









| DCUSA Change Declaration | | At what stage is this document in the process? |
|---|--|--|
| <h1>DCP 255</h1> <h2>Changes to Electricity (Connection Charges) Regulations 2002</h2> <p><i>Raised on the 06 November 2015 as an Urgent Change</i></p> | | 01 – Change Proposal |
| | | 02 – Consultation |
| | | 03 – Change Report |
| | | 04 – Change Declaration |
| Purpose of Change Proposal DCP 255 seeks to incorporate changes in the CCCM as a result of changes to the Electricity (Connection Charges) Regulations (ECCR) 2002. | | |
|  | The DCUSA Parties determined that this Change Proposal should be implemented. DCUSA Parties voted on the DCP 255 Change Report and recommend: <ul style="list-style-type: none"> • that the change solution is accepted • that the implementation date is accepted The DCUSA Parties consolidated votes are provided as Attachment 1. | |
|  | Impacted Parties: DNOs, IDNOs and Customers | |
|  | Impacted Clauses: Schedule 22 | |

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| | | |
| Timeline | | |
| The timetable for the progression of the CP is as follows: | | |
| Change Proposal timetable | | |
| Activity | Date | |
| Initial Assessment Report Approved by Panel | 18 November 2015 | |
| Change Report Approved by Panel | 28 March 2017 | |
| Change Report issued for Voting | 30 March 2017 | |
| Party Voting Closes | 05 April 2017 | |
| Change Declaration Issued to Parties | 06 April 2017 | |
| Implementation | 06 April 2017 | |

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 Change Proposals (CPs) to amend the Agreement with the consent of other Parties and (where applicable) the Authority.
- 1.2 This change will incorporate the Electricity (Connection Charges) Regulations 2017 in to DCUSA Schedule 22 Common Connection Charging Methodology (CCCM).

Why?

- 1.3 As these Regulation amendments will be law from the 06 April 2017. This CP ensures that Distributors are compliant with the relevant objectives and the obligations imposed on it under the Act and by its Distribution Licence.

How?

- 1.4 By modifying Schedule 22 to reflect the changes made to the ECCR 2017.

2 Governance

Justification for Part 2 Matter

- 2.1 DCP 255 has been classed as a Part 2 Matter therefore, Authority consent is not required.
- 2.2 The DCUSA Panel directed that the DCP 255 Working Group only propose legal text changes that are as a direct consequence of the BEIS ECCR amendments.
- 2.3 DCP 255 does not meet the criteria for a Part 1 Matter.

Requested Next Steps

- 2.4 DCUSA Parties voted that DCP 255 be approved.

3 Why Change?

Background of DCP 255

- 3.1 The Department for Business Energy and Industrial Strategy (BEIS) issued an informal consultation on Potential Changes to the Electricity (Connection Charges) Regulations 2002. BEIS identified a number of limitations in the ECCR also referred to as the “Second Comer” regulations.

Existing Regulation

- 3.2 Where a customer pays for sole-use assets when connecting to a Distribution network, the cost to reinforce the network to allow this connection is shared between the connecting customer and the existing network users. Where a Distributor has chosen to undertake a wider network reinforcement which was prompted by the first connecting customer, then a proportion of the cost of this reinforcement is paid for by the DNO and passed through in the Distribution Use of System (DUoS) charges to consumer’s bills. When a second customer wishes to connect to the Distribution network and will be using some of the existing capacity paid for by the first connecting customer or first comer then the second comer is required to pay the costs for that capacity and it is reimbursed to the first comer.

Limitations

- 3.3 The existing 2002 second comer regulations in conjunction with the Electricity Act only apply where a first connectee has contracted with a Distributor to make the connection. It does not apply where a first connectee utilised an Independent Connection Provider (ICP) or where the second comer has utilised an ICP to make the connection. This lack of reimbursement may deter a customer from using an ICP. Where a customer has chosen to make their connection with a Distributor, the second comer regulations only applies if *“the person requiring the connection is an owner or occupier of a premises (including an agent acting on their behalf), or an authorised supplier acting with the owner or occupier’s consent”*.
- 3.4 Under the existing Second Comer regime, Distributors are able to calculate the precise second comer payment due as they provided the initial connection and know the amount paid. Where a connection has been provided by an ICP, the DNO will adopt the asset installed but they will not know the cost and so will not be able to calculate the reimbursement required. For competition reasons ICPs cannot be requested to divulge pricing information. To allow the Second Comer regime to apply to ICPs the regulator agreed that the DNO taking in to consideration the asset installed would be allowed to estimate the cost of the connection based on the Distributors own costing methodology.
- 3.5 The outcome of BEIS’s examination of the consultation responses is to extend the scope of the existing regulations to assets installed by ICPs and extend the period of payment of a second comer charge from 5 to 10 years.
- 3.6 Following industry workshops on the initial draft of the ECCR 2017, BEIS agreed to amend the regulations as set out in Attachment 4.
- 3.7 Following questions raised by industry parties on an early draft of the ECCR, further work was undertaken to clarify the applicability of the second comer rule. An Ofgem ECCR guidance

document is being written to aid Parties complying with this change which highlights the following key areas:

- *“Extend the scope of the ECCRs to incorporate customers that opted to use an independent connection provider (ICP), rather than an Electricity Distributor to complete the First Connection.*
- *Extend the scope of the ECCRs to incorporate customers that have connected under section 22 of the Electricity Act 1989, rather than just section 16 of the Electricity Act 1989.*
- *Oblige the Electricity Distributor to request for a reimbursement payment in all cases where the conditions are met (rather than leaving it to their discretion).*
- *Extend the scope of the ECCRs so that the regulations apply if the Second Connection is made within 10 years of the First Connection, rather than five years of the First Connection”.*

3.8 The new regulations are expected to come in to effect on the 06 April 2017. This change has been raised to implement the proposed changes in DCUSA Schedule 22 Common Connection Charging Methodology in line with the implementation date of the ECCR.

4 Solution

DCP 255 Assessment

- 4.1 The DCUSA Panel established a Working Group to assess DCP 255. This Working Group consists of DNO, IDNO, consultant representatives and an Ofgem observer. 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 DCP 255 was raised as a Part 2 Matter by ENWL and seeks to incorporate changes in to the CCCM as a result of changes to the Electricity (Connection Charges) Regulations 2002.
- 4.3 The DCUSA Panel directed that the DCP 255 Working Group only propose legal text changes that are as a direct consequence of the BEIS ECCR amendments. As these Regulation amendments will be law from the 06 April 2017, the Working Group has deemed that a consultation on the legal text change was not needed.
- 4.4 The primary purpose of the regulation amendments is to apply the second comer regulations to ICP and inter-distributor connections. These regulations allow the first connectee who paid in whole or in part for the wider reinforcement of the network and the extension assets to accommodate their connection and receive a refund from any subsequent connectee for the available capacity used by them that was created by the initial reinforcement.
- 4.5 The DCUSA Panel have directed that this change’s implementation date aligns with the ECCR implementation date of the 06 April 2017.

- 4.6 This CP has been established as a Part 2 Matter as this CPs proposed amendments to Schedule 22 will be based on the changes that the regulations are implementing only. This CP ensures that Distributors meet their Statutory Instrument obligations.

5 Relevant Objectives

Assessment Against the DCUSA Objectives

- 5.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better meets the DCUSA Objectives. There are six Charging DCUSA Objectives. The full list of objectives is documented in the CP form provided as Attachment 3.
- 5.2 The Working Group considers that the DCUSA Charging Objective 1 and 2 is better facilitated by DCP 255. The reasoning against this objective is set out in the table below:

| Impact of the Change Proposal on the Relevant Objectives: | |
|---|---|
| Relevant Objective | Identified impact |
| 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 | Charging Objective one is better facilitated by DCP 255 as it amends Schedule 22 to comply with new Regulations enacted through new Schedule 5b to the Electricity Act as inserted by the Infrastructure Act 2015-11-03. |
| 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) | Charging Objective two is better facilitated by DCP 255 as the extension of the Electricity Connection Charges Regulations (ECCR) provisions to ICPs removes a perceived barrier to the use of ICPs where customers may be deterred from using an ICP where the ECCR provisions do not apply. |

6 Impacts & Other Considerations

This change impacts IDNOs, DNOs and Customers as it introduces a mechanism to apply the second comer regulations to ICP and inter-distributor connections.

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

6.1 n/a

Consumer Impacts

6.2 This change will be beneficial to the Customer as it will allow the person who paid in whole or in part for the wider reinforcement of the network and the extension assets to accommodate their connection to receive a refund from any subsequent connectee who used the available capacity that was created by the initial reinforcement.

6.3 The extension of the prescribed period from five to ten years will increase the period over which Distributors can recover reinforcement costs and first comers their extension assets thereby reducing the cost of reinforcement borne by DUoS customers.

Environmental Impacts

6.4 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 255 were implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

7 Implementation

7.1 In accordance with the BEIS ECCR implementation date and subject to Party approval, DCP 255 will be implemented on the 06 April 2017.

8 Legal Text & Report Template

8.1 The proposed DCP 255 legal text has been reviewed by the DCUSA Legal Advisor and acts as Attachment 2.

Legal Text

8.2 Schedule 22 Common Connection Charging Methodology (CCCM) sets out a consistent approach to calculating connection charges. This change proposes to modify Schedule 22 to reflect the ECCR 2017 as set out below:

- The introduction of a definition of '*ECCR Prescribed Period*' which sets out the length of time after the initial connectors assets were installed that the second corner rule applies from;
- Amendment to the definition of ECCR to include the 2017 version of the regulations;
- Amendment to Clause 1.22 under the title '*Costs to be apportioned between you and us*' to reflect that where the cost of reinforcement are borne in full by the customer within the ECCR prescribed period that the relevant ECCR will apply;
- Amendment to Clause 1.29 under the title '*Recovery of costs between you and us*' to reflect that the charges for works apply where the new connection is provided within the ECCR prescribed period; and
- Amendment to Clauses 1.36, 1.37 and 1.38 under the title '*Rebate*' to reflect that a rebate may be applicable after the 06 April 2017 for connections where the ICP assets have been adopted by the Distributor.

9 Voting

9.1 The DCP 255 change report was issued to DCUSA Parties for Voting on 30 March 2017.

DCP 255 – Recommendation

DCP 255

Part 2 Matter

Change Solution – Accept

9.2 For the majority of the Party Categories that were eligible to vote:

- the number of groups in each Party Category which voted to accept the proposal was more than 65% of the total number of Groups in that Party Category which voted; and
- the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the proposal was more than 65%.

Implementation Date – Accept

9.3 For the majority of the Party Categories that were eligible to vote:

- the number of groups in each Party Category which voted to accept the implementation date was more than 65% of the total number of Groups in that Party Category which voted; and
- the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the implementation date was more than 65%.

| | |
|----------------|------------------------|
| DCP 255 | WEIGHTED VOTING |
|----------------|------------------------|

| | DNO | IDNO | SUPPLIER | DISTRIBUTED GENERATOR | GAS SUPPLIER |
|----------------------------|--------|--------|----------|-----------------------|--------------|
| CHANGE SOLUTION | Accept | Accept | n/a | n/a | n/a |
| IMPLEMENTATION DATE | Accept | Accept | n/a | n/a | n/a |

10 Recommendations

DCUSA Parties Recommendation

DCUSA Parties recommend:

For DCP 255:

- that DCP 255 should be implemented
- that DCP 255 better facilitates the Relevant Objectives

Attachments

- Attachment 1 – Consolidated Responses
- Attachment 2 – DCP 255 Draft Legal Text
- Attachment 3 – DCP 255 Change Proposal
- Attachment 4 – ECCR 2017