

DCUSA Consultation	At what stage is this document in the process?
<h2 style="color: #008000;">DCP 282</h2> <h3 style="color: #008000;">Embedded Distribution Network Operator (EDNO) UMSO</h3> <p style="color: #008000;"><i>Raised on the 14 September 2016 as a Standard change</i></p>	<div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">01 – Change Proposal</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 2px; background-color: #008080; color: white;">02 – Consultation</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">03 – Change Report</div> <div style="border: 1px solid black; padding: 2px;">04 – Change Declaration</div>
<p><b>Purpose of Change Proposal:</b></p> <p>DCP 282 seeks to facilitate the management and trading of UMS apparatus connected to EDNO networks via the “host” DNO’s UMSO service on one combined inventory, without the need for additional MPANs, following a request from the customer to the EDNO to do so.</p> <p>This document is a Consultation issued to DCUSA Parties and any other interested Parties in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 282.</p>	
	<p>The Workgroup recommends that this Change Proposal (CP) should: proceed to Consultation</p> <p>Parties are invited to consider the questions set in section 10 and submit comments using the form attached as Attachment 1 to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> by <b>13 January 2017</b></p> <p>The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the CP.</p>
	<p>Impacted Parties: DNO, IDNOs, and Suppliers.</p>
	<p>Impacted Clauses:</p> <ul style="list-style-type: none"> <li>• Section 2B Distributor to Distributor/ OTSO Relationships, Clause 42 Metering Equipment and Data; and</li> <li>• Schedule 2B National Terms of Connection</li> </ul>

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Timetable		
The timetable for the progression of the CP is as follows:		
<b>Change Proposal timetable</b>		
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Activity	Date	
Initial Assessment Report Approved by Panel	21 September 2016	
Consultation issued to Parties	15 December 2016	
Change Report issued to Panel	15 February 2017	
Change Report issued for Voting	17 February 2017	
Party Voting Ends	10 March 2017	
Change Declaration Issued to Parties	14 March 2017	
Implementation	First Release following 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 CPs to amend the Agreement with the consent of other Parties and (where applicable) the Authority.
- 1.2 This CP seeks to facilitate the management and trading of Unmetered Supplies ('UMS') apparatus connected to Embedded Distribution Network Operator ('EDNO') networks via the "host" DNO's UMS Operator ('UMSO') service on one combined inventory of connected unmetered equipment, without the need for additional MPANs, following a request from the customer to the EDNO to do so. An EDNO may in this context be either an IDNO Party or a DNO Party acting outside of the distribution services area specified in its licence.

### Why?

- 1.3 EDNOs have experienced difficulties with some large organisations with portfolios of UMS items often refusing to adopt UMS within EDNO networks due to the need to use one or more additional MPANs to manage separate inventory items. This change will remove the need for additional MPANs and will therefore be of benefit to customers who request this service.

### How?

- 1.4 By modifying Section 2B '*Distributor to Distributor/ OTSO Relationships*', Clause 42 '*Metering Equipment and Data*' and Schedule 2B '*National Terms of Connection*' to facilitate contractual arrangements that allow for the management and trading of UMS apparatus connected to EDNO networks via the "host" DNO's UMSO service.

## 2 Governance

### Justification for Part 1 Matter

- 2.1 DCP 282 has been classed as a Part 1 Matter therefore Authority consent is required.
- 2.2 This change will impact both DCUSA Parties by having an impact on competition (clause 9.4.2) and on customers (clause 9.4.1).

### Requested Next Steps

- 2.3 Following a review of the Consultation responses, the Working Group will work to agree the detail of the solution for DCP 282.

## 3 Why Change?

## Background of DCP 282

- 3.1 Unmetered Customers (often Local Authorities (LAs) providing street lighting) on embedded networks provide detailed inventories to each DNO & EDNO with whom they have connections. Each inventory has separate MPANs. The Unmetered Customer is required to contract with an energy supplier for each MPAN. This change seeks to facilitate the management and trading of UMS apparatus connected to EDNO networks via the “host” DNO’s UMSO service on one combined inventory, without the need for additional MPANs where the unmetered customer requests such a service from the EDNO.
- 3.2 This change seeks to ensure that there is no additional need for the DNO to undertake validation of the inventory data as the obligation to validate the customer’s inventory remains with the EDNO. The change will codify the contractual arrangements required between the DNOs and the EDNOs and between the DNOs/EDNOs and the customer. The contractual arrangements between the DNO and EDNO are facilitated via DCUSA, with no need to change BCAs, and the contractual arrangements between the EDNO and the customer are facilitated via the National Terms of Connection (which should reduce any need to change Connection Agreements). The NTC will also be modified to any extent necessary for the relationship between the customer and the DNO.

### Previous changes

- 3.3 Two previous CPs that looked at a similar issue to those presented by DCP 282 were [DCP 168 ‘The Administration of Use of System charges relating to connections from Embedded Distribution Network Operator \(EDNO\) systems to Unmetered Supplies \(UMS\) for LA customers’](#) which was withdrawn and [DCP 203 ‘The rationalisation of discount factors used to determine LDNO Use of System tariffs relating to UMS connections on embedded distribution networks and the associated LDNO tariffs’](#) which was implemented on the 30 June 2016. Under DCP 203 the consultations carried out engaged extensively with LAs and provides evidence as to the materiality of this change.
- 3.4 [BSC CP 1414 ‘Combining LDSO and Embedded LDSOs UMS Inventories on to single LDSO MSID’](#) was raised on the 14 May 2014. This CP proposed to give Unmetered Supply (UMS) customers the option to trade their UMS connections from embedded Distribution Systems under a single distribution MSID. This would be achieved by combining such inventories of connections with the existing inventory linked to the already-registered host distributor’s MSID. The SVG rejected CP1414 v2.0 at its meeting on 3 March 2015.

## Electricity North West Ltd (ENWL) Trial

- 3.5 In 2015 ENWL agreed to a trial (Attachment 4) with IDNOs to enable the consolidation of inventories. Three parties took part in these trials; namely; the DNO, the IDNO and the Unmetered Customer. The three main elements to these trials are:
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.*
2. *The DNO and the Unmetered Customer will have an existing connection agreement, either on a bilateral basis or under the National Terms of Connection (NTC). This agreement was unaffected by the trial.*
3. *The IDNO required the Unmetered Customer to enter into a 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 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”.*

3.6 Following the completion of this trial, ENWL introduced the above process. It is noted that Ofgem and Elexon were approached about the ENWL trial and their views are provided as Attachment 5 and Attachment 6. Western Power Distribution also introduced the same process earlier this year.

3.7 DCP 282 differs from the trial in that it is acknowledged that the legal text change will reduce the need for multiple bilateral connection agreements to undertake this outlined process, whether between the DNO and EDNO or between the distributors and the customer.

3.8 This CP has been raised by UK Power Networks to facilitate the management and trading of UMS apparatus connected to EDNO networks via the “host” DNO’s UMSO service on one combined inventory, without the need for additional MPANs, following a request from the customer to the EDNO to do so.

## 4 Working Group Assessment

### DCP 282 Working Group Assessment

4.1 The DCUSA Panel established a Working Group to assess DCP 282. This Working Group consists of DNO, IDNO and Ofgem representatives, as well as a consultant with expertise in unmetered

supplies. Meetings are 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 The proposed process is set out as follows:

- The EDNO approves the connection as UMS and manages the connection agreement with the customer.
- The UMS customer can choose to combine all its data on to one inventory for which the host DNO provides the UMSO service. This combined inventory (DNO and EDNO connected items) will cover all relevant UMS data in the GSP group for that customer. It is noted that customers with a mix of NHH and HH MPANs will still need to submit two separate inventories.
- The UMS customer notifies the EDNO of its intention to combine the inventory and provides a single inventory (for DNO and EDNO connected items) to the host DNO and the EDNO with a field identifying the relevant distributor for each item.
- All parties agree, via the DCUSA, the NTC (or bespoke customer connection agreement(s) where they supersede the NTC) that the single inventory can be shared with any distributor named on it.
- The host DNO processes the inventory it receives and bills DUoS charges to the relevant Supplier.

4.3 During this process, the EDNO remains responsible for the quality of the data in the inventory for items in its networks and remains responsible for any associated BSC audit requirements. The proposed legal text will state that the host DNO does not need to perform further checks or validation on any inventory data it receives relating to items not directly connected to an exit point on its own network, other than to check which EDNO the inventory data is pertaining to.

4.4 The proposed legal text will place an obligation on the EDNO to ensure its connection agreements oblige the customer, where the use of a combined DNO/EDNO inventory UMSO service has been requested, to provide combined inventories to both the host DNO/UMSO and each EDNO using that service to which it has connections. This obligation will provide for the sharing of this data between EDNO and host DNOs. The text will facilitate this via the NTC but it is recognised that not all connection agreement reference those, in which case Distributors may choose to develop bespoke agreements which refer to or mirror the NTC.

4.5 The Working Group would like to highlight and seek parties' views on several issues it has identified:

#### **Impact on DCUSA Section 2A –Distributor Billing for Connections not connected to their Network**

4.6 A concern was raised that DNOs would potentially be billing and receiving UoS charges in respect of connection points that are not on their networks. Some Working Group members believe this is

not consistent with the DCUSA as it stands. However, some Working Group members had a view that as EDNOs currently collect DUoS revenue on behalf of the host DNO (to pass back as part of the portfolio billing arrangements), a precedent already exists for distributors to charge for use of another Party's distribution system.

- 4.7 Furthermore, some Working Group members believe, that where a host DNO is connected to the EDNO as part of a nested network, the DNO collects the EDNO's DUoS to pass back through to the EDNO as part of portfolio billing.
- 4.8 The Working Group is seeking the views of parties, when taking into consideration the rights and obligations created between DNOs and Suppliers under Section 2A Distributor to Supplier/Generator Relationships and the above mentioned views, is there anything in the DCUSA text of Section 2A that hinders the proposed solution and which needs to be changed to facilitate the proposed solution of this CP?

## Distribution Price Control

- 4.9 Working Group members discussed how this new process should be treated under the Distribution Price Control especially, as due to the UoS value being so low, there may often be no billing by the EDNO for the income received by the host DNO. Party views are sought on how they believe this income should be treated and reported to Ofgem and if its relatively insignificant value should influence the treatment.
- 4.10 Some Working Group members believe that this is covered off by the DNOs Charge Restriction Conditions in their licences which are available on Ofgem's website. However, where inter-distributor billing takes place there is an argument to say that the price control is unaffected. There is a counter argument whereby there is no effect on Distribution price control.
- 4.11 The Working Group are interested in Parties views on whether you believe that the DNO is recovering the revenue on behalf of the EDNO?
- (a) If yes, how should this be dealt with in the price control?
- (b) If yes, should it be dealt with through inter-distributor billing?

## Elective sites

- 4.12 The proposed solution provides for an 'opt in' by the customer rather than a mandatory obligation. An optional approach rather than a mandated approach potentially increases the costs for EDNOs and any DNO that operates out of area.
- 4.13 One member advised that some UMS Customers have expressed a preference for more than one EDNO MPAN. An example provided was a national housing developer requiring a UMS MPAN for each individual property development in order to monitor consumption on each project. In this scenario the UMS Customer is unlikely to take up the combined inventory approach suggested in this CP and having this as a voluntary solution will facilitate customer choice.

- 4.14 The Working Group is interested in parties' response to the question, do you prefer for this solution to be elective or mandatory?

#### Ability for DNO and EDNO to validate data between them

- 4.15 The proposal places the obligation on the EDNO to validate their data in the inventories that are submitted to the host DNO. It is recognised that both the DNO and EDNO receive the same data at the same time and so any validation by the EDNO will take place concurrently with the DNO processing the data. Where errors are identified such as invalid charge codes, the DNO shall follow the same distributor process as if those were connected to its network. Do you agree with this approach when considering the Balancing and Settlement obligations that are placed on distributors including audits?
- 4.16 The CP does not include provision for Service Level Agreements (SLAs) between DNOs and EDNOs for the validation by the EDNO of the inventory data.

#### Billing and Debt

- 4.17 Working Group members discussed the issue of debt follow up when the host DNO is providing an UMS service on behalf of an EDNO. The discussion centred on who should bear risk of a Supplier default if the DNO is billing on behalf of the EDNO. Parties are asked whether they perceive a risk and if so how it should be dealt with?

#### Simple Bilateral agreements

- 4.18 The Working Group is interested in Parties' views on the best mechanism for implementing the proposal without the need for any existing BCA variations?

#### BSC Letter from Elexon

- 4.19 The Working Group discussed whether the BSC requires changing and noted that Elexon had already provided a view on this point. Please see Attachment 5. Parties are asked in light of the view provided by Elexon, if a BSC or BSCP change needs to be made, please identify the change that needs to be made?

## 5 Legal Text

- 5.1 This change proposes to modify Section 2B Distributor to Distributor/ OTSO Relationships Clause 42 Metering Equipment to allow the DNO to provide its UMSO service where a Customer provides data regarding unmetered equipment connected to a User's System. The EDNO will indemnify the DNO against all acts or omissions by the DNO in providing the UMSO service on its behalf.
- 5.2 This change also proposes to modify Schedule 2B National Terms of Connection (NTC) so that where the Premises are connected to an EDNO, the NTC will create additional obligations between the embedded Customer and the DNO as well as the EDNO to which it is connected. The

embedded Customer also agrees that the DNO shall have no liability for any act or omission by the Customer relating to the data provided to the DNO undertaking the UMSO service.

- 5.3 Party views are sought on whether the legal text meets the intent of the CP and whether you have any comments on the changes being proposed. The draft legal text for DCP 282 is provided as Attachment 2.

## 6 Relevant Objectives

### Assessment Against the DCUSA Objectives

- 6.1 The Proposer considers that the following DCUSA Objectives are better facilitated by DCP 282.

Impact of the Change Proposal on the Relevant Objectives:	
Relevant Objective	Identified impact
<b>General Objective One</b> - The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	DCUSA General Objective 1 will be better facilitated as the change introduces greater co-ordination between the DNOs and EDNOs for the benefit of UMS customers.
<b>General Objective Two</b> - 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	DCUSA General Objective 2 will be better facilitated as the CP simplifies arrangements for UMS customers and removes a potential barrier for EDNOs competing for new connections.

- 6.2 The Working Group invite Parties to consider which DCUSA General Objectives are better facilitated by this change based on the proposed solution.

## 7 Impacts & Other Considerations

- 7.1 This change impacts IDNOs, DNOs, Suppliers and Unmetered Supplies customers as it introduces a method to facilitate the management and trading of UMS apparatus connected to EDNO networks via the “host” DNO’s UMSO service on one combined inventory. Parties are invited to comment on the process and system impact this change proposal would have on them.

### Consumer Impacts

- 7.2 The Working Group considered the consumer impacts introduced by this change. The Working group concluded that the change benefits unmetered customers by introducing a scheme that reduces the administration of UMS inventories across distributors within a GSP group. By being voluntary it allows customer choice for example some UMS customers are local and may have no larger dealings with the DNO.

## Environmental Impacts

7.3 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 282 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

7.4 Ofgem has been engaged throughout the development of DCP 282 as an observer on the Working Group.

## 8 Implementation

8.1 The proposed implementation date for DCP 282 is first release following approval. Respondents are invited to consider whether they require any lead time from the approval being made to comply with this change.

## 9 Consultation Questions

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

Number	Questions
1	Do you understand the intent of DCP 282?
2	Are you supportive of the principles of DCP 282?
3	Do the rights and obligations created between DNO and Suppliers under Section 2A hinder the solution and need to be changed to facilitate the proposed solution of this CP? If yes, please indicate why and what needs to be changed.
4	The Working Group are interested in Parties views on whether you believe that the DNO is recovering the revenue on behalf of the EDNO?  (a) If yes, how should this be dealt with in the price control?  (b) If yes, should it be dealt with through inter-distributor billing?
5	Do you prefer for this solution to be elective or mandatory for all Unmetered Customers? Please provide supporting evidence.
6	Do you agree that the EDNO should be responsible for validating their data within a combined

	inventory?
7	Should there be Service Level Agreements (SLAs) in place for EDNOs to verify the content of the customer inventory submissions?
8	If you believe, under the proposal, the DNO would be recovering DUoS on behalf of the EDNO do you have any thoughts on debt recovery?
9	Parties are asked whether they perceive a risk of a supplier default and if so how it should be dealt with?
10	Should this DCP introduce a mechanism for passing DUoS between the DNO and the EDNO?
11	Do Parties believe the introduction of the proposal can be achieved without impacting any existing BCAs?
12	In light of the advice provided by Elexon (see attachment 5), do you believe that a BSC and or BSCP change needs to be made? If yes, please specify the change required.
13	Does the legal text as drafted meet the intent of the change?
14	Do you have any comments on the proposed legal text?
15	Would there be any system impacts or process changes required to implement this proposal? Please provide your rationale inclusive of any financial, resource or system impact or restriction.
16	<p>Which DCUSA General Objectives does the CP better facilitate? Please provide supporting comments.</p> <ol style="list-style-type: none"> <li>1. The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks</li> <li>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</li> <li>3. The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences</li> <li>4. The promotion of efficiency in the implementation and administration of this Agreement</li> <li>5. Compliance with the Regulation on Cross-Border Exchange in Electricity and any</li> </ol>

	relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.
17	Do you require any lead time from the approval being made to comply with this change?
18	Are you aware of any wider industry developments that may impact upon or be impacted by this CP?
19	Are there any alternative solutions or unintended consequences that should be considered by the Working Group?

9.2 Responses should be submitted using Attachment 1 to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than, **13 January 2016**.

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

## Attachments

- Attachment 1 – DCP 282 Consultation Response Form
- Attachment 2 – DCP 282 Draft Legal Text
- Attachment 3 – DCP 282 Change Proposal
- Attachment 4 – Combining DNO Inventories
- Attachment 5 – BSC Letter on Combining LDSO Inventories
- Attachment 6 - Ofgem - Meeting to discuss UMS Supplies