

DCP 251/252 Consultation Responses – Collated Comments

Company	Confidential/ Anonymous	1. Do the templates and diagrams provide you with sufficient information to understand the issue?
Electricity North West	Non-confidential	Yes, there is sufficient information provided, although greater clarity could have been provided by confirming the private network options and the BNO options would be considered as licence exempt distribution networks, if below the capacity thresholds established in the Electricity (Class Exemptions from the Requirement for a Licence) Order 2001.
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	Yes
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	<p>The diagrams are useful as a comparison tool.</p> <p>Please note that 2a refers to 'Private network with partial completion' we believe this should be 'competition'. We also believe that a diagram using private network with competition in supply using the 'full settlement' solution would have been useful.</p>
The Electricity Network Company	Non-confidential	Yes, the diagrams adequately illustrate the different scenarios and explain the contractual and regulatory framework of each of those scenarios.

UK Power Networks	Non-confidential	No we do not believe these are fully comprehensive as outlined further in our response to Q3, as a result there may be other templates and diagrams which are required. In addition we believe that the table in the consultation under paragraph 5.9 incorrectly states 'Emergency Services' as not being provided by the unlicensed Distributor, which we believe that might not be correct in all cases. Furthermore we believe that the IDNO also provides portfolio billing data, along with data used in the charging models (LV and HV Split).
WPD	Non-confidential	Yes

Company	Confidential/ Anonymous	2. Should UMS arrangements be considered when reviewing various network set-ups as part of this change?
Electricity North West	Non-confidential	All arrangements should be considered to ensure fair treatment for customers on any distribution network.
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	No, if DCUSA identifies that a change in arrangements is necessary in respect of DCP 251 and/or DCP 252 for metered customer and a is approved, then a separate change can be raised for unmetered that may need to recognise outcomes from DCP 282 (IDNO UMS). However, we think that the prospect of private network operators seeking to operate separate unmetered inventories is unlikely.
Southern Electric Power Distribution plc and Scottish Hydro Electric	Non-confidential	Yes we believe that UMS should be considered as this is line with the intent to remove undue discrimination. We would also like to point out that, the definition of QNO within the consultation document states that the premises within an unlicensed network must import or export electricity through a Meter Point. The definition of Metering Point within the DCUSA is:

Power Distribution plc		<p>“Metering Point</p> <p>Means the point, determined according to the principles and guidance given at Schedule 9 of the Master Registration Agreement, at which a supply to (export) or from (import) a Distribution System:</p> <p>(a) is or is intended to be measured; or</p> <p>(b) where metering equipment has been removed, was or was intended to be measured; or</p> <p>(c) in the case of an Unmetered Supply under the Unmetered Supplies Procedure, is deemed to be measured, where in each case such measurement is for the purposes of ascertaining a Supplier/DG Party’s liabilities under the Balancing and Settlement Code.”</p>
The Electricity Network Company	Non-confidential	<p>Yes. The intent of this change proposal is to understand whether electricity distribution systems that are operated without a licence are eligible for same discounts to Use of System charges that apply to embedded networks operated under a licence.</p> <p>If the working group does not consider the operation of unmetered supplies and the provision of UMS services by licensed distributors then they are failing to address a, potentially, fundamental difference in the way which licensed networks operate in comparison to unlicensed networks.</p> <p>It may be that the materiality of the difference is wholly insignificant but we feel that it is important for the working group to consider this aspect of network set-ups. It may be pertinent for the working group to assess, if possible, the volume of UMS connections on unlicensed networks in order to fully understand whether this should be included.</p> <p>It is pertinent to note that most if not all DNOs already provide services in respect of connections to unlicensed networks; for example street lighting, traffic management signs, and other equipment connected to highway authority networks on motorways.</p>
UK Power Networks	Non-confidential	<p>We presume that ‘UMS arrangements’ relates to tariffs, as such we do not believe that groups or types of customer should be excluded, as a result UMS tariffs should be part of this change.</p>

WPD	Non-confidential	Yes. They should be considered and possibly included.
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Company	Confidential/ Anonymous	3. Do you agree with the Working Group's comparison of the differences between DNOs, IDNOs and unlicensed distributors, as set out in the diagrams?
Electricity North West	Non-confidential	We agree with the description and notes as set out in the comparison templates.
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	We agree with the Working Group's comparisons and understand that these differences were then used to identify the scope of the industry functions and services that Independent Distribution Network Operators (IDNOs) offer and provide as part of their licence obligations when compared to unlicensed distributors who are not obligated to offer these services or industry functions.
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	We agree that the comparisons show the differences in use of system services provided by DNOs, IDNOs and unlicensed distributors.
The Electricity Network Company	Non-confidential	Yes, although we would make the following point for clarity: It is the supplier who provides portfolio data to the DNO with regards to IDNO portfolios in comparison template 1. The information is sent straight to the DNO from SVAA on the D0314 and the information is received into SVAA by supplier agents. The IDNO does not collate or send this information directly.

UK Power Networks	Non-confidential	Yes, although a complex area, these three groups of distributors are different and as such the diagrams do highlight the differences between them and the services which each undertakes. An area we believe requires further consideration relates to a BNO, which is effectively a PNO with full competition. There is no diagram for a PNO with full competition that isn't a building.
WPD	Non-confidential	The diagrams imply that the DNO network provides a greater service to an IDNO than a private network.

Company	Confidential/ Anonymous	4. Do you believe that unlicensed distributors are being unduly discriminated against please provide your rationale?
Electricity North West	Non-confidential	We understand that the industry framework and procedures exist for those private network or building network operators to act as described by the comparison templates within the industry rules for a licensed exempt distributor. The key decision for the licensed exempt distributor is whether it facilitates competition in supply for its customers and/or it chooses whether to follow the industry rules for charging use of system for its own network.
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	<p>No, we do not believe there has been any intention to discriminate, due or undue against unlicensed distributors by not allowing them access to the discounted tariffs. There has always been differentiation between different customer groups in setting tariffs and this should not be confused with discrimination. In short, IDNOs and unlicensed distributors are fundamentally different and do not appear, on the face of it, to be similar enough to have the same tariffs applied to them.</p> <p>We agree that the applicability of the discounted tariffs should be clearer in that they should explicitly apply to all licenced network operators in respect of embedded networks (to both Distribution Network Operators working 'off-patch' and to Independent Distribution Network Operators). We still struggle to see the logic behind the proposal to extend the applicability of the discounted tariffs that were explicitly designed to address market issues in respect of licenced IDNOs. The regulatory BA1 price control applicable to IDNOs ('price cap') is in place to ensure that they can recover the costs they incur in providing licensee services, whilst still being able to in achieve a 'margin' to be able to compete with licensed DNOs. In contrast, unlicensed distributors/operators of private networks are not subject to a regulatory price control and do not provide licensee services.</p>

Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	<p>We agree that where an unlicensed network operator provides the same level of services as an IDNO or DNO operating outside of its distribution services area, there would be undue discrimination. If the end-user on the unlicensed network receives the same services as if it was connected to an IDNO/DNO/DNO operating outside of its distribution services area then the unlicensed network operator should be eligible for QNO tariffs.</p>
The Electricity Network Company	Non-confidential	<p>The intent of the change proposal is to consider whether an unlicensed network operator should receive the <i>same</i> discount as an IDNO. It is not about whether the unlicensed network operator should receive a discount (which may be different to that received by the IDNO).</p> <p>We believe that there is the possibility that not applying the IDNO discounts to unlicensed distributors could be unduly discriminated against in a limited circumstances. However we believe this could be where the operator of the unlicensed network receives no more than the same services that an IDNO receives for operating an equivalent network (and which the DNO would otherwise have to own and operate).</p> <p>In operating networks the IDNO substitutes the network and inter alia registration services and other customer services that the DNO would otherwise have to provide. It is on this basis that the LDNO discount tariffs are calculated and it is, therefore, against this standard that the judgement of undue discrimination should apply. Unless there is full competition in supply in respect of exit and entry points to the unlicensed distribution network, the boundary from the Total System will be at the DNO connection boundary and the DNO will have certain obligations in respect of operating such boundary. Also, a supplier would need to be registered against the exit/entry point from the DNO network. In contrast, for an IDNO network the boundary from the Total System is at metering points on the IDNO network. The IDNO/DNO boundary is invisible to the settlement process and no supplier is required.</p> <p>IDNO discounts are based on portfolio tariffs; i.e. for IDNO with multiple networks connected to the relevant network charges are calculated on an aggregated basis as a single portfolio. Unlicensed networks are billed on a site specific basis</p> <p>It is only in circumstances where the operation of the unlicensed network is on the same equivalent basis that it can be considered that undue discrimination takes place. Such occasions may arise in limited circumstances.</p>

UK Power Networks	Non-confidential	No we do not, as an unlicensed network utilises more DNO services than an IDNO.
WPD	Non-confidential	WPD believe that the best solution to the problem is to introduce a new tariff discount for private network operators. As answered in the question above the diagrams attached to the consultation imply that the DNO network provides a greater service to a private network than an IDNO.

Company	Confidential/ Anonymous	5. Do you agree with the Working Group's view that the introduction of a Qualifying Network Operator (QNO) definition and a QNO tariff will alleviate any undue discrimination?
Electricity North West	Non-confidential	We understand the proposal puts all applicable distribution systems on the same footing.
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	We agree that the introduction of the term QNO should make the application of the discounted tariffs clearer and would ensure that there is no undue discrimination where parties provide the same services and are party to the same industry agreements.
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	Please see answer to question 4. The definition of QNO within the consultation document states that the premises within an unlicensed network must have operational Data Services agreement with a distribution business in order to facilitate competition in supply. We believe that this would mean that unlicensed networks were not being unduly discriminated against when compared to IDNO and DNOs operating outside of their distribution services area.

The Electricity Network Company	Non-confidential	<p>As an aside, we believe there is a typo in the drafting of the definition of QNO for DCP251: subsections b and c should be one section; it would appear the ‘<i>return</i>’ character has been put in the word “<i>Area</i>”. However the critical part of the definition is the drafting of part (d) in DCP 251 and part (c) in DCP252.</p> <p>The question is loaded in that it is based on the presumption that the working group considers that undue discrimination exists. Also, for undue discrimination to exist the unlicensed distributor would need to be receiving no more than the same services as an IDNO. These presumption of undue discrimination is yet to be demonstrated as true. This is something that Question 4 above seeks views on. Further, the presumption is that the definition alleviates “<i>any</i>” undue discrimination. We suggest that it is too broad a claim that the mere inclusion of a QNO definition would achieve this. The question needs to consider what undue discrimination the definition is intended to alleviate.</p> <p>The purpose underpinning the introduction of the definition for QNO is to allow unlicensed network operators to qualify for the LDNO tariffs where they substitute, <i>in full</i>, the services (along with the associated costs) that a DNO would have to provide if it owned and operate the unlicensed network and therefore be eligible for LDNO tariffs. Neither the definition of QNO, nor the intent of DCP251 and DCP252 is set out as seeking to address any alleged undue discrimination where an unlicensed distributor only substitutes some of the services that the DNO would otherwise provide. Additionally, undue discrimination can be in favour of a party or in favour against. It would be inappropriate to swing from negative discrimination to positive discrimination.</p> <p>We do not believe that the current proposed definition suitably defines a QNO in order to alleviate undue discrimination in the application of the LDNO discount tariff.</p> <p>The application of the QNO tariff to unlicensed distribution networks centres on the provision of MPAS services in order to facilitate the competition in supply of electricity to meter points connected to the unlicensed network. We believe that this definition is too narrow and does not fully reflect the costs that are avoided by the DNO when another licensed distributor connects to their network.</p> <p>The LDNO tariff is calculated, through the price control disaggregation method, with reference to the average costs that are avoided by the DNO due to them being borne by the connected LDNO. If the DNO is still liable for any part of these costs then the unlicensed network operator should not qualify for the LDNO tariff. The current definition does not properly ensure that the DNO does not incur any costs that it would incur if it was a licensed network operator connecting rather than an unlicensed network operator connecting to them.</p>
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		<p>of the costs for these services being provided by the DNO and therefore through the DUoS in the LDNO tariff. It is difficult to see how the unlicensed operator can be considered to be equivalent to an LDNO in this respect.</p> <p>In the current drafting of the QNO definition (part c) (ii)) the data services must be provided by a “<i>Distribution Business</i>”. This is, by definition, a DNO or IDNO. For the incumbent DNO to avoid these costs then a Distribution Business other than the DNO would need to provide the services; i.e. the network would look like a licensed network to the upstream DNO. To do this the unlicensed distributor would need to enter into separate commercial contracts with a Distribution Business. We think such contracts would have to be on an evergreen basis because MPANs provided by a distributor are specific to that Distribution Business ID</p> <p>The introduction of a QNO definition as it is currently drafted does not, therefore, alleviate undue discrimination. Undue discrimination may only occur in the instances where the unlicensed network operator ensure that’s the DNO incurs costs on an equivalent basis as if a licensed network operator had been connected to them. This should be reflected in the definition of QNO. The working group may wish to consider the below drafting to amend part c) (ii) of the current definition to address this problem.</p> <p>“(c) <i>any person who does not hold an electricity distribution licence, and <u>whose distribution system connects to the electricity distribution system of a DNO Party operating within its Distribution Services Area for the purpose of conveying electricity to or from premises or other distribution systems connected to its electricity distribution system and who receives use of system from that DNO Party; and:</u></i></p> <p><i>(i) <u>whose distribution system is connected to the electricity distribution system of a DNO Party operating within its Distribution Services Area for the purpose of conveying electricity to premises or distribution systems connected to its electricity distribution system receives use of system from that DNO Party where the premises connected to that distribution system (or to such other sub ordinate distribution system that may be connected to that distribution system) import or export electricity through a Metering Point; and</u></i></p> <p><i>(ii) <u>where the premises connected to that distribution system (or to such other sub ordinate distribution system that may be connected to that distribution system) import or export electricity through a Metering Point and where a Distribution Business, other than the DNO Party operating within its Distribution Services Area, provides the relevant Data Services services such that the DNO Party is only required to provide services to such person on the same equivalent basis as it does to</u></i></p>
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		<p>another IDNO or DNO Party in respect of that Metering Point so that the DNO Party in order to facilitate competition in supply.</p> <p>We believe it is also important to note that the current definition of QNO may allow unlicensed network operators to “cherry pick” when they would be eligible for the LDNO tariff and when they would prefer to contract with the DNO party for the provision of services which would mean they paid the full Use of System tariff.</p> <p>We believe that there is a further drafting error in the definition which is unrelated to alleviating undue discrimination and has therefore been included in our response to Question 7.</p>
UK Power Networks	Non-confidential	The introduction of the definition of a QNO will provide clarity, along with the tariff which applies.
WPD	Non-confidential	The introduction of the term as stated in the legal text will merge the definition of an IDNO and a private network together.

Company	Confidential/ Anonymous	6. What lead time do parties require in order to implement this Change Proposal?
Electricity North West	Non-confidential	We are bound by industry rules to produce draft tariffs in December each year and confirm final tariffs in February each year for operation in the two years hence (ie the 15 months in advance rule); for example in December 2016 we published draft tariffs for implementation in April 2018. So we would only be able to apply the new rules for qualifying network operator starting 2019-20 year, if once accepted each DNO is able to gather the volume data (ie customer numbers and network lengths) for their qualifying network operators acting within their distribution services area.
Northern Powergrid on behalf of Northern Powergrid	Non-confidential	The lead times to implement this change are uncertain as it is not clear that unlicensed distributors could provide data in the same way as IDNOs to support the billing of the discounted tariffs.

(Northeast) Ltd and Northern Powergrid (Yorkshire) plc		<p>It is not clear what new processes will need to be developed to accommodate this change. Currently unlicensed distributors pay for their Use of System charge through their Energy Supplier, whereas IDNOs are billed by the 'upstream' distributor based on a portfolio basis.</p> <p>In order for the unlicensed distributor to receive the QNO tariff they would need to be in receipt of end-customer specific metering data which is used to derive the portfolio data used by DNOs in the same way as IDNOs do.</p> <p>However, this is further complicated by the presence of settlement meters at the site boundary of unlicensed networks to comply with established arrangements under the BSC, whereas there is no meters on IDNO boundaries, hence the use of portfolio tariffs. IDNOs (as market participants) access industry systems and therefore the data to validate the portfolio data that is used to construct their bill; it is therefore difficult to see how an unlicensed distributor who is not a market participant could do this.</p>
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	<p>On further reflection, we propose an implementation of 12 months after approval. This would allow for updates to the body of LC14 Use of System Charging Statement and approval from Ofgem, as well as setting up the necessary bi-lateral agreements required to enable portfolio billing of QNOs. In order for the QNO to facilitate competition in supply, between the unlicensed network and all Supply parties would require considerable development, given the large number of Supply parties in operation.</p>
The Electricity Network Company	Non-confidential	<p>We believe that there is considerable lead time required in implementing this change as the contractual framework for applying LDNO tariffs to unlicensed networks is not currently in place. This may require changes to industry flows that are used for billing and the introduction of an extensive contractual framework. However, the change proposal does not dictate that all QNOs must be charged the LDNO discount for Use of System.</p> <p>The working group may wish to alter the definition of QNO to include that contractual provisions are in place (which may be no more onerous on the QNO than those in the DCUSA) in order to allow the QNO to receive the LDNO discount. This could not be considered undue discrimination as the parties to whom the LDNO discount already applies have these contractual arrangements in place in the form of the DCUSA.</p>

UK Power Networks	Non-confidential	We would support the legal text changes taking effect in the next release of DCUSA.
WPD	Non-confidential	The implementation of this change could be quite complicated for private networks to understand and therefore benefit from.

Company	Confidential/ Anonymous	7. Do you have any comments on the legal drafting?
Electricity North West	Non-confidential	<p>Schedule 16: No comments.</p> <p>Schedule 17:</p> <ol style="list-style-type: none"> 1. Missing “QNO’s” in paragraph 26.4, and 2. Missing full stops in “Embedded” and “network” and definitions. <p>Schedule 18: No comments.</p>
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	The legal drafting for DCP 251 needs amending to match the DCP 252 definition for a QNO.
Southern Electric Power Distribution plc	Non-confidential	<p>We welcome the correction to the error in Schedule 17/18.</p> <p>The definition of QNO within legal text does not match the definition within the consultation paper.</p>

and Scottish Hydro Electric Power Distribution plc		Schedule 16 – Para 116, 2 nd Note states that it should still refer to LDNO but the paragraph has been updated to QNO.
The Electricity Network Company	Non-confidential	<p>We would like to note that the intent of this change proposal, as on the change proposal form, is to “ensure that the charging methodologies do not impose undue discrimination between licensed and licence-exempt distribution systems”. The legal drafting does not clarify that a Qualifying Network Operator is operating under licence or licence exemption but merely states that the person does not hold an electricity distribution licence. We would ask the working to confirm whether or not the intention of this definition is to include distribution systems which are operated under neither licence nor licence exemption. If it is intended to include unlicensed, non-exempt networks then the working may wish to seek the approval of the change proposer to broaden the intent of the proposal.</p> <p>We believe that the definition of Qualifying Network Operator may have an adverse, and presumably unintended, consequence on IDNOs who are connected to other IDNOs rather than directly to the DNO. Part a) of the definition only allows IDNOs to qualify for the QNO tariff when they are connected to a DNO operating in its Distribution Services Area. We believe that this definition should be updated to allow secondary embedded networks (i.e. where IDNO B is connected to IDNO A who is, in turn, connected to DNO A) to received the QNO tariff. The same principle should also apply to part b) of the definition and DNOs operating outside their Distribution Services Area.</p>
UK Power Networks	Non-confidential	In the drafting for this change, it would seem that a QNO would only ever be connected to a DNO and not an IDNO, which we do not believe to be correct, as nested networks need to be considered.
WPD	Non-confidential	No

Company	Confidential/ Anonymous	8. Do you have any further comments?
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Electricity North West	Non-confidential	We would welcome clarity from the working group on the proposed words for inclusion in the connection agreement with a QNO for the provision of customer and network information that enables the DNO to apply the QNO tariffs to QNOs.
Northern Powergrid on behalf of Northern Powergrid (Northeast) Ltd and Northern Powergrid (Yorkshire) plc	Non-confidential	<p>We still have concerns on the risk of gaming which could be introduced by this change. Take for example a Large Company's Head Office, which also has an on-site catering facility and an on-site repair garage. Under proposal DCP 251/252 there would be nothing stopping the company from treating the catering facility and garage as notional sub-contractors, fitting sub-meters and creating a private network, in order to receive discounted Use of System charges for the whole site at the boundary with the licenced network operator.</p> <p>It is unclear how this proposal, in respect of unlicensed distributors better meets some of the DCUSA objectives. It would however correct the error in drafting that currently discriminates between Licensed Distribution Network Operators and Distribution Network Operators operating outside of their licence area, therefore it would better meeting DCUSA Charging Objective One in that regard.</p>
Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc	Non-confidential	<p>This change would also require housekeeping changes to PCDM, CDCM, EDCM, LC14 Use of System Charging Statement and Schedule of Charge of Other Tables in order to update LDNO to 'QNO'.</p> <p>The drafting error within the EDCM on the application of LDNO tariffs would need to be addressed in a separate DCP if DCP 251/252 were not approved.</p>
The Electricity Network Company	Non-confidential	Notwithstanding our comments in question 5 we do believe that unlicensed (or licence-exempt) network operators may well be eligible for a discount in their Use of System charge in order to reflect the services that they provide downstream of the DNO. However the scope of this change proposal is to assess whether or not that licence exempt networks should qualify for the current LDNO discount tariff. We do not believe that the majority (if any) unlicensed or licence exempt networks operate in way that is equivalent to the way which IDNOs and DNOs out of area operate. The calculation of the LDNO discount if based on costs that the DNO will avoid (on average) in not providing that part of the network themselves. This calculation is based, through the Price Control disaggregation method, on the downstream network operator providing the same service as the upstream DNO would do if the network was owned and operated by them.

		<p>We have mentioned, in our response to question 6, that the contractual provisions are not in place in order to allow the charging of LDNO discounts to unlicensed network operators. LDNOs receive the appropriate discount by virtue of the industry flow (D0314) that are provided to them based on the consumption (and other characteristics) on embedded networks. We do not believe that the current arrangements enable the application of LDNO tariffs to unlicensed supply points. The development of such framework may be something which the working groups wishes to consider in the development of this change proposal.</p>
UK Power Networks	Non-confidential	No.
WPD	Non-confidential	No