

DCUSA Consultation	At what stage is this document in the process?
<h1 data-bbox="124 376 552 465">DCP 268</h1> <h2 data-bbox="103 504 847 638">DUoS Charging Using HH Settlement Data</h2> <p data-bbox="119 667 874 701"><i>Raised on the 14 March 2016 as a Standard Change</i></p>	<div data-bbox="1187 367 1350 432">01 – Change Proposal</div> <div data-bbox="1187 456 1417 521">02 – Consultation</div> <div data-bbox="1187 584 1350 649">03 – Change Report</div> <div data-bbox="1187 692 1350 757">04 – Change Declaration</div>
<p data-bbox="119 808 571 842">Purpose of Change Proposal:</p> <p data-bbox="119 871 1414 943">DCP 268 seeks to facilitate a transition to half-hourly (HH) settlement for non-half hourly (NHH) customers by moving to a time band charging basis, based on the HH (profiled) data used in settlement.</p> <p data-bbox="119 967 1425 1039">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 268.</p>	
	<p data-bbox="240 1077 1059 1111">The Workgroup recommends that this Change Proposal (CP) should:</p> <ul data-bbox="264 1131 606 1160" style="list-style-type: none"> • proceed to Consultation <p data-bbox="225 1191 1455 1263">Parties are invited to consider the questions set out in section 09 and submit comments using the form attached as Attachment 1 to dcusa@electralink.co.uk by 10 March 2017.</p> <p data-bbox="225 1305 1437 1377">The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the CP.</p>
	<p data-bbox="240 1417 798 1451">Impacted Parties: DNOs, IDNOs and Suppliers</p>
	<p data-bbox="240 1532 1449 1639">Impacted Clauses: Schedule 15 ‘<i>Cost Information Table</i>’, Schedule 16 ‘<i>Common Distribution Charging Methodology</i>’, Schedule 19 ‘<i>Portfolio Billing</i>’, Schedule 20 ‘<i>Production of the Annual Review Pack</i>’ and Schedule 21 ‘<i>Portfolio Billing for Nested Networks</i>’.</p>

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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	16 March 2016	
Consultation issued to Parties	18 May 2016	
Request for Information issued to Parties	31 August 2016	
Consultation	17 February 2017	
Change Report proposed to be issued to the Panel	12 April 2017	
Change Report issued for Voting	21 April 2017	
Party Voting Ends	12 May 2017	
Change Declaration Issued to Parties	16 May 2017	
Change Declaration issued to Authority	16 May 2017	
Authority Decision	20 June 2017	
Implementation Date	01 April 2019	

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.

Why?

- 1.2 The Competition and Markets Authority (CMA) in their '*Notice of provisional findings*' of its Energy Market Investigation advised that the absence of a firm plan to move to half hourly settlement for domestic and microbusiness electricity customers is a feature of the SME retail electricity market in Great Britain which gives rise to an Adverse Effect on Competition (AEC).
- 1.3 Ofgem issued a consultation² on '*Half- Hourly (HH) Settlement – The Way Forward*' which set out their intention to reform the electricity settlement arrangements to include facilitating Suppliers settling their domestic and smaller non-domestic electricity customers on a HH basis. HH settlement is initially proposed to be on an elective basis with a future expectation that all Suppliers will be mandated to settle their Customers on a HH basis.
- 1.4 Both the CMA and Ofgem have produced further documentation on this topic, namely CMA's Energy Market Investigation Final Report³ and Ofgem's Elective Half Hourly Settlement: Conclusions paper⁴.
- 1.5 DCP 268 seeks to support these issues by facilitating a transition to half-hourly (HH) settlement for non-half hourly (NHH) customers by moving to a Distribution time band charging basis, based on the HH (profiled) data used in settlement.
- 1.6 This change will have the additional benefits identified by the DCMF MIG of:
- Simplifying the Common Distribution Charging Methodology (CDCM) by not accommodating the historic Non- Half Hourly (NHH) charge structures;
 - Moving to HH settlement DUoS charging will simplify the billing framework and remove barriers for customers moving between NHH & HH settlement;
 - Enables innovative NHH retail tariff structures; and
 - Removes risk and complexity for all industry participants.

¹ https://assets.digital.cabinet-office.gov.uk/media/559aacbee5274a1559000017/EMI_Notice_of_PFs.pdf

² <https://www.ofgem.gov.uk/electricity/retail-market/market-review-and-reform/smarter-markets-programme/electricity-settlement>

³ <https://assets.publishing.service.gov.uk/media/5773de34e5274a0da3000113/final-report-energy-market-investigation.pdf>

⁴ https://www.ofgem.gov.uk/system/files/docs/2016/05/elective_hhs_conclusions_paper.pdf

How?

- 1.7 This CP is seeking to transition all existing NHH DUoS tariffs on to the Red Amber Green (RAG) or Black, Yellow and Green (BYG) arrangement.

2 Governance

Justification for Part 1 Matter

- 2.1 DCP 268 is classified as a Part 1 matter and therefore will go to the Authority for determination after the voting process has completed.
- 2.2 This CP has been classified as Part 1 Matter as it impacts both Distributor and Supplier Parties through amendments to the CDCM.

Requested Next Steps

- 2.3 Following a review of the Consultation two responses, the Working Group will work to agree the detail of the solution for DCP 268.

3 Why Change?

Background of DCP 268

- 3.1 On 26 June 2014, the Competition and Markets Authority (CMA) published its '*Notice of provisional findings*'⁵ of its Energy Market Investigation stating that the "*The absence of a firm plan for moving to half-hourly settlement for domestic and the majority of microbusiness electricity customers and of a cost-effective option of elective half-hourly settlement is a feature of the markets for domestic and SME retail electricity supply in Great Britain that gives rise to an AEC*".
- 3.2 On the 07 July 2015, CMA published their '*Notice of Possible Remedies*'⁶ advising that "*within a reasonable timetable, half hourly consumption data could be used by domestic and SME electricity suppliers to settle electricity for customers falling into profile classes 1 to 4. This approach to settlement would give electricity suppliers an incentive to offer innovative time-of-use tariffs* to encourage peak load shifting, reducing the overall costs of generating and supplying electricity to customers*".

⁵ https://assets.digital.cabinet-office.gov.uk/media/559aacbee5274a1559000017/EMI_Notice_of_PFs.pdf

⁶ https://assets.digital.cabinet-office.gov.uk/media/559aac8eed915d1592000023/EMI_Remedies_Notice_-_Final.pdf

- 3.3 In December 2015, Ofgem issued a consultation⁷ on ‘*Half- Hourly (HH) Settlement – The Way Forward*’ which set out their intention to reform the electricity settlement arrangements to include facilitating Suppliers settling their domestic and smaller non-domestic electricity customers on a HH basis. HH settlement is initially proposed to be on an elective basis with a future expectation that all Suppliers will be mandated to settle their Customers on a HH basis. Ofgem are about to issue a further plan, which will focus on removing the perceived barriers to cost-effective elective HH settlement, and aim to have largely completed this work during 2016-17, with the aim to help make a decision on mandatory HH settlement during 2018.
- 3.4 Under the Distribution Charging Methodology Forum (DCMF) Methodology Issues Group (MIG), Issue 81 was raised on the use of HH data for DUoS (Distribution Use of System) charges. The group concluded that the:
- CDCM could be simplified by not accommodating the historic NHH charge structures;
 - Moving to HH settlement DUoS charging will simplify the billing framework and remove barriers for customers moving between NHH & HH settlement;
 - Enables innovative NHH retail tariff structures; and
 - Removes risk and complexity for all industry participants.
- 3.5 DCP 268 has been raised by Northern Powergrid and seeks to facilitate a transition to HH settlement for NHH customers by moving to a time band charging basis, based on the HH (profiled) data used in settlement.

4 Working Group Assessment

DCP 268 Working Group Assessment

- 4.1 The DCUSA Panel established a Working Group to assess DCP 268. This Working Group consists of DNO, Supplier, IDNO and Ofgem representatives. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.
- 4.2 The Working Group considered that through the introduction of smart meters, an increasing amount of HH data is available for use in settlement which enables more accurate settlement and DUoS charging. It is recognised that the barriers to utilising HH data should be removed. The ground work for facilitating this change has been laid through recent modifications such as DCP 179⁸ and P272⁹ which introduced the:
- the Time of Use (ToU) Red, Amber and Green (RAG) aggregated tariffs into the CDCM for domestic and small non-domestic customers; and

⁷ <https://www.ofgem.gov.uk/electricity/retail-market/market-review-and-reform/smarter-markets-programme/electricity-settlement>

⁸ DCP 179 ‘Amending the CDCM tariff structure’

⁹ P272 ‘Mandatory Half Hourly Settlement for Profile Classes 5- 8’

- the provision though settlement of aggregated consumption data summed by RAG time bands.

4.3 The current tariff structure within the CDCM contains a range of different tariffs which are dependent on whether the MPANs are settled on a HH or NHH basis. HH settlement metered customers are charged under the RAG arrangements while the Unmetered Supplies (UMS) HH customers are charged under Seasonal Time of Day (SToD) BYG. The RAG & BYG time bands represent three different cost signals.

4.4 This CP is seeking to transition all existing NHH DUoS tariffs on to the RAG (or BYG) arrangement. It is only the DUoS charges between Distributor and Supplier which will change. This change does not require any change to the tariff structure that the Supplier charges to retail customers. This allows the Supplier to introduce innovative retail tariffs if they so wish.

4.5 The Working Group considered the question of how to transition from NHH DuoS tariffs to HH DUoS tariffs by the use of values of aggregated HH settlement data and agreed that:

- All DUoS tariffs to be on RAG (or BYG) basis
 - Using existing defined aggregated tariffs
- Billing of Suppliers by Distributors
 - Individual MPAN – larger HH customers (as now)
 - The remaining - using aggregated RAG HH data (partly as now)
- Aggregated HH will be grouped
 - Different customer groups – e.g. domestic vs non-domestic, import vs export (as now for aggregated HH tariffs)
 - Different standing charges based on MPAN count (as now for aggregated HH tariffs)
 - No standing charges for Related Meters

4.6 The Working Group considered how this change would impact upon the billing of these customers. On the introduction of DCP 179 and P300, et al, the BSC instigated a process to create pseudo D0030¹⁰ dataflows which are provided to the respective Distributor and Supplier. This information is already used to support the DUoS charging of the aggregated tariffs with effect from November 2015. The Working Group proposed to utilise and extend this existing framework (introduced as a result of DCP 179) to support the extension proposed under this DCP.

DCP 268 – Previous Consultation and Request for Information

DCP 268 Consultation One

- 4.7 The Working Group issued a consultation to DCUSA Contract Managers, the DCMF distribution list, Elexon, Gemserv, Ofgem, and National Grid on 18 May 2016 to determine whether Parties agreed:
- with the principle of the change;

¹⁰ D0030 - Aggregated DUoS Report

- how the existing tariffs were proposed to be mapped;
- with the proposed legal text changes to Schedule 16 CDCM which was updated to transition all existing NHH DUoS tariffs on to the RAG (or BYG) arrangement; and
- whether for billing purposes Elexon should provide the pseudo split of consumption data or for Parties to undertake the relevant work on their billing systems.

4.8 Consultation one and parties' responses with Working Group comments can be accessed via a hyperlink to attachment 6 at the end of this report. One change following the response to the first consultation is to the mapping of the tariffs in Attachment 4 and we welcome views. The Working Group agreed with the Parties view that site specific tariffs were not appropriate, see tariffs concerned and these will be mapped to the aggregated non-domestic tariff. Views are sought on whether this is the appropriate approach.

4.9 The Working Group agreed that insufficient detail was provided in the initial consultation to allow Parties to determine whether it was more beneficial for Elexon to provide the split of consumption data in to the distribution time bands or for Parties to undertake the relevant work within their internal and billing systems. The Working Group agreed to carry out an RFI on a set of proposed options.

DCP 268 Request for Information

4.10 Following the previous consultation, it was noted that if the preferred option was for Elexon to provide the pseudo split of consumption data, then a change to the BSC would need to be raised with a list of detailed changes required to the D0030 dataflow. The Working Group undertook detailed process mapping in order to provide the data that would appear in the dataflow and list the advantages and disadvantages of the approaches proposed.

4.11 The Working Group carried out a RFI between the 31 August 2016 and the 21 September 2016 on the proposed centralised and Distributor solutions which include utilising the Balancing and Settlement (BSC) dataflows, the Distributors billing system and a Suppliers validation system.

4.12 The RFI and parties' responses with Working Group comments can be accessed via a hyperlink to attachment 7 at the end of this report.

4.13 The four variants to the Centralised approach are set out below:

- **Option 1a** – aggregate the settlement combinations to the proposed new Distribution tariffs.
- **Option 1b** – aggregate the settlement combinations to the proposed new Distribution tariffs but subdivide the LV Domestic Aggregated tariff by HH aggregation and NHH aggregation and separate the non-domestic aggregated tariffs by NHH and HH.
- **Option 1c** – aggregate the settlement combinations by HH aggregation and NHH profiles (Profile Classes (PC) 1-8 and maintain the difference between metered and unmetered profiles).

- **Option 1d** – retain the existing settlement combinations but replace the Time Pattern Regime (TPR) of each combination with the distributor time band TPRs.

4.14 The **Distributor approach** utilises the existing profiled HH consumption values contained in the D0030 data flow to determine the units to be charged under the NHH DUoS time of day (year) tariff.

4.15 This table summarises respondent’s preferences for each solution proposed in the RFI.

Options	1A	1B	1C	1D	Distributor Approach	No preference
DNO	0	0	0	1	4	1
Supplier	0	0	1	2	3	0
IDNO	0	0	0	1	0	0
Total	0	0	1	4	7	1

4.16 On review of the responses on the Centralised approach, the Working Group noted:

- **Option 1a** - that respondents did not support Option 1A as the mixing of actual HH consumption data with HH profiled data reduces transparency and does not offer enough visibility for reporting or validation purposes.
- **Option 1b** - that respondents did not support Option 1B as the use of pseudo Line Loss Factor Class (LLFCs) and PCs for billing adds complexity to charging arrangements and there is a loss of transparency of settlement combination costs.
- **Option 1c** – that the majority of respondents did not support Option 1c as the introduction of pseudo LLFC, TPR and Standard Settlement Class (SSC) could complicate the validation process of data flows.
- **Option 1d** – that the majority of respondents did not support Option 1d but it is noted that it has a smaller impact on the system as it builds on existing functionality successfully used for P300. It requires the least number of changes on the D0030, only replacing the TPRs with the distributor’s pseudo TPRs. Distributors can apply RAG unit charges without using de-linking. It retains the relationship between the D0030 data and MPRS data. It gives parties detail at the lowest possible level.

4.17 On review of the responses on the Distributor approach, the Working Group noted:

- **Distributor approach**- the majority of respondents supported the Distributor approach and advised that this approach provided the least impact on their internal systems and as a result the lowest implementation cost. The DNO’s existing RAG time mappings are able to be utilised along with additional tariffs, which will facilitate a simpler way to validate NHH DUoS charges. A DNO respondent noted that this solution would require significant system and

process changes to take place to their internal systems. A Supplier respondent considered that it would provide the greatest flexibility in reporting of all the options

4.18 Those respondents who provided a summary of the cost to implement the options set out above advised:

Respondent	Option 1a	Option 1b	Option1c	Option 1d	Distributor Approach
Distributor Respondents					
1					£30k and an additional £30 k for the company
2	£35k to £60k	£25k to £45k	£80k to £110k	£20k to £40k	£25-£30k for Durabill changes
3					£25 to £30k for Durabill changes
4				0	
Supplier Respondents					
4					£6,250.
5	>£100k	>£100k	>£100k	>£70k	

Transitional Arrangements

4.19 If DCP 268 is implemented with central system changes an approach will be required for transition to the new arrangements. Settlement days prior to the *'effective from Settlement Date'* for the new approach would require the existing D0030 data until completion of all associated Reconciliation runs. Elexon identified the following options:

- i. Add the new aggregations into the existing D0030, for the transition period, and let the Distributor identify the appropriate data for the Settlement Date. This option has the risk of double counting. Following the transition period, the existing D0030 data can be removed from the flow;

- ii. Define a new flow version. Reconciliation runs for Settlement days prior to the ‘*effective from*’ settlement date for the new approach would get the old flow version of the D0030. Reconciliation runs for Settlement days’ post to the ‘*effective from*’ settlement date for the new approach would be provided on the new version. This option will result in system costs to accommodate the new data. No change required following transition as Distributors will only receive the new flow version; or
- iii. Define a new flow. Reconciliation runs for Settlement days prior to the ‘*effective from Settlement Date*’ for the new approach would get the D0030. Reconciliation runs for Settlement days’ post to the ‘*effective from Settlement Date*’ for the new approach would get the new data flow. This new data flow could be defined to remove any redundant items not required for the aggregation (e.g. PC). This option will result in system costs to accommodate the new data. Following the transition, the D0030 will be discontinued.

4.20 Two respondents provided the cost of the Centralised Options in relation to the Transitional Approach for Options 1A – 1C. The Distributor respondent who chose to provide their costs in this format also provided a cost for Option 1D as set out below:

Option 1A- 1C		
Transitional Options	Supplier Respondent	Distributor Respondent
Option i	10-12k, plus additional internal additional IT costs + Testing of System, approximately £10k to 15k	£45,000 - £60,000
Option ii	10-12k, plus additional internal additional IT costs + Testing of System, approximately £10k to 15k	£35,000 - £45,000
Option iii	20-25k, plus additional internal additional IT costs + Testing of System, approximately £10k to 15k	£90,000 - £110,000
Option iv ¹¹	10-12k, plus additional internal additional IT costs + Testing of System, approximately £10k to 15k	£35,000 - £40,000

Option 1D	
Transitional Options	Distributor Respondent
Option i	£35,000 - £40,000
Option ii	£25,000 - £30,000
Option iii	£80,000 - £95,000
Option iv	£20,000 - £25,000
Option 2/Distributor Approach	
Distributor Respondent	
£35,000 - £40,000	

¹¹ See para 4.27

- 4.21 The Working Group concluded that the Profile Class would need to be populated with a pseudo PC in the D0030 dataflow for Options 1A, 1B and 1C. This introduces additional complexity and could cause validation issues. The Working Group considered the cost impact on parties and agreed to not proceed with Option 1A – 1C.
- 4.22 The Working Group considered that Option 1D provides the least level of pseudo data and the only change is related to TPRs whilst other options within Option 1 relate to pseudo LLFC's, SSC's, PC's and TPR's. Option 1D would be cheaper to implement than Options 1A to 1C as it builds on the existing infrastructure introduced by P300.
- 4.23 On review of the Distributor approach, it was noted that currently two Distributor areas are already de-linked and sending the data in the Distributor option so Suppliers are already receiving the fully de-linked or a combination of default TPR and supported TPR in these distribution licence areas. Distributors who use the Durabill billing system are quoting costs of approximately £30,000 - £40,000 for the implementation of the Distributor approach. One Distributor who is known not to use this system advised that this solution would require significant system and process changes and advised that they preferred Option 1D transitional option iv.
- 4.24 Taking into account the RFI responses and after further discussions on the merits of each option (including the new transitional option iv), the Working Group agreed by majority that the preferred implementation approach for DCP 268 is the Distributor Approach. However, since the transitional option iv was proposed by respondents to the RFI and so not all Parties were given an opportunity to comment on this transitional option, the Working Group is also offering Parties the opportunity to comment on Option 1D transitional option iv.

DCP 268 Consultation Two

- 4.25 The Working Group are interested in parties views on the centralised approach Option 1D transitional option iv and the distributor approach. It is noted that the Working Groups preferred approach is the non-centralised distributor approach Option 2.

Option 1D

- 4.26 Option 1d proposes to retain the existing settlement combinations but replace the TPR of each combination with the distributor time band TPRs in combination with transitional option iv. The positive and negatives of Option 1d are set out in the table below.

Positive Aspects	Negative Aspects
Retains each settlement combination apart from the TPR	Loses some transparency of the data received on the D0041 ¹²

¹²D041 - Supplier Purchase Matrix Data File

Both suppliers and distributors receive the same data on the D0030 and D0242 ¹³ . Also on the D0314 ¹⁴ and D0315 ¹⁵ , this is not the case on the distributor option.	A need to retain the existing LLFCs to match the settlement combinations and may create new ones used for billing
Likely to be a simpler change than options 1a, 1b and 1c	Potential expansion of the D0030 file (expected increase is 33%)
Of the Centralised options it is closest to the ' <i>status quo</i> ', so likely to have lowest implementation cost	The need for Distributors to create mapping data and provide to SVAA.
Mirrors the arrangements already in place as a result of DCP179 and P300	
Allows all DNOs and IDNOs to receive the data in a consistent format which does not require further processing - Agreed and therefore no need to create new LLFCs	

Transitional Approach iv

- 4.27 Transitional Option iv proposes no changes to the D0030 and D0314 data flows and the SVAA populates the current Settlement Class data for Settlement Dates before the implementation date, and with only aggregated data for Settlement Dates on or after the implementation date of the 01 April 2019.
- 4.28 This transitional option has the advantage of not requiring a change under Master Registration Agreement (MRA), therefore reducing the number of changes that need to be co-ordinated between the codes. It also has the benefit of minimising cost as a result of DCP 179 and P300.

Distributor Approach (Work Group Preferred Option)

- 4.29 The **Distributor approach** utilises the existing profiled HH consumption values contained in the D0030 data flow to determine the units to be charged under the NHH DUoS time of day (year) tariff.
- 4.30 The split proposed utilises existing settlement combinations with all the Distributors using the time period (together with day of week and month) in which the consumption falls, to determine which unit rate (RAG or BYG) should apply. There is no change to the D0030 data flow as a result of this approach.
- 4.31 The implications of the approach are that Distributors would need to make changes to correctly charge the DUoS using the D0030 information, however Suppliers would only need to make changes

¹³D0242 - Supercustomer DUoS Daily Statement

¹⁴ D0314 - Non Half Hourly Embedded Network DUoS Report

¹⁵D0315 - Embedded Network Supercustomer DUoS Daily Statement

to enable them to validate the DUoS billing (if they choose). There are no transitional dataflow or central system changes required as the existing tariffs apply up to the DCP 268 implementation date and the new tariffs after the date.

4.32 However, Distributors will be required to put in place transitional arrangements in order to appropriately invoice for reconciliations prior to the implementation date of DCP 268. For reconciliations relating to periods prior to implementation of the change, Distributors would need to bill in the existing manner i.e. by determining the unit rate based on existing SSC/TPR combinations, whilst simultaneously billing under the revised arrangements for reconciliations relating to periods after implementation.

4.33 The D0242¹⁶ dataflow would present these consumptions and charges per settlement combination as existing so the split between domestic and non-domestic, profiled and actual HH data is maintained.

Positive Aspects	Negative Aspects
Requires no central system changes	A single SSC/TPR combination would potentially attract multiple unit rates (e.g. the 'day' element of an E7 tariff would likely attract all three unit rates for some of the consumption), leading to a single line of the D0242/ D0315 ¹⁷ data flow relating to a given settlement combination attracting more than one unit rate.
Mirrors how HH charges are calculated.	
Invalid mapping arrangements - Invalid combinations cannot currently be billed in the centralised option but can be in the Distributor option.	
All PC 1-8 data in the D0030 and D0314 are present in MDD which allows continued validation of combinations	
Potentially enables a subsequent change to allow DNOs to use de-	

¹⁷ Embedded Network Supercustomer DUoS Daily Statement

linking for the PC 0 data in the D0030 and D0314 (P300).	
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5 Legal Text

- 5.1 The proposed legal text changes are red-lined in Schedule 16 Common Distribution Charging Methodology (CDCM) and have been reviewed by the DCUSA modelling consultant. The CDCM has been updated to transition all existing NHH DUoS tariffs on to the RAG (or BYG) arrangement. The Working Group would like to highlight the following changes to the legal text:
- The removing of all NHH arrangements. Under Paragraph 74 the NHH tariffs have been removed from the table containing the standing charge factors for demand tariffs Under paragraph 137 table 4 showing the demand tariff structures for NHH tariffs has been removed and table 5 displaying the HH demand tariff structures has been updated to include the LV Network Domestic tariff. Tariff structures for LDNOs captured in Table 8 under paragraph 143 has also been updated to remove the NHH tariffs.
 - All generation is proposed to be treated as non-intermittent under this CP. Under paragraph 142 table 6 containing the NHH generation tariffs has been removed and table 7 containing the HH metered generation tariffs has been updated to remove the intermittent generation tariffs. Note 3 to these tables has been updated to state that *“All generation will be treated as Non-intermittent and a three-rate tariff will be applied”*.
- 5.2 The Working Group have change marked the DCP 268 draft legal text against other approved CPs legal text on the overlapping clauses only. This includes the DCP 227 *‘Removing the inconsistency in the application of Peaking Probabilities in the CDCM’* legal text (Clauses 67 to 72) and DCP 161 *‘Excess Capacity Charges’* legal text (Clauses 12,131,136,141,147) changes to Schedule 16.
- 5.3 The Working Group are interested in Parties views on the proposed legal drafting including the approach to be adopted regarding DCP 227. Please see Attachment 2.

6 Impacts & Other Considerations

Consumer Impacts

- 6.1 The Working Group considered that this change would benefit from Parties being able to understand its impact in a modified CDCM model with impact estimates. The DCP 268 Modelling Documentation acts as Attachment 3. The CDCM model has been modified to transition all existing NHH DUoS tariffs on to the RAG or BYG arrangement. The Working Group is interested in Parties views on the changes made to the CDCM model and the impact that this change has on the different tariff types.

6.2 DNO Working Group members have successfully populated the DCP 268 CDCM model and replicated the expected resulting outputs from this modified model. A template has been developed to aid Parties in determining the impact of this change which has been updated for each Distribution area against 2018/19 tariffs.

Impact Assessment

6.3 There is summary workbook attached (Attachment 5) which displays the impact on all DNOs and a zip file containing workbooks for each DNO. It uses the volume forecast (from 2018/19 published models) for each customer group, and splits the units across the red/amber/green bands as accurately as possible using other CDCM inputs. An annual charge per customer on the basis of the published volume forecast with published tariffs, has been calculated.

6.4 In the All DNO Impact Assessment excel spreadsheet, there is a customer impact and group impact tab. The group impact tab provides an overview of the portfolio customer showing a reduction for domestic customers of 0.02% and a maximum increase of 2.60%. The non-domestic aggregated customer shows an increase of 2.77% and a maximum reduction of 0.52%.

Environmental Impacts

6.5 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 268 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

6.6 Ofgem has been fully engaged throughout the development of DCP 268 as a member of the Working Group.

7 Relevant Objectives

Assessment Against the DCUSA Objectives

7.1 In the first consultation, the Working Group reviewed the CP against the DCUSA Charging Objectives and suggested that DCP 268 better facilitates DCUSA Charging Objectives 2 and 3 based on the rationale set out in the table below.

Impact of the Change Proposal on the Relevant Objectives:	
Relevant Objective	Identified impact
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	DCUSA Charging Objective two is better facilitated by this change as the DUoS charges provide Users with cost signals to encourage efficient use of the distribution network. The wider use of

electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences)	RAG (or BYG) DUoS pricing will increase the exposure of suppliers (and their customers) to these cost messages enabling them to respond to (or benefit from) these cost signals.
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	DCUSA Charging Objective three is better facilitated by this change as the costs of using the distribution network should reflect the differences in each supplier portfolio and not be smeared across all users (see example of Economy 7 afternoon boost and microgeneration in the Change Proposal).

7.2 A summary of the consultation one responses on which Charging Objectives parties considered better facilitated by this change is set out in the table below.

Respondent Party Type	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5	Undecided /Not
Supplier	0	4	7	0	0	1
DNOs	0	4	5	0	0	1
IDNO	0	0	0	0	0	1
Anonymous	0	0	0	0	0	1
Code Administrator	0	1	1	0	0	0
Total	0	9	13	0	0	4

3.1 The majority of respondents considered that DCUSA Charging objective 2 and 3 were better facilitated by the change for the following reasons:

Objective two

- This change allows greater flexibility in the supply industry to offer time of use tariffs. The development by suppliers of innovative tariffs will facilitate competition in electricity supply.
- The provision of appropriate cost signals to encourage efficient use of the distribution system; and
- The wider use of time band pricing will make DUoS pricing more transparent, which will influence suppliers to respond to the cost signals. Suppliers will be able to continue with the status quo if they wish, as the new tariffs should result in the same total DUoS charge for the average customer for the majority of tariffs.

Objective Three

- The use of the specific DNO time bands more accurately reflect the costs of using the distribution network;
- The costs of using the network will not be smeared, but based upon each Suppliers portfolio of customers; and
- The simplification of DUoS billing arrangements and the reduction in the number of DUoS charging categories should ease the administrative burden on suppliers.

7.3 One respondent considered that objective 2 was not better facilitated as customers will not be able to respond to pricing signals if they are billed based on profiled data. This change would not encourage users to increase their off peak consumption or reduce their peak consumption but will allow Suppliers a broader understanding of the time based charging bands. Therefore, this will not benefit consumers or distributors until such time as real consumption data can be used in settlement and billing.

7.4 This respondent also did not see how this change increased cost reflectivity under Charging Objective three as this CP allocates a time band charge not based on actual data. Consumers who use the system at different times will not be charged different prices to use of system and so there cannot be considered to be any increase in cost reflectivity in these charges.

7.5 The Working Group invite Parties to consider which DCUSA Charging Objectives are better facilitated by this change based on the developed solution.

8 Implementation

8.1 The proposed implementation date for DCP 268 is the 01 April 2019. DCP 178 introduced a 15 month notification period for changes to Use of System charges from 2016. As a result, for this change to be implemented on the 01 April 2019, it will need to be approved prior to tariff setting in December 2017 so that it may included in the relevant models.

9 Consultation Questions

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

Number	Questions
1	Do you agree with the Working Group conclusion that the Distributor Approach offers the best solution for implementing DCP 268? Please provide your rationale.
2	If you have a preference for the Centralised Approach Option 1D Transitional Option iv over the Distributor Approach, please provide your rationale.

3	Please confirm the costs expected to be incurred under either approach.
4	The Working Group agreed with the Parties view that site specific tariffs were not appropriate, see tariffs concerned and these will be mapped to the aggregated non-domestic tariff. Views are sought on whether this is the appropriate approach.
5	Do you have any comments on the proposed legal text and the inclusion within it of approved but not implemented DCP 227 impact?
6	It is proposed that DCP 268 be implemented on the 01 April 2019. Do you agree with this approach?
7	Do you have any comments on the updated model or impact analysis? Please provide supporting comments.
8	<p>Which DCUSA Charging Objectives does the CP better facilitate? Please provide supporting comments.</p> <ol style="list-style-type: none"> 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 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 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 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.

9	Are you aware of any wider industry developments that may impact upon or be impacted by this CP?
10	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 no later than, **10 March 2017**.

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 268 Response Form
- Attachment 2 - DCP 268 Draft legal Text
- Attachment 3 – DCP 268 Modelling Documentation
- Attachment 4 – DCP 268 Tariff Mapping
- Attachment 5 – Working Group Impact Assessment
- [Attachment 6 – DCP 268 Consultation One Link](#)
- [Attachment 7 – DCP 268 Request for Information Link](#)