









DCUSA Consultation		At what stage is this document in the process?
<h1>DCP 268</h1> <h2>DUoS Charging Using HH settlement data</h2> <p><i>Raised on the 14 March 2016 as a Standard Change</i></p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
Purpose of Change Proposal: <p>The intent of this proposal is 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>The Workgroup recommends that this Change Proposal 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 dcusa@electralink.co.uk by 07 March 2018. The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the Change Proposal (CP).</p>	
	<p>Impacted Parties: Distribution Network Operators (DNOs), Independent Distribution Network Operators (IDNOs) and Suppliers</p>	
	<p>Impacted Clauses:</p> <ul style="list-style-type: none"> Schedule 16 'Common Distribution Charging Methodology', Schedule 17 'EHV Charging Methodology (FCP Model)', Schedule 18 'EHV Charging Methodology (LRIC Model)', Schedule 19 'Portfolio Billing', Schedule 20 'Production of the Annual Review Pack' and Schedule 21 'Portfolio Billing for Nested Networks'. 	

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Timetable		
The timetable for the progression of the CP is as follows:		
Change Proposal timetable		
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Activity	Date	
Initial Assessment Report Approved by Panel	16 March 2016	
First Consultation issued to Parties	18 May 2016	
Second Consultation issued to Parties	17 February 2017	
Change Report issued to the Panel	14 June 2017	
Change Declaration submitted to the Authority	18 July 2017	
Authority decision letter	20 October 2017	
Third Consultation issued to Parties	21 February 2018	
Change Report issued to Panel	11 April 2018	
Change Report issued for Voting	20 April 2018	
Party Voting Ends	11 May 2018	
Change Declaration Issued to Authority	15 May 2018	
Authority Decision	19 June 2018	
Implementation	TBC	

1. Summary

What?

- 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 consultation seeks to ascertain whether the changes proposed in this CP better facilitate the DCUSA objectives specifically related to generation customers, giving due regard to the removal of the distinction between intermittent and non-intermittent generation.
- 1.3 In addition, parties are asked to consider what implementation date is preferable, taking into account the different time-related concerns expressed by voting parties at the time of the initial change report (Attachment 2).
- 1.4 As part of the response, parties are asked to consider how the CP relates to the wider work being progressed in this area, such as the Charging Futures Forum Access and Forward Looking Charges Task Forces¹.

Why?

- 1.5 The Change Report² for this CP was submitted to parties for voting on 23 June 2017. Parties accepted the change but rejected the implementation date. The Change Declaration (Attachment 3) was then submitted to the Authority on 22 August 2017 for its decision.
- 1.6 Upon review, the Authority referred DCP 268 back to the DCUSA Panel in a letter dated 20 October 2017 (Attachment 8) noting that the impacts of DCP 268 on charges for embedded generators had not been considered fully; and that the implementation date required further consideration based on Party votes.

How?

- 1.7 Parties' views will be considered by the Working Group when producing a revised Change Report in responding to the two key areas of the impact of the CP on the DCUSA Objectives associated with

¹ [Ofgem - reform of electricity network access and forward-looking charges: a working paper](#)

² [DCP268 Change Report](#)

the changes impacting generation customers; and in agreeing when this change should be implemented.

2 Governance

Justification for Part 1 Matter

- 2.1 DCP 268 is classified as a Part 1 matter as it is likely to have a significant impact on competition in supply and discriminate between one party and another party (DCUSA Clauses 9.4.2 and 9.4.3).

Requested Next Steps

- 2.2 Following a review of the Consultation responses, the Working Group will progress to Change Report phase.

3 Why Change?

Background of DCP 268

- 3.1 DCP 268 was 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.
- 3.2 A Working Group developed the CP and submitted a Change Report to the DCUSA Panel in May 2017. The DCUSA Panel agreed that the CP should be issued to the voting process.
- 3.3 Following the conclusion of the voting process, a Change Declaration was submitted to the Authority on 22 August 2017.
- 3.4 Upon review, the Authority referred DCP 268 back to the DCUSA Panel in a letter dated 20 October 2017 noting that the impacts of DCP 268 on charges for embedded generators had not been considered fully; and that the implementation date required further consideration based on Party votes.

Code Specific Matters

Reference Documents

- 3.5 The Authority stated in its 'send back' letter that consideration needs to be given to the Ofgem working paper on access and forward-looking charges for electricity networks. This was issued on the 6th November 2017.

4 Working Group Assessment

DCP 268 Working Group Assessment

- 4.1 The Working Group reviewed the Authority Decision Letter and noted that a revised Change Report should consider:
- All elements of the proposal, including the removal of the distinction between intermittent and non-intermittent generation, when assessing the impact on the relevant charging objectives; and
 - What potential alternative implementation date may be appropriate, taking into account the different time-related concerns expressed by voting parties.
- 4.2 In undertaking these additional steps, the Working Group will also consider how the modification proposal relates to wider work being progressed in this area, such as the Charging Futures Forum Access and Forward Looking Charges Task Forces.

Non-Intermittent and Intermittent Generation

In responding to the Authority letter, the Working Group considered first the concern raised over non-intermittent and intermittent generation.

- 4.3 If the aim of generation credits are to be perfectly cost reflective, which could be loosely defined as exactly reflecting the cost or benefit to the DNO of an incremental unit of generation at that time and location, then the differential is not justified – it doesn't matter whether the incremental unit comes from an intermittent or non-intermittent source; the benefit of that unit is the same. The increased benefit to the DNO comes from the controllability of the non-intermittent generator, but the non-intermittent generator will be fairly rewarded for this if they provide more benefit to the DNO, i.e. if they can actively (non-intermittent), or fortuitously (intermittent), respond to the DNO cost signal and export more units at peak times when the generation credit is higher.
- 4.4 Differentiating between the two was initially on the basis that intermittent generators had no way of responding to the cost signal. But that does not justify not giving them any price signal at all, in fact not giving the price signal creates a distortion between different technologies. For example a wind farm and solar farm on the same area of network with the same annual kWh output will, under the existing regime, receive the same credit. But the solar farm will never be operational at winter peak whilst the windfarm likely will be on at least some days – so the wind farm is of greater value, particularly when considered in the context of a variety of different technology types connecting and so creating some diversity meaning the DNO can rely on at least some output when planning their higher voltage network. So whilst the generator might not be able to respond to the cost signal on an ongoing basis, they can respond at the point in time when they have a vacant site and are deciding what to do with it, and the current credits could be seen to under-value intermittent generation sources which may be active at peak.
- 4.5 Under a consistent Red Amber Green charging framework the economics of installing storage to 'load shift' energy from cheaper times to peak times is given an appropriate cost signal, i.e. a solar

farm charging batteries which discharge to the network during the peak demand period receives benefit from their investment in batteries whereas a flat rate tariff does not provide this incentive.

- 4.6 It is of direct relevance that a consultation was initiated on 12 Jan 2018 to revise Engineering Recommendation P2 - Security of Supply to edition 7. The proposed revisions to Engineering Recommendation P2, edition 7, remove any reference to the terms “Intermittent Generation” and “Non-intermittent Generation”. As a result, assuming the Engineering Recommendation P2 consultation results in adoption of the proposed changes in 2018 it results in an administrative ambiguity as to the definitions in DCUSA which explicitly refer to Engineering Recommendation P2/6. www.dcode.org.uk/consultations - DCRP/18/03/PC .This strengthens the view that DCUSA should not cross refer to what will be a superseded version (P2/6) of an Engineering Recommendation. The reasons for the proposed revisions are set out in the consultation documents, but reflect the industry wide discussions that the definitions do not reflect current relevant engineering distinctions.

Second Request for Information

- 4.7 Following the referral back to industry from the Authority, the DCP 268 Working Group agreed that a review of the analysis on intermittent and non-intermittent generators (carried out as part of the impact assessment included within the initial Change Report) was required to ascertain the impacts on charges. Looking at the impact assessments undertaken as part of the DCP 268 Change Declaration, it was discovered that the analysis aggregated the intermittent and non-intermittent generators and assumed that the ‘average’ intermittent generator acts in the same way as the ‘average’ non-intermittent generator; which is not in line with DNO expectations.
- 4.8 In order to understand the impact on intermittent and non-intermittent generators, it was agreed that a Request For Information (RFI) would be issued to DNOs to review the actual data received through settlement in respect of customers on Low Voltage, Low Voltage Substation and High Voltage intermittent generation tariffs to determine a revised set of illustrative red, amber, green (RAG) usage values for a typical generator on each tariff. The result of this RFI can be found as Attachment 5.

Q1: Do you agree with the Working Group’s use of actual RAG usage values calculated from settlement data for intermittent generation in preference to the average of intermittent and non-intermittent values? Please provide your rationale

- 4.9 The Working Group also agreed to use these values as a proxy for the NHH generation tariffs, and the intermittent generation tariffs with no reactive power charge by using the appropriate voltage level to determine the RAG values to be used. .

Q2: Do you agree with the Working Group's use of intermittent generation RAG values for NHH generation and no reactive power charge intermittent generation tariffs in preference to the average of intermittent and non-intermittent values? Please provide your rationale.

- 4.10 The Working Group would like the information above to be considered by Parties when answering the question as to whether this change better facilitates the DCUSA Charging Objectives specifically to generation.

5 Solution and Legal Text

- 5.1 The legal text is unaltered as a consequence of the changes suggested to the RAG values for intermittent generation since they are changes to input data only, where the previous impact assessment used a significant approximation for this input data for the purpose of producing the impact assessment which has since deemed to be inadequate.

6 Relevant Objectives

Assessment Against the DCUSA Objectives

- 6.1 For a DCUSA CP to be approved it must be demonstrated that it better meets the DCUSA Objectives. There are six DCUSA Charging Objectives, listed in the table below.
- 6.2 The Working Group in their Change Report considered that the DCUSA Charging Objectives 2, 3 and 4 were better facilitated by DCP 268 although Charging Objective 1 was negatively impacted. However, when considered together there was a unanimous view that the DCUSA Charging Objectives were better facilitated by the CP.
- 6.3 The Working Group reviewed the responses in the consultation and voting responses received from Parties, and concluded that the charging objectives reflect the impact on both generation and demand. In essence the Working Group believed that the objectives were considered to benefit both generation and demand in the initial change report but acknowledged that this was not explicitly stated. The reasoning against each objective is set out in the table below:

Impact of the Change Proposal on the Relevant Objectives:

Relevant Objective	Identified impact
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<p>Charging Objective One - 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>Negative impact</p> <ul style="list-style-type: none"> It will place additional costs on a minority of Distributors who are not currently using systems to create tariffs based on RAG time bands in preference to the centralised approach of billing on settlement data. (Demand and Generation)
<p>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 electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences)</p>	<p>Positive impact</p> <ul style="list-style-type: none"> 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 (Demand and Generation); and The provision of appropriate cost signals to encourage efficient use of the distribution system subject to the appropriate metering being installed (Demand and Generation).
<p>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</p>	<p>Positive</p> <ul style="list-style-type: none"> Where appropriate metering is in place, the costs of using the network will not be smeared, but based upon each Suppliers portfolio of customers (Demand and Generation); and Where appropriate metering is in place, use of the specific DNO time bands more accurately reflect the costs of using the distribution network (Demand and Generation).
<p>Charging Objective Four - 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>Positive</p> <ul style="list-style-type: none"> this change sits <i>"alongside the developments in half hour metering and smart meters"</i>
<p>Charging Objective Five - 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</p>	<p>None</p>

Commission and/or the Agency for the Co-operation of Energy Regulators.	
Charging Objective Six - that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	<p>Positive</p> <ul style="list-style-type: none"> DCP 268 reduces the number of tariffs from 33 to 16 and provides long term simplification in the calculation of the tariffs (demand and generation).

- 6.4 The Working Group is seeking views from Parties as to whether the charging objectives are better facilitated specifically related to embedded generators, giving due regard to the removal of the distinction between intermittent and non-intermittent generation, and the revised RAG vales being suggested.

Q3: Are the charging objectives better facilitated for generation customers, giving due regard to the removal of the distinction between intermittent and non-intermittent generation? Please provide your rationale.

7 Impacts & Other Considerations

Does this Change Proposal impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

- 7.1 It has been acknowledged by Ofgem that this change does not impact the SCR looking at mandating HH settlement. The reasoning for this CP was to assist in the move to HH settlement.

Consumer Impacts

- 7.2 In the Change Report there was an impact assessment spreadsheet produced that looked at all DNOs with a customer impact and group impact tab. The group impact tab provided an overview of the portfolio customer showing a small reduction for domestic customers of 0.02% through to a

maximum increase of 2.60%. The non-domestic aggregated customer showing a reduction of 0.52% through to an increase of 2.77% (Attachment 6).

- 7.3 As a consequence of the proposed revised RAG values, the same impact assessment has been undertaken but with these values replacing the ones in the 'generator split' tab of each DNO model (Attachment 7).
- 7.4 The outcome is that there is no difference between the two when considering domestic customers and non domestic aggregated customers.
- 7.5 However, when considering the impact on embedded generators, the data in the Change Report shows an increase in credits from 1.42% to 36.78%. The revised approach being suggested by the Working Group shows an increase in credit of 1.14% to 18.42%.

Environmental Impacts

- 7.6 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

- 7.7 Ofgem has been fully engaged throughout the development of DCP 268 as an Observing member of the Working Group.

8 Implementation

8.1 The reasons for rejection of the implementation date during the first voting round for DCP 268 were broadly for several reasons:

- Lead time for implementation of changes due to system development work (in one case 2 years);
- Significant structural change to DUoS Tariffs;
- Some customers still remaining on Profile Class 5 to 8 medium tariffs;
- It is expected that a majority of customers will have Smart Meters installed by 2020 and with their migration to Measurement Class 'F' & 'G' this change would have almost no impact;
- More beneficial for the industry to align change proposals which seek to facilitate HH settlement; and
- Customers' contractual arrangements with suppliers taking them beyond the implementation date.

8.2 In addition to the above, the Authority requested that consideration be given to the current SCR considering market-wide half hourly settlement³ and the Jan 2018 updated Target Operating Model Design Principles⁴ as part of this proposal. The prime intention of the SCR is to make the 'cost of supplying customers more reflective of actual half hourly consumption' in this context part of the customers costs (through their supplier) is the DUoS costs, while eventually all customers are expected to have a half hourly meter..

8.3 The Working Group expressed concerns with just putting back the implementation date by 12 months since, by the time this is voted on again, there would be no difference in the lead time and it is expected that those parties who voted against it would do so again. The counter view was that although a decision on mandating HH settlement may be known by early 2019 there is still a lead time for development work to be undertaken and based on previous experience with the implementation of AMR meters and the move to HH settlement for the Profile Class 5-8 market, the Working Group believe that it may well be the early 2020s when the majority of customers may be settled on a HH basis. Based on the above the Working Group's revised proposed implementation date for DCP 268 is 01 April 2020.

³ www.ofgem.gov.uk/publications-and-updates/ofgem-response-feedback-significant-code-review-launch-statement

⁴https://www.ofgem.gov.uk/system/files/docs/2018/01/updated_target_operating_model_design_principles.pdf

- 8.4 Parties are asked to consider how the CP relates to the wider work being progressed in this area, such as the work of the Charging Futures Forum Access and Forward Looking Charges Task Forces.

Q4: Do you agree with the Working Group that the implementation date should be the 1st April 2020? If not please provide your rationale.

Q5: Does this CP impact the wider work being progressed in this area, such as the Charging Futures Forum Access and Forward Looking Charges Task Forces

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's use of actual RAG usage values calculated from settlement data for intermittent generation in preference to the average of intermittent and non-intermittent values? Please provide your rationale.
2	Do you agree with the Working Group's use of intermittent generation RAG values for NHH generation and no reactive power charge intermittent generation tariffs in preference to the average of intermittent and non-intermittent values? Please provide your rationale.
3	Are the charging objectives better facilitated for generation customers, giving due regard to the removal of the distinction between intermittent and non-intermittent generation? Please provide your rationale.
4	Do you agree with the Working Group that the implementation date should be the 1 st April 2020? If not please provide your rationale.
5	Does this CP impact the wider work being progressed in this area, such as the Charging Futures Forum Access and Forward Looking Charges Task Forces?

- 9.2 Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk no later than, **07 March 2018**.

- 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 – Consultation Response Form
- Attachment 2 – Voting Consolidated Response Document

- Attachment 3 – Change Declaration
- Attachment 4 – CP Form
- Attachment 5 – RFI response data
- Attachment 6 – Change Report Impact assessment
- Attachment 7 – Updated Impact assessment based on RFI results
- Attachment 8 – Ofgem decision to send back DCUSA modification proposal DCP268