSC. If they confirm that it is compliant, then the trial can be converted to ‘business as usual’ and rolled out to other DNO areas. Elexon will be able to highlight any concerns if they believe

the trial isn't compliant, and assist to develop a change to the BSC framework to support the approach.

In particular, the BCA requires the IDNO "to support the DNO in complying with its obligations under the BSC". The CNA seek views from Elexon, to determine whether they are satisfied that such a bilateral arrangement between the DNO and IDNO can be relied upon to indemnify the DNO against any such loss arising from DNO being unable to meet its obligations under the BSC as a result of acts or omissions by the IDNO.

Where Elexon can confirm that DNOs would be protected by the BCA with the IDNO, IDNO will use this support to approach those DNOs that are willing to cooperate in solving this long standing issue to bring forward further trials to prove more widely that this solution is effective.

Ofgem are aware of the ongoing issues faced by the IDNOs and adoption of unmetered connections on IDNO networks by their Unmetered Customers. Ofgem have actively participated in industry work groups and discussions as evidenced in their representation on the working group for the DCUSA DCP 203 change⁵, which partially addresses the problem, but does not fully resolve the issues with adoption. Following the outcome of the discussions with Elexon, the CNA will brief Ofgem in full regarding the Electricity North West Ltd trials. The intention is to progress with finding an enduring solution to the issues experienced by IDNOs.

4. Appreciation of Contributors

The following organisations are thanked for their contribution in trying to find a resolution to the current issue:

- Electricity North West
- Western Power Distribution
- UKPN
- Power Data Associated Ltd
- Brookfield Utilities UK
- ESP Electricity
- The Local Authorities taking part in the Electricity North West Ltd trials and those Local Authorities who responded to the CP1414 consultation (over 70 responded) and strongly supported the solution identified above.

⁵ DCP 203 'The Rationalisation of Discount Factors Used to Determine LDNO Use of System Tariffs Relating to UNMETERED Connections on Embedded Distribution Networks and the Associated LDNO tariffs'

APPENDIX A

Copy of DNO - IDNO Lateral Connection Agreement Schedule used in Electricity North West Ltd Trial

Schedule [X] – Unmetered Connections

[Not Applicable]

[Or]

X.1 The Company and the User agree that the Unmetered Supplies associated with

X.1.1 [Unmetered Customer name]

X.1.2 [Unmetered Customer name]

that are connected to the User's Distribution System contained within the Connection Point associated with this agreement will be subject to the following obligations.

X.2 At the time of adoption by the Unmetered Customer of an Unmetered inventory, the User will Disconnect or amend the Unmetered Customer's unmetered inventory dependent upon the User's process of managing Unmetered Supplies.

X.3 The User shall ensure that the Unmetered Customer:

X3.1.1 updates their Half-Hourly Detailed Inventory to include the Unmetered Customer's unmetered inventory as if it was connected to the Company's Distribution System;

X3.1.2 includes a network identifier to the Half-Hourly Detailed Inventory so that a filter can be applied to determine the Half-Hourly Detailed Inventory of each distributor; and

X3.1.3 notifies the Company when any such amendments have been made.

X.4 The Company shall invoice Use of System Charges to the Unmetered Customer's electricity supplier on behalf of both the Company and the User.

X.5 The User is entitled to recover their proportion of Use of System Charges from the Company. The invoicing and payment processes shall follow those contained within DCUSA.

X.6 The Company and the User may agree not to charge for Use of System below a de minimus value or defer such billing until a certain value has been attained.

X.7 The User agrees to support the Company in complying with the BSC obligations including, but not limited to ensuring, accurate inventories and undertaking audits on unmetered inventories connected to their Distribution System.]

APPENDIX B

Example of IDNO – Unmetered Customer Connection Agreement used in Electricity North West Ltd Trial

[Insert Unmetered Customer's Details]

[Insert Date]

Dear []

AGREEMENT BETWEEN [IDNO NAME] ("Company") AND [insert Unmetered Customer] ("Unmetered Customer") FOR UNMETERED CONNECTIONS TO STREET LIGHTING AND STREET FURNITURE

The Company agrees to connect the Unmetered Customer's street lighting and street furniture to the Company's Distribution System on the terms and conditions of this Letter Agreement and in consideration of the Company's agreement to do so the Customer agrees to be bound by the terms and conditions of this Letter Agreement.

Subject to any express provisions in this Letter Agreement, Section 1 and Section 4 (Unmetered Supplies) of the National Terms of Connection are incorporated herein by reference and are made a part of this Letter Agreement. The National Terms of Connection are available to view on the website: www.connectionterms.co.uk.

The Company and the Unmetered Customer agrees that, in respect of street lights and street furniture that are connected to the Company's Distribution System and that have been or will be adopted by the Unmetered Customer, the Unmetered Customer shall at the time of adoption (or if already adopted within 7 (seven) days of the date of counter-signing this Letter Agreement):

- (a) update its Detailed Inventory to include all Items connected to the Company's Distribution System as if these had been connected to the Distribution System owned and operated by [DNO name];
- (b) include the Company's distribution network identifier against all such Items so that a filter can be applied to distinguish those Items from Items connected to the Distribution System owned

and operated by [DNO name] or any other such distributor where a similar agreement exists;
and

- (c) as soon as reasonably practicable notify the Company when any such amendments have been made; and

Capitalised expressions not defined in this letter agreement shall bear the same meaning ascribed to them in the National Terms of Connection.

This Letter Agreement shall be governed by the laws of England and Wales.

If you are in agreement with the terms of this Letter Agreement, kindly countersign the duplicate copy enclosed and return the countersigned copy to me.

Yours sincerely,

[XXXXXXXXXXXXXXXXXX]

I acknowledge that I have read and agree with the terms of this Letter Agreement and that I am duly authorised to sign this Letter Agreement on behalf of Unmetered Customer.

Signed by:

Title:

Date: