



DCUSA CHANGE REPORT

**DCP 248 - Providing Protection for Customers
against Being Charged Inappropriate Capacity
Charges During the Implementation of P272**

1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 248 – Providing Protection for Customers against Being Charged Inappropriate Capacity Charges During the Implementation of P272. The voting process for the proposed variation and the timetable of the progression of the Change Proposal (CP) through the DCUSA Change Control Process is set out in this document.
- 1.2 Parties are invited to consider the proposed amendment (Attachment 1) and submit their votes using the Voting form (Attachment 2) to dcusa@electralink.co.uk by **day January 2016**.

2 BACKGROUND AND SUMMARY OF DCP 248

- 2.1 The need for DCP 248 originated from the introduction of the Balancing and Settlement Code (BSC) Change P272, which requires that PC5-8 customers become HH settled (where capable metering has been installed). Suppliers are in the process of migrating these customers to HH settlement.
- 2.2 One important issue raised by this migration is the need for DNOs to assign a Maximum Import Capacity (MIC) for any site that will be subject to DUoS capacity charges. Under normal circumstances the MIC will be agreed after extensive engagement between the customer and the DNO and will be captured in the connection agreement. However P272 has created a set of exceptional circumstances whereby DNOs will need to assign a MIC for in the region of 71,000 customers migrating to HH settlement over a short period of time, the majority of whom have no currently agreed MIC or individual connection agreement. Where connection agreements and MICs do exist for sites, it is likely that some of these agreements will have been entered into by a previous tenant and/or will not reflect the current demand of the site.
- 2.3 Without appropriate MICs, DUoS charges will not be levied at a level commensurate with a customers' demand or requirements. The significant volume of customers involved in

the P272 migration means that the normal level of engagement with the customer will not be possible prior to the commencement of HH DUoS charges for all of these sites.

- 2.4 As a result, DCP 248 was raised by British Gas in order to protect the customers with CT meters impacted by P272 by either introducing a 12 month grace period to agree a MIC that would be retrospectively applied or by using Maximum Demand data, such that the customer would be charged an excess capacity charge based on their Maximum Demand each month.
- 2.5 Additional information on the CP is contained within the CP form provided as Attachment 3.

3 BACKGROUND AND SUMMARY OF DCP 248

- 3.1 The DCUSA Panel established a Working Group to assess DCP 248. 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.
- 3.2 Following consideration by the Working Group, the members agreed for a further two options to be considered as part of the DCP 248 consultation. Both options facilitated the objective of the change, which is to protect customers. A summary of each of the options considered has been provided below.

Option 1 – Twelve Month Grace Period (DCP 248 CP Form Approach)

- 3.3 Under this approach customers with CT meters impacted by P272 would be allowed a grace period of at least 12 months to agree the Maximum Import Capacity which would then be applied from the date of their change in measurement class. During this grace period, billing will be based on an initial Maximum Import Capacity (MIC) value. However the customer will have an opportunity in the 12 months following their change of measurement class to change their MIC value and have it applied retrospectively from the date of change of measurement class.

Option 2 –Set MIC to Zero For Month One

3.4 The second option would set the MIC value to zero for the first month with an excess capacity charge, after which the first month's data could be used. This option would apply to all customers regardless of whether the DNO has a Maximum Demand value for them.

Option 3 – Use Maximum Demand Data

3.5 The third option would utilise Maximum Demand data, such that the customer would be charged an excess capacity charge based on their Maximum Demand each month. At the end of the 12 month period the customer could then agree a MIC value with the DNO or, if the customer does not engage, the DNO would have sufficient data to determine a value. Under this approach there would be no retrospective credit or rebilling. Where a Maximum Demand value is not available:

- A national average could be used;
- The value could be set to zero; or
- The load factor and annual consumption data could be used to create an estimated value.

3.6 In order to determine the most preferred option to progress the Working Group developed a consultation document (Attachment 4), further information on the responses received has been provided in Section 5.

Impact Assessment

3.7 The Working Group considered a number of elements with regard to DCP 248, which have been summarised below.

The need for DCP 248?

3.8 The Working Group noted that if somebody has been charged incorrectly then the Use of System Charging Statement already allows them to correct it retrospectively, as shown in Appendix 1. It was observed that if P272 impacted customers are allocated a MIC that is not appropriate then could be questioned whether this could be classed as "incorrect" and back dated in accordance with the Use of System Charging statement. If this was

permitted then the protection for these P272 impacted customers is already in place and DCP 248 is not required. Although, it could be argued that the MICs that are being proposed by networks, even if they are being deemed, are not incorrect.

- 3.9 The Working Group also noted that the delay to the P272 deadline has afforded extra time for DNOs to engage with customers and agree a capacity value. In light of this delay it could be questioned whether DCP 248 is still required.
- 3.10 It is also noted that when DCP 248 was raised, customers were expected to be incurring much higher excess capacity charges from 1 April 2016 as a result of DCP 161. The deferment of the implementation of DCP 161 to April 2017 means that this is no longer the case.

Customer Engagement

- 3.11 The Working Group noted that Suppliers and DNOs are trying to engage with customers to make them aware that they will be impacted by P272, however, there are likely to be customers who choose not to engage.
- 3.12 It is noted that a benefit of Option Two and Option 3 is that they will provide protection for customers that do not actively engage with their Supplier and/or DNO. Option One will require the customer to identify that they have been paying too much and actively take steps to address this.

Customers that are Currently Migrating

- 3.13 The Working Group noted that there are customers that will be moving measurement class in November 2015. It was suggested that it would be desirable for DNOs to take a flexible approach to these customers, which would allow them to also benefit from the protection offered by DCP 248 should it be approved.

4 DCP 248 CONSULTATION

- 4.1 The DCP 248 consultation was issued on 20 November 2015 and received 15 responses.
- 4.2 A summary of the responses received, and the Working Group's conclusions are set out below. The full set of responses and the Working Group's comments are provided in Attachment 4.

Question 1 - Do you understand the intent of DCP 248?

- 4.3 The Working Group noted that all respondents understood the intent of DCP 248.

Question 2 - Are you supportive of the principles of DCP 248?

- 4.4 The Working Group noted that there was mixed support for the principles of DCP 248, with some Parties supportive of the proposal whilst others expressed concerns.

Question 3 – What is your preferred option (please provide your rationale?)

- 4.5 The Working Group noted that the majority of respondents preferred Options 1 and 3 and subsequently agreed to discount Options 2 and 4. It was agreed for Option 1 to be progressed as the original solution and that Option 2 should be progressed as an alternate solution.

Question 4 – Which option do you consider provided the most/least level of protection against inappropriate capacity charges for customers affected by P272?

- 4.6 The Working Group agreed for Option 1 to be progressed as the original solution, with Option 3 being progressed as an alternate solution in line with the majority of responses received. It was noted that a respondent suggested that none of the options provide protection against inappropriate capacity charges due to the lack of obligations placed within the proposed legal text.
- 4.7 The Working Group recognised that there is a risk that any refunds for inappropriate capacity charges may not be passed through to customers.

Question 5 - Do you have any comments on the proposed legal text for each of the options?

4.8 The Working Group reviewed each of the responses provided and agreed to update the legal text to include the majority of suggested amendments. It was agreed that this change does not consider the process following the 12 month grace period and such comments of that nature were discounted.

4.9 With regard to the comments raised by SP Distribution and SP Manweb the Working Group agreed that the change intends to provide flexibility to the DNO setting the MIC, taking into account the 12 months of actual data and any communication/agreement with the customer.

4.10 In terms of the Electricity Network Company's comments, the Working Group agreed that amend the legal text to include a number of the proposed suggestions aside from:

- CT is defined in Schedule 16 of DCUSA and used elsewhere in the Schedule so the Working Group maintained the use for paragraph 151A.
- The Working Group considered the term site specific HH DUoS tariff is sufficiently clear.
- The Working Group did not reflect the proposed change to allow more than one retrospective MIC change. The intention of the protection under Option 1 is to maintain the existing rules surrounding changes to the MIC in paragraphs 149 and 150 with the sole exception of allowing a reduction to be made retrospectively. The proposed change would go beyond this. The Working Group noted the view of the respondent that they do not agree with the current clause 149 in this regard, but as accepted by them, this is outside of the scope of this change and therefore the Working Group did not amend the protection offered by paragraph 151A any further than proposed.
- The Working Group did not reflect the proposed amendment which removes the protection where a connection agreement is in force. This would remove the protection for in the region of 50% of affected customers, with the analysis suggesting that this subset of customers have the greatest risk of inappropriate

capacity charges.

4.11 The Working Group agreed to accept the amendments proposed by UKPNs and as such the legal text was updated. However, the Working Group agreed that placing obligations on the way in which Suppliers reflect DUoS charges is outside of the scope of this Change Proposal.

4.12 The Working Group accepted the majority of the changes proposed by Southern Electric Power Distribution, with the exception of the below:

- The Working Group did not consider it necessary to expand existing paragraphs 149 and 150 to reflect that MICs may be set in a different way.
- The legal text intentionally does not address what MIC should apply after the 12 months – it provides flexibility to the DNO set the MIC in an appropriate manner taking into account the 12 months of actual data they now have and any communication/agreement with the customer.

4.13 With regard to the comments raised by Northern Powergrid, the majority of Working Group members agreed that the drafting is appropriate and would not require a new Schedule to be introduced. However an action was taken to draft a new Schedule for review at the next meeting.

Comment [LN1]: May need updating dependant on the outcome of meeting 07.

4.14 In terms of Electricity North West's comments, the Working Group agreed that the 12 month grace period from the date of change in measurement class is appropriate as it focuses on the impact on the DUoS charges applicable to relevant customers rather than the date when the industry became aware of the change.

Question 6 - Do you consider that each of the four proposals better facilitates the DCUSA Objectives?

4.15 The majority of Working Group members agreed that both Options 1 and 3 better facilitate DCUSA Charging Objectives 2, 3 and 4 as well as DCUSA General Objective 2. This was due to the ability to provide a common approach when dealing with customers when they seek to actively agree to apply an enduring MIC.

Question 7 – It is noted that P272 deadline has been extended which gives more time to liaise with customers to agree a MIC but the task is still a significant one. In light of the delay in P272, do you that agree that the protection of DCP 248 is still required??

4.16 The Working Group agreed that P272 creates a set of exceptional circumstances and that some form of protection is appropriate and as such DCP 248 is still required. This was in line with the view of the majority of respondents.

4.17 The Working Group noted that a respondent commented that customer protection is already provided within the Use of System Charging Statement. However, the Working Group concluded that the protection within the Use of System Charging Statement would not cover the issue under consideration by this Change Proposal. The Clause refers to the allocation of tariffs to customers.

Question 8 - Do you think that the current protection offered by the UOS charging statements with regards to incorrect charges offers the level of protection sought by this Change Proposal?

4.18 The Working Group noted that a respondent commented that customer protection is already provided within the Use of System Charging Statement. However, the Working Group concluded that the protection within the Use of System Charging Statement would not cover the issue under consideration by this Change Proposal. The Clause refers to the allocation of tariffs to customers.

Question 9 – Are you supportive of the proposed implementation date – as soon as possible following Authority consent which may require an extra-ordinary release?

4.19 The Working Group noted that the majority of the respondents agreed with the proposed implementation.

Question 10 – In the DCP 248 legal text the protection offered by all of the options is limited to 12 months of a change in Measurement Class. Do you agree with this timescale? If not, please provide your rationale?

4.20 The Working Group noted that the majority of respondents believed that 12 months was a reasonable and appropriate timescale, which was in line with the view of the Working Group.

Question 11 – Do you believe that there should be an end date within the DCP 248 legal text and, if yes, what date should it be?

4.21 The Working Group noted that the majority of respondents believed that there should be an end date such as 12 months after the implementation on P272. It was considered that due to the 12 month grace period, the suggested end date would be preferable. The Working Group agreed for the legal text to be amended to introduce an end date.

4.22 It was noted that a respondent had suggested for the change to be open ended for all P272 customers. This was suggested in order to ensure that the protection is offered to all customer affected by P272.

Question 12 – With regards to Option 1, do you agree with the Working Group’s view that customers that were not occupying the property at the time of the P272 migration are not entitled to back dating of their MIC?

4.23 The Working Group noted that the majority of respondents agreed that the MIC should not be back dated for customers who were not occupying the property at the time of the P272 migration. This is in line with the view of the Working Group.

4.24 The comments with regard to the connection agreements were noted by the Working Group.

Question 13 – With regards to Option 1, if a P272 impacted customer requests a change in MIC shortly before moving out of a property, how best do you see managing this process once the customer has left the property? And how significant an issue do you believe this is?

4.25 The Working Group reviewed the proposals suggested within the responses, noting that the Connection Agreement can only apply to the occupant of the premises at the point of the P272 migration. It was noted that a number of respondents had suggested that this is not a significant issue, which is in line with the view of the Working Group.

Question 14 – With regards to each option, are there any technical or resource constraints that need to be taken into consideration (and is there an associated cost)?

4.26 The Working Group noted that a respondent suggested that a lead time would be

required for system changes, if a zero MIC needs to be applied. The Working Group also noted that there would be different impacts on parties systems dependant on the option implemented and that each of the options would have different constraints and risks to customers.

4.27 Finally, it was noted that Suppliers will know which of the options, if any, have been implemented and as such will be able to reflect this into the contracts with customers.

Question 15 – With regards to each option, are there any other constraints, for instance the need for DNOs to potentially agree connection agreements with a large proportion of the customers affected by P272 that you are concerned about?

4.28 The Working Group agreed that bilateral connection agreements would not be required for the majority of P272 customers, which would limit the resource constraints in this area.

Question 16 – With regards to each option, do you consider there to be a concern in relation to a customer being able to identify the need to amend their maximum import capacity with DNOs?

4.29 The Working Group noted that the DNOs struggled to engage with customers during the EDCM change, which was larger but affected a smaller number of customers. However, it was agreed that Suppliers have a stronger customer relationship than DNOs, which would support the engagement with the P272 migration. Some of the Working Group members did not agree with the correlation between the P272 and the EDCM customer engagement levels.

4.30 The Working Group concluded that the majority of respondents had noted the difficulties with customers understanding the MIC.

Question 17 – With regards to Option 1, do you believe that there should be a materiality threshold such that there will not be a credit rebill if it is less than a certain value?

4.31 The Working Group noted that the majority of respondents (seven) agreed that there should be a materiality threshold, whilst five respondents did not agree with this. The materiality threshold was further considered by the Working Group, with the conclusion being that this would require a view from members' businesses.

Question 18 – With regards to Option 1, if there were to be a materiality threshold, what do you believe it should be set at?

Comment [LN2]: Needs updating following meeting 07.

4.32 The majority of the Working Group members were of the opinion that instances whereby the materiality threshold would be applicable, should be handled using the business as usual processes. It was noted that a member has suggested that it would be preferable for the materiality threshold, if applied, to be based upon kVA rather than a monetary amount.

Question 19 – Are there any alternative solutions or matters that should be considered by the Working Group?

4.33 The Working Group acknowledged the comment regarding customers being disadvantaged by Options 2-4 if they migrated prior to the implementation of this change. In response, the retrospective element of Option 1 was noted as a remedy to this issue. It was suggested that a degree of flexibility and discretion on the distributor's behalf, should be applied for the customers that migrate prior to the implementation of this change.

4.34 The Working Group agreed to discount the hybrid option due to the additional associated complexities that would be introduced.

4.35 The Working Group noted that the aggregated DNO data that had been provided and agreed that it was a reflective representation.

4.36 The Working Group noted the comment regarding the Change of Supplier engagement with customers.

4.37 Based upon the feedback received the Working Group agreed to progress with Option xx.

5 DCP 248 REQUEST FOR INFORMATION

- 5.1 The DCP 248 Request for Information was issued on 22 December 2015 and received seven Supplier responses and six DNO responses.
- 5.2 A summary of the responses received, and the Working Group's conclusions are set out below. The full set of responses and the Working Group's comments are provided in Attachments 5 and 6.

Supplier Question 1 – How many CT (Current Transformer) metered PC 5-8 customers do you have that will be need to be migrated to HH settlement as a result of P272?

- 5.3 The Working Group noted that 35,000 MPANs need to be migrated to HH settlement as a result of P272.

Supplier Question 2 – How many of these customers have you formally written to via either letter or email to inform them of the need to agree a Maximum Import Capacity with their DNO/IDNO?

- 5.4 The Working Group noted that 27,800 customers had been formally written to, with confirmation from one respondent that they engage with customers three months prior to their contract renewal date

Supplier Question 3 – How many of these customers have you supplied maximum demand data to DNOs for?

- 5.5 The Working Group noted that 18,500 customers maximum demand data had been provided to DNOs, with confirmation from one respondent that they have supplied maximum demand data to all DNOs that have requested the data.

Supplier Question 4 – Please provide any commentary on the information you have provided which you feel may help the Working Group to interpret the data.

- 5.6 The Working Group noted that three respondents provided commentary on the information that they provided. The first respondent confirmed that they were happy to help DNOs engage with customer during the P272 migration period and that the ability to retrospectively update a MIC is both reasonable and in line with the settlement of other industry costs.
- 5.7 The second respondent noted that of the 50 requests to confirm the MD, seven of these did not fall within the P272 criteria and that they may have identified a way to obtain MD data from the D0010 flow, however this has not yet been tested.
- 5.8 The final respondent commented that some DNO's and IDNO's have disregarded the recorded MD, and applied a MIC which has no bearing on the customers current demand requirements, which may only be identified when the customer sees this MIC charge on their supply bill.

DNO Question 1 - How many PC 5-8 sites do you have that will be need to be charged on a site specific basis (i.e. CT metered) as a result of P272?

5.9 The Working Group noted that 79,500 sites would need to be charged on a site specific basis as a result of P272.

DNO Question 2 - How many of these customers have you formally written to via either letter or email to inform them of the need to agree a Maximum Import Capacity as a result of P272?

5.10 The Working Group noted that 70,000 customers have been formally written to either via letter or email to inform them of the need to agree a Maximum Import Capacity as a result of P272.

DNO Question 3 - How many of these customers have formally responded to your communication and agreed a Maximum Import Capacity with you (whether to accept the MIC value proposed in your letter or to agree a different MIC value)?

5.11 The Working Group noted that 6400 customers have formally responded to the communications issued by the respondents. However one respondent noted that zero responses were received due to their letter stating the MIC value that would be used and asked customers to contact them only if they wished to query or vary it.

DNO Question 4 - How many of these customers have not responded to your communication but have a deemed MIC value proposed in your letter?

5.12 The Working Group noted that 28,500 customers did not respond to the communications issued by the respondents, however three respondents confirmed that their letter stating the MIC value that would be used and asked customers to contact them only if they wished to query or vary it.

DNO Question 5 - Please provide any commentary on the information you have provided which you believe will help the Working Group to interpret the data.

5.13 The Working Group noted that four respondents experienced issues obtaining the correct contact details, which resulted in a number of letters being returned as undelivered or an inability to engage with the customer. It was also noted that 34% of a respondents customers have agreed connection agreement based MICs.

5.14 In addition, the Working Group noted that customers have been more engaged with their MIC values as the P272 migration progresses.

6 ASSESSMENT AGAINST THE DCUSA OBJECTIVES

6.1 The Working Group considers that the following DCUSA Objectives are better facilitated by DCP 248.

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).

6.2 The Working Group identified that DCP 248 better facilitates DCUSA Charging Objective Two by ensuring that DNOs are applying a common approach when dealing with customers affected by P272 when they seek to actively agree an enduring MIC.

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

6.3 The Working Group identified that DCP 248 better facilitates DCUSA Charging Objective Three by allowing time for customers affected by P272 to actively engage with the DNO and agree a MIC which is appropriate for their requirements and hence the costs they impose on the network. This is an improvement compared to a situation where MICs for customers are set using potentially out of date connection agreements or default values.

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.

6.4 This change will ensure that all DNOs are applying a common approach when dealing with customers affected by P272, when they seek to actively agree an enduring MIC.

General Objective Two - 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

6.5 The Working Group identified that DCP 248 better facilitates DCUSA Objective Two by ensuring that DNOs are ultimately applying a common approach when dealing with customers affected by P272 when they seek to actively agree an enduring MIC.

7 DCP 248 Legal Drafting

7.1 Plain English Summary of the Legal Text with reference to the Attachment.

7.2 Reference the Attachment

Comment [LN3]: Will be updated once an option is picked

8 ENVIRONMENTAL IMPACT

8.1 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 248 were implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this Change Proposal.

9 ENGAGEMENT WITH THE AUTHORITY

9.1 Ofgem has been fully engaged throughout the development of DCP 248 as a member of the Working Group.

10 IMPLEMENTATION

10.1 The proposed implementation date of DCP 248 is 30 June 2016, which is the next available release following consideration by the DCUSA Panel.

10.2 DCP 248 is classified as a Part 1 matter and therefore will go to the Authority for determination after the voting process has completed.

11 PANEL RECOMMENDATION

11.1 The Panel approved this Change Report at its meeting on **day/month/year**. The Panel considered that the Working Group had carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 137.

11.2 The timetable for the progression of the CP is as follows:

Activity	Date
Change Report issued for voting	Day/Month/Year
Voting closes	Day/Month/Year
Change Declaration	Day/Month/Year
Authority Determination	Day/Month/Year
DCP XXX Implemented	Day/Month/Year

12 NEXT STEPS

12.1 Parties are invited to consider the proposed amendment (Attachment 1) and submit their votes using the Voting form (Attachment 2) to dcusa@electralink.co.uk by **day/month/year**.

12.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA by email to dcusa@electralink.co.uk or telephone 020 7432 30XX.

ATTACHMENTS

- Attachment 1 – DCP 248 Legal Text
- Attachment 2 – Voting Form
- Attachment 3 – DCP 248 CP Form
- Attachment 4 – DCP 248 Consultation Document
- Attachment 5 – DCP 248 RFI Supplier Responses
- Attachment 6 – DCP 248 RFI DNO Responses.