

DCP 274 COLLATED RESPONSES

Company	Confidential/ Anonymous	1. Do you understand the intent of DCP 274?	Working Group Comment
Dwr Cymru Cfn	Confidential	Yes	
ENWL	Non-confidential	Yes.	
Good Energy Limited	Non-confidential	Yes	
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	Yes	
RES Group	Non-confidential	Yes	
Southern Electric Power Distribution plc and Scottish	Non-confidential	intent stated in the change proposal form, but we would like to see evidence/justification of the alleged charging defect within the consultation document.	

Hydro Electric Power Distribution plc			
Western Power Distribution	Non-confidential	Yes	

Company	Confidential/ Anonymous	2. Are you supportive of the principles of DCP 274?	Working Group Comment
Dwr Cymru Cfn	Confidential	Yes	
ENWL	Non-confidential	Yes.	
Good Energy Limited	Non-confidential	Yes	
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	We are supportive of the principle of not double charging customers for their use of network assets. However, we do not believe such a double charge exists in this case.	

RES Group	Non-confidential	Yes	
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	The different solutions put forward have different principles. Our comments on these appear in responses to other questions.	
Western Power Distribution	Non-confidential	Yes	

Company	Confidential/ Anonymous	3. For the original solution, do you think O&M should be recovered on the import or export?	Working Group Comment
Dwr Cymru Cfn	Confidential	Import first, remainder on export	
ENWL	Non-confidential	Import for a mixed site to the extent it is lower, with any remaining amount to be recovered on export.	
Good Energy Limited	Non-confidential	To avoid double charging of O&M we think it may be better to recover it solely on the import as this is likely to be more predictable generally than the export. Alternatively it could be recovered across both import and export but at a commensurately lower level.	

Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	<p>We believe the current arrangements reflect that the O&M costs for the DNO driven by an import only site are different to those driven by an import/export site with the same Maximum Import Capacity (MIC), because of the potential for different assets to be used for import/export depending on network conditions at the time.</p> <p>Hence it is appropriate that the O&M charges faced by an import only site are lower than those faced by an import/export site with the same MIC. The O&M charges on export reflect the O&M costs incurred by the DNO over and above those driven by an equivalent import only connection.</p> <p>As a result, we believe the current arrangements whereby an element of O&M is recovered on both import and export is appropriate.</p>	
RES Group	Non-confidential	<p>We believe the O&M element of the charge should be levied based on the predominant operating regime of the site. For a site that is predominantly exporting, then the O&M costs should be levied on the export as this is the primary driver of costs.</p> <p>In relation to this change proposal, we do not object to the O&M costs being split between the import and export. However, the individual O&M charges that are applied to the import and export should, when combined, reflect the total cost imposed on the DNO for that site.</p>	
Southern Electric Power Distribution plc and Scottish Hydro Electric Power	Non-confidential	<p>Charges associated with assets necessary to provide the maximum import capacity and supply the consumption at the site should be recovered through the import tariff. The only charges that should be recovered through the export tariffs are those that are associated with assets needed to permit the site to export to the DNO system.</p> <p>There seems to be a mistake in the consultation document: paragraph 5.14 says that "the proposed solution would apply the</p>	

Distribution plc		<p>export capacity charge to only the difference between the MEC and MIC, for sites which have a larger MIC than MEC”, but the examples outlined in the consultation document suggest that the export capacity charge would apply to that difference only in cases of sites which have a larger MEC than MIC or where the MEC and MIC are identical.</p> <p>If the double-charging implied by the change proposal were shown to be real, then our understanding of the original solution (i.e. no export capacity charges if MEC is the same or less than MIC, and export capacity charges applied on the difference between MEC and MIC when MEC is greater than MIC) would seem to be a sensible solution.</p>	
Western Power Distribution	Non-confidential	The original solution would have a greater effect if the capacity charge was reduced on the import side. This could also benefit battery storage sites.	

Company	Confidential/Anonymous	4. Can you put forward evidence to support why the proposed solution or its alternative improves cost reflectivity?	Working Group Comment
Dwr Cymru Cfn	Confidential	To avoid inaccurate allocation of costs incurred by DNOs	
ENWL	Non-confidential	We do not have any evidence to help support selection between the two proposed solutions. In the case of the solutions generally, it is clear that the current methodology may double count costs as the charges levied on import sites are not adjusted to account for the O&M charges levied on export sites. This issue is explored further in our answer to question 11.	

Good Energy Limited	Non-confidential	We are not in a position to provide any evidence.	
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	We do not believe the perceived double charge exists; hence we do not believe either option improves cost reflectivity.	
RES Group	Non-confidential	<p>The original solution improves the cost reflectivity of the charging methodology as the current EDCM applies an O&M charge for the export from EHV sites based on historical expenditure associated with export sites. This expenditure primarily consists of additional assets needed to connect generation. However, as these sites are generation dominated, the additional assets that are installed to enable the export are sufficient to also enable the import. It is therefore not appropriate to charge the O&M element of the DUoS charge on both the import and export.</p> <p>Following the working group assessment of the proposal, we recognise that as the import capacity gets larger relative to the export capacity, the import side may start to drive some additional costs in addition to the export. To accommodate this, we have brought forward the alternative proposal. This alternative would only result in a reduced O&M charge for the import side of a mixed site, where the import usage was used during off peak times. This is more cost reflective as it applies O&M at the voltage of connection based on peak time consumption which provides the correct price incentive for mixed sites not to consume at peak. It is also more cost reflective as the same assets are most likely to be</p>	

		used for the import and export at the voltage of connection as the network tends to be sized for the export for a generation dominated site.	
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	<p>The original solution would be a cost reflective way of addressing double charging <u>if</u> double charging were an issue. However, there is no evidence within the consultation document that shows that double charging occurs. According to the 2012 report attached to the consultation document, the export capacity charge is based on an estimated cost of building network assets other than sole use assets specifically to permit export. Any assets that were already present for import purposes would not have been included in this estimate. We think that it is likely that the £20/kW figure is a representative average, and therefore suitable to apply to the entire MEC.</p> <p>The alternative solution would not improve cost reflectivity. There is no cost basis for the discrimination that the alternative solution would introduce in the calculation of import charges between demand-dominated and generation-dominated sites. There is a cost basis for the current rule that charges for assets at the network level of connection should reflect contracted import capacity irrespective of whether or when it is used. There is no cost basis for the alternative solution's rule that charges for these assets would depend on consumption at the time of DNO-wide peak, since that time is not likely to coincide with the time at which local network assets are most loaded.</p>	
Western Power Distribution	Non-confidential	We have no evidence that the alternative solution will improve cost reflectivity. An impact analysis on this and the other solutions would be useful.	

Company	Confidential/ Anonymous	5. Do you think capping the Network Use Factors (NUFs) on the import side of a mixed site is appropriate?	Working Group Comment
Dwr Cymru Cfn	Confidential	Yes	
ENWL	Non-confidential	No, we do not think this is appropriate.	
Good Energy Limited	Non-confidential	We do not feel able to provide an informed view on this. It would be helpful if the ramifications of alternative solutions could be explained in a subsequent consultation.	
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	We do not believe this question to be relevant as it was relating to a previous option discussed by the working group.	
RES Group	Non-confidential	The capping of network use factors should be considered alongside the implementation of DCP 138 and whether capping NUFs is still relevant within the EDCM. However, we believe this is out of scope of this change proposal and should be considered as part of the EDCM review.	
Western Power Distribution	Non-confidential	Yes	

Company	Confidential/ Anonymous	6. If a site is generation dominated, is it driving any costs for the DNO when it is importing?	Working Group Comment
Dwr Cymru Cfn	Confidential	There will always be a cost for use of the system, but if the methodology employs charging the maximum of import or export capacity but does not double charge on either metric that is a fairer system.	
ENWL	Non-confidential	We believe it to be the case that a generation dominated site might potentially drive costs when importing. This depends on the nature of the network and power flows of all other customers on the parts of the network affected by the customer's activity, as is the case with any other import customer.	
Good Energy Limited	Non-confidential	Yes, because not all costs are likely to be driven by peak demand.	
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	Yes. Regardless of whether a site is demand or generation dominated, when importing it will increase loading on upstream assets, potentially driving the need for reinforcement.	
RES Group	Non-confidential	Where a site is generation dominated, there is a strong incentive for it to export at time of peak. Import is therefore likely to occur during off peak periods, when the network is not congested and there is plenty of spare capacity. The incremental cost of providing the network during the off peak is therefore minimal as the sizing of the network is designed to meet peak demand.	

Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	<p>Yes, to the same extent as a similar amount of demand on a site which is not generation dominated.</p> <p>In order to comply with planning standards such as P2/6, DNOs need to build and maintain equipment that will meet, under contingency running arrangements, both the actual net demand from the site and the "latent demand" which is masked by on-site generation.</p> <p>Since P2/6 does not apply to export capacity, there can be no expectation that DNO equipment and costs used to provide export capacity will deliver import capacity as a by-product.</p> <p>Even if there was an overlap in the costs to a DNO of providing MIC and MEC for a site, that overlap would not apply only or mainly to generation-dominated sites. It is just as likely that there would be a cost overlap when the site is not classified as generation dominated, be it as a result of a higher MIC than MEC, or as a result of a classification based on kWh values.</p>	
Western Power Distribution	Non-confidential	This depends on the time a generator is importing. If a generator or generation dominated site is importing during the super red period then this could be driving more costs	

Company	Confidential/Anonymous	7. Which DCUSA Charging Objectives does the CP better facilitate? Please provide supporting comments.	Working Group Comment
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		<p>(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</p> <p>(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)</p> <p>(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</p> <p>(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</p> <p>(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.</p>	
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Dwr Cymru Cfn	Confidential	Best reflect 3. This motion largely supports a fairer allocation of cosys.	
ENWL	Non-confidential	We believe that the change proposal better facilitates objective 3 (cost reflectivity). Under the current methodology import customers are charged for those assets that are also charged to export customers via the export O&M charge. This proposal addresses this issue in the case of mixed sites. We have suggested an alternative solution in our response to question 11 that we believe improves cost reflectivity to a greater degree by addressing this same issue in a way that benefits all import customers.	
Good Energy Limited	Non-confidential	DCP 274 better facilitates DCUSA Charging Objective (3) by making charges more cost reflective and Objective (2) because competition in the generation of electricity is facilitated by avoiding overcharging export.	
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	<ol style="list-style-type: none"> 1. Neutral 2. Detrimental – as per our comments on cost reflectivity, by not properly reflecting the network costs driven by mixed sites, competition between generation from mixed sites and generation from generation dominated sites will be distorted 3. Detrimental – we believe the current methodology better reflects the cost incurred by DNOs in distributing to mixed sites than either of the options proposed 4. Neutral <p>Neutral</p>	
RES Group	Non-confidential	<ol style="list-style-type: none"> 5. We believe that the original proposal and the alternative both better meet charging objectives 2 and 3 as they result in more cost reflective prices that will both encourage competition in generation and produces charges that better 	

		reflect the cost of DNOs in providing the distribution network.	
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	<p>The Change Proposal documentation does not demonstrate that any Charging Objective would be better facilitated in our view.</p> <p>It is possible that the original solution might better facilitate the third Objective, <u>if</u> there is a double charging issue.</p> <p>6. We do not believe the alternative solution would better facilitate any of the Objectives.</p>	
Western Power Distribution	Non-confidential	Possibly 3 and 4.	

Company	Confidential/Anonymous	8. Are you supportive of the proposed implementation date of DCP 274 of 01 April 2019?	Working Group Comment
Dwr Cymru Cfn	Confidential	Yes	
ENWL	Non-confidential	Yes, we support this proposed implementation date which is in alignment with the next set of charges to be published.	
Good Energy Limited	Non-confidential	Yes	
Northern Powergrid on	Non-confidential	We are not supportive of the CP, however if implemented, 01/04/2019 is the most appropriate implementation date.	

behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc			
RES Group	Non-confidential	Yes	
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	If evidence emerges that there is a double charging problem then it should be implemented for the next round of tariff setting, which is 1 April 2019.	
Western Power Distribution	Non-confidential	Yes	

Company	Confidential/ Anonymous	9. There will be a shortfall in revenue which would be picked up all DUoS customers. Do you agree or do you consider that it should be picked up by one subset of customers, such as EDCM customers?	Working Group Comment
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Dwr Cymru Cfn	Confidential	I agree with the shortfall in revenue being picked up by all DUoS customers.	
ENWL	Non-confidential	I believe that both solutions would reduce the revenue gained from EDCM customers, and the shortfall would be picked up by CDCM customers only, not all DUoS customers. As long as the change implemented is cost reflective this is consistent with the objectives of the charging methodologies.	
Good Energy Limited	Non-confidential	The shortfall should be recovered in a manner consistent with how DNOs' allowed revenue is set by Ofgem. If the allowed revenue is set as a total allowed amount across all customers, rather than separate amounts for various subsets of customers, then the shortfall in revenue should be picked up by all DUoS customers.	
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	Without further justification of which customer groups drive the costs which mixed sites are being deemed not to drive in this CP, it would be inappropriate to allocate the shortfall to certain customers. As a result, any revenue shortfall should be socialised across all DUoS customers. However, as per our previous responses, we feel that this would simply be socialising costs which mixed sites are driving, and as such is unjustifiable.	
RES Group	Non-confidential	The shortfall should be recovered from all customers as this would provide the most equitable solution.	
Western Power Distribution	Non-confidential	This should be picked up through scaling across all customers.	

Company	Confidential/ Anonymous	10. Are there any alternative solutions or unintended consequences that should be considered by the Working Group?	Working Group Comment
Dwr Cymru Cfn	Confidential	No	
ENWL	Non- confidential	<p>The working group might like to consider the scenario depicted below in Figure 1. In this case there are three customers connected at the same part of a distribution network. If the storage customer has equal outflows to the generator and equal inflows to the demand customer, then the use of the network assets by the storage site are the same as the use by the two other customers combined (excluding any sole use assets).</p> <p>In such a case it would seem logical that the storage site should pay the same capacity fees as the other two customers in aggregate. However, under both of the proposed solutions put forward by the working group this would not be the case after implementation of DCP274.</p>	

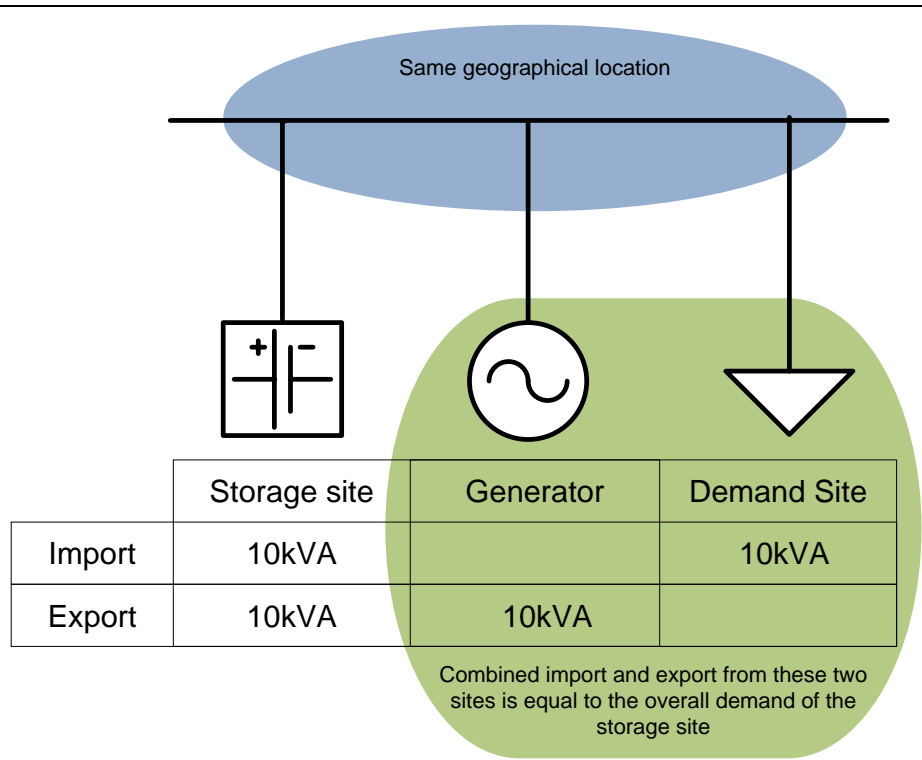


Figure 1

DCP274 seems to inadvertently introduce technological discrimination in favour of the storage site under this scenario.

An alternative solution that would resolve this issue would be to adjust the import charges downward to reflect the O&M already paid for by export customers. This would ensure that a storage site, for example, would not pay for the same assets twice, and additionally would not discriminate in favour of a particular class of customer. Such a solution would also improve cost reflectivity by ensuring demand charges generally did not include costs that are already paid for by other classes of customer.

Good Energy Limited	Non-confidential	We are not aware of any alternative solutions.	
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	No.	
RES Group	Non-confidential	No	
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	<p>The original solution would mean that, for the occupier of a mixed industrial site, retaining export capacity would be free so long as it is a lower kVA amount than the site's import capacity. This could lead to inefficient user choices in cases where export capacity is no longer required but might be kept "just in case". Such retained export capacity could impose costs on DNOs to retain and maintain network protection equipment designed to allow export. Although the National Terms of Connection contain terms relating to possible release of unused capacity, in practice this is extremely difficult to achieve.</p> <p>The alternative solution could have discriminatory and anti-competitive impacts (for example as between marginally demand-dominated and marginally generation-dominated sites). Depending on how DNOs determine whether a site is export-dominated, that alternative solution could even lead to circumstances where a site</p>	

		would pay less in use of system charges as a result retaining an excessive MEC.	
Western Power Distribution	Non-confidential	These solutions could also benefit EHV connected battery storage which should in the future help the efficiency of the network.	

Company	Confidential/ Anonymous	11. Are you aware of any wider industry developments that may impact upon or be impacted by this CP?	Working Group Comment
ENWL	Non-confidential	<p>Ofgem recently issued a call for evidence on A Smart, Flexible Energy System, the outcome of which may overlap this area. However there is not yet any clarity about the outcome of that process, so it is correct to progress work seeking a solution to this issue via this DCP.</p> <p>In general there is considerable activity underway across the industry including CDCM/EDCM Review Workshops, work under the ENA on the DNO DSO transition and work on the Transmission/Distribution interface, including the issue of Embedded Benefits. Given this we are concerned that only urgent change proposals should be progressed at this time.</p>	
Good Energy Limited	Non-confidential	The ongoing review of the CDCM and EDCM including any relevant outcomes from the current workshops.	
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and	Non-confidential	The scope of the CDCM review includes consideration of a combined methodology for CDCM/EDCM customers. Given that the CDCM review is looking to implement changes as early as April 2020, we would encourage the Working Group to monitor progress of the review. It would be unfortunate if the implementation of this CP	

Northern Powergrid (Yorkshire) plc		were to cause tariff disturbance, for the perceived benefits to only be in place for a single year.	
RES Group	Non-confidential	The review of the EDCM may result in changes that impact on the proposed solutions under this change proposal.	
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We are not aware of any.	
Western Power Distribution	Non-confidential	No	