



DCUSA Consultation

DCP 268 –DUoS Charging Using HH Settlement Data

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.

This document presents a consultation for DCP 268 and invites all parties to respond on the proposed change by the **08 June 2016**.

PURPOSE

- 1.1 The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity Distributors, electricity Suppliers and large Generators. Parties to the DCUSA can raise Change Proposals (CPs) to amend the Agreement with the consent of other Parties and (where applicable) the Authority.
- 1.2 This document is a consultation issued to all DCUSA Parties, interested third parties, and the Authority in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 268 ‘DUoS Charging Using HH settlement data’.
- 1.3 Parties are invited to consider the proposed legal drafting set out in Attachment 2 to this document and submit comments using the response form provided as Attachment 1 to DCUSA@electralink.co.uk by **08 June 2016**.

2 BACKGROUND TO DCP 268 ‘DUOS CHARGING USING HH SETTLEMENT DATA’

- 2.1 On 26 June 2014, the Competition and Markets Authority (CMA) published its ‘*Notice of provisional findings*¹’ 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*²”.
- 2.2 On the 07 July 2015, CMA published their ‘*Notice of Possible Remedies*³’ 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*”.

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

² AEC – Adverse Effect on Competition

³ https://assets.digital.cabinet-office.gov.uk/media/559aac8eed915d1592000023/EMI_Remedies_Notice_-_Final.pdf

- 2.3 In December 2015, Ofgem issued a consultation⁴ 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.
- 2.4 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:
- Common Distribution Charging Methodology (CDCM) could be simplified 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.

3 DCP 268 'DUOS CHARGING USING HH SETTLEMENT DATA MERGING THE PCDM AND EXTENDED PCDM'

- 3.1 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

- 4.1 The DCUSA Panel established a DCP 268 Working Group which consists of DNO, Supplier, Consultant, Elexon and Ofgem representatives to analyse and develop this change.

⁴ <https://www.ofgem.gov.uk/electricity/retail-market/market-review-and-reform/smarter-markets-programme/electricity-settlement>

4.2 The Working Group noted that with 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 179⁵ and P272⁶ which introduced the:

- the Time of Use (ToD) Red, Amber and Green (RAG) aggregated tariffs into the CDCM for domestic and small non-domestic customers; and
- the provision though settlement of aggregated consumption data summed by RAG time bands.

5 MAPPING OF TARIFFS

5.1 The Working Group considered how to apply equitable DUoS charges for existing NHH profiled customers and elective HH settled customers. The Working Group sets out how the existing tariffs could be mapped in Attachment 4.

Current Arrangements

5.2 The current tariff structure within the Common Distribution Charging Methodology (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) Black, Yellow and Green (BYG). The RAG & BYG time bands represent three different cost signals. This DCP 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 anticipate any change to the tariff structure that the Supplier charges to retail customers.

How to Settle NHH Domestic Customers on an Elective HH Basis?

5.3 The Working Group agreed that:

- All DUoS tariffs to be on RAG (or BYG) basis
 - Using existing defined aggregated tariffs
- Billing of Suppliers by Distributors

⁵ DCP 179 'Amending the CDCM tariff structure'

⁶ P272 'Mandatory Half Hourly Settlement for Profile Classes 5- 8'

- 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
- 5.4 The Working Group are interested in Parties views on the mapping of tariffs proposed in Attachment 4.
- 5.5 The Working Group have identified some issues with the mapping of NHH tariffs and seeks Parties views on the approach taken to resolve them.
- The mapping of off peak tariffs: The existing off peak tariffs would be the same as the RAG unit charges in their corresponding aggregated tariff (domestic and non-domestic) but will have a zero standing charge. To facilitate the correct DUoS billing it is proposed to map off peak tariffs (for related MPANs) using a unique Line Loss Factor Class (LLFC) and Standard Settlement Configuration (SSC) that has no fixed charge. ‘LV Medium Non-Domestic’, ‘LV Sub Medium Non-Domestic’ and ‘HV Sub Medium Non-Domestic’ tariffs: The Working Group proposes for these tariffs to be mapped to the relevant HH tariff with a default capacity value of 71kVA. As a result, medium non-domestic tariffs will see a significant step change for this tariff type and it would cause an increase in their tariffs. However, the vast majority of customers will no longer be on these tariffs by April 2018 when this change is proposed to be implemented as they will be subject to BSC change P272 which mandates the HH settlement of profile class 5-8 customers by 1 April 2017 (having been subject to a revised implementation data to 1 April 2016 and subsequent extension to 1 April 2017). Furthermore, a CP is being raised to remove these tariffs types from the CDCM. The Working Group are interested in Parties views on the proposed approach to medium non-domestic tariffs.

6 BILLING OF TARIFFS

- 6.1 On the introduction of P272, et al, the BSC instigated a process to create pseudo D0030 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.
- 6.2 It is proposed to utilise and extend this existing framework (introduced as a result of DCP 179) to support the extension proposed under this DCP. Definition of the times and date ranges from the BYG tariffs will need to be provided to ELEXON.
- 6.3 Some members of the Working Group would prefer ELEXON to determine this pseudo data, others already have the capability within their own billing systems. The Working Group would like feedback on whether the BSC changes should be progressed (as a consequence of this change), or whether Supplier and Distributor billing systems are already suitable.

7 WIDER INDUSTRY DEVELOPMENTS

- 7.1 A modification to introduce additional consumption component classes (CCC) to reflect this transition of NHH to HH in the Supplier Volume Allocation (SVA) has been raised under the BSC. BSCP40/03 MP no. P339 *'Introduction of new Consumption Component Classes for Measurement Classes E-G'*⁷ change seeks to *"introduce new Consumption Component Classes (CCCs) for Measurement Classes "E", "F" and "G" to enable aggregated consumption volumes for both Active Import (AI) and Active Export (AE) to be identified separately"*. The change advises that the new CCCs will facilitate:
- *"The aggregation of HH Export volumes for Settlement and Distribution use of System (DUoS) billing;*
 - *The application of different Performance Levels to Measurement Classes "E", "F" and "G";*
 - *The application of different Group Supply Point (GSP) Group Correction Factor (GCF) scaling weights to Measurement Classes "E", "F" and "G";*
 - *The ability to apply different BSC specified charges to smaller Customers.*

⁷ <https://www.elexon.co.uk/mod-proposal/p339/>

7.2 P339 combined with DCP 268 will help to remove barriers to elective HH settlement.

8 LEGAL DRAFTING

8.1 The proposed legal text changes are red-lined in Schedule 16 Common Distribution Charging Methodology (CDCM). 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 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. Under Paragraph 74 the NHH tariffs have been removed from the table containing the standing charge factors for demand tariffs.
- All generation is proposed to be treated as non-intermittent. 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”*.
- The proposed treatment of off peak tariffs (referred to as related MPAN tariffs in this change). Under paragraph 137, table 5 HH Demand Tariff Structures has been updated to include LV Network Domestic Related MPAN tariff and LV Network Non - Domestic Non – CT Related MPAN tariff. Note 1 to table 5 has been updated to state that *“the off-peak (related MPAN) tariffs for both Domestic and Non Domestic are supplementary to a standard published tariff and therefore only available under these conditions. These will be charged the same red, amber and green unit rates but will have a zero fixed charge”*.

- 8.2 The Working Group are interested in Parties views on the proposed legal drafting which is included as Attachment 2.

9 ASSESSMENT AGAINST THE DCUSA OBJECTIVES

- 9.1 The Working Group reviewed the CP against the DCUSA Objectives and agree that DCP 268 better facilitates DCUSA Charging Objectives 2⁸ and 3⁹, and DCUSA General Objectives 1¹⁰ and 2¹¹.
- 9.2 The Working Group consider that this DCP will better facilitate DCUSA Charging Objective three and DCUSA General Objective one and two 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).
- 9.3 The Working Group consider that this DCP will better facilitate Charging Objective two as the DUoS charges provide Users with cost signals to encourage efficient use of the distribution network. The wider use of 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.

10 IMPLEMENTATION

- 10.1 The proposed implementation date for DCP 268 is the 01 April 2018. 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 2018, it will need to be approved prior to tariff setting in December 2016 so that it may be included in the relevant models.

⁸ 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)

⁹ 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

¹⁰ The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks

¹¹ 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

11 CONSULTATION

11.1 The Working Group is seeking views on the below questions:

1. Do you understand the intent of DCP 268?
2. Are you supportive of the principles of DCP 268?
3. Do you have any comments on the proposed legal text?
4. Please provide your views on the proposed mapping of tariffs set out in Attachment 4?
5. Do you agree with the proposed approach to the mapping of off peak tariffs as set out in paragraph 5.5 of this consultation?
6. Please advise whether you have a preference for Elexon to provide the pseudo split of consumption data or for Parties to undertake the relevant work on their billing systems?
7. Which DCUSA Charging Objectives does the CP better facilitate? Please provide supporting comments.
 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.
8. It is proposed that DCP 268 be implemented on the 01 April 2018. Do you agree with this approach?
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?
- 11.2 Responses should be submitted using Attachment 1 to DCUSA@electralink.co.uk no later than **08 June 2016**.
- 11.3 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.

12 NEXT STEPS

- 12.1 Responses to the Consultation will be reviewed by the DCP 268 Working Group. The Working Group will then determine the progression route for the CP.
- 12.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA Help Desk by email to DCUSA@electralink.co.uk or telephone 020 7432 3017.

13 ATTACHMENTS

Attachment 1 – DCP 268 Consultation Response Form

Attachment 2 – DCP 268 Draft Legal Text

Attachment 3 – DCP 268 Change Proposal

Attachment 4 – DCP 268 Tariff Mapping