



## DCUSA CONSULTATION

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

DCP 248 seeks to protect customers with CT meters impacted by P272 by allowing them 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 take place based on an the initial Maximum Import Capacity (MIC) value. ~~which~~ However the customer will have an opportunity in the 12 months following their change of measurement class of supplier to change their MIC value and have it applied ~~may then be retrospectively~~ from the date of change of measurement class. ~~changed, with the customer (via the Supplier) credited back the overcharged amount.~~

You are invited to respond to this consultation on DCP 248 by **20 November 4 December 2015.**

## 1 PURPOSE

- 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.
- 1.2 This document is a Consultation issued to DNO, IDNO, Suppliers, [Citizens Adviceconsumer Focus](#), ELEXON, any other interested Parties and the Authority in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 248 'Providing Protection for Customers against Being Charged Inappropriate Capacity Charges During The Implementation of P272'
- 1.3 You are invited to consider the questions set out in section 8 below and submit comments using the form provided as Attachment 1 to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) by **20 November 2015**.

## 2 Background of DCP 248

- 2.1 DCP 248 has been raised by British Gas and seeks to protect customers with CT meters impacted by P272 by allowing them 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~~ take place based on the initial Maximum Import Capacity (MIC) value. However the customer will have an opportunity in the 12 months following their change of [measurement class](#) ~~up to~~ to change their MIC value and have it applied retrospectively from the date of change of measurement class, which may then be retrospectively changed, with the customer (via the Supplier) credited back the overcharged amount.
- 2.2 Balancing and Settlement Code (BSC) Change P272 requires that PC5-8 customers become HH settled (where capable metering has been installed). Suppliers are therefore in the process of migrating these customers to HH settlement.
- 2.3 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 c. 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.

- 2.4 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.
- 2.5 DCP 179, which was approved in October 2014, sought to facilitate P272. The DCP 179 Change Report identified that there would be an additional 70,992 customers which would incur a capacity charge following implementation of P272. The DCP 179 Change Report also recognised that DNOs may not currently hold capacity values for all these customers. To overcome the challenge of agreeing suitable MICs for each customer the DCP 179 Change Report set out an approach which sought to protect customers from excessive charges resulting from applying an inappropriate MIC. The following is an extract from the DCP 179 Change Report:

*"DNOs agreed to adopt a common approach in deriving the capacity values where one is not held. This approach is as follows:*

- *The DNO will set the capacity value to zero initially and the following month will deem the capacity based on the previous month's maximum capacity.*
- *Until a capacity value is agreed with the customer, the DNO will deem the capacity value to be equal to the year to date maximum capacity (this deemed value will be re-assessed once a month)*
- *In parallel with the above steps, the DNO will liaise with the customer to establish an agreed Maximum Import Capacity (MIC). (DCUSA Clause 17.10 defines the process for notifying suppliers of a change to the MIC)*

*DNOs will undertake this exercise and publish the results via the DCMF MIG subgroup to assist Suppliers and customers in the transitional period while this CP is being implemented."*

2.6 Since <sup>[RT1]</sup>~~and also DCP 161 (Excess Capacity Charges)~~ <sup>[RT2]</sup> approval of DCP 179, DNOs no longer believe it is feasible or practical to implement the approach set out in the DPC 179 Change Report. Since the approach was not incorporated into the DCUSA legal text, there is no obligation to follow it and DNOs have instead proposed varying individual approaches for setting initial MIC values for CT sites affected by P272<sup>[G3]</sup>:

- Some DNOs are deeming a capacity based on customers maximum demand data (i.e. not related to any MIC values that are held)
- Some DNOs are using the historic value they hold for the MIC at the site (i.e. not related to the customers maximum demand data). The historic MIC is used if it was agreed with either the current or a previous tenant at the property.
- For those DNOs using historic MIC values, where no MIC is available there are also varying approaches being proposed:
  - Some are using maximum demand data
  - Some are using a default value only if no maximum demand data is available
  - Some are using a default value even if maximum demand data is available
  - The default values themselves may in turn be calculated differently by different DNOs.

2.7 DNOs are in the process of writing to customers to inform them of the capacity that they propose to use for DUoS charges and inviting them to get in touch if they would like a different value for the MIC. Suppliers are also writing to customers to inform them of the upcoming changes. However regardless of this, there remains significant industry concern that this communication will not reach the relevant people at these sites and as such customers will not be able to engage with the DNO to agree an appropriate MIC prior to the commencement of HH DUoS charges.

2.8 The CDCM currently does not permit a change of MIC to take effect retrospectively. This is an important principle but it is premised on an assumption that the level of MIC has been agreed between the customer and the DNO at the time of connection, or when an increase has been approved, following a process of active engagement between the two parties. For the vast majority of customers affected by P272, either no MIC has been agreed, or even where a MIC exists, it is likely to represent a connection agreement that

was entered into a long time ago which may not have been with the current tenant or which may no longer be relevant for the current demand at the site.

### 3 Business Justification and Market Benefits

3.1 The proposer of DCP 248 explains that despite the efforts of the industry (including DNOs, Suppliers, Ofgem and Elexon) to communicate the upcoming change to customers, there remains a significant risk that the correct contacts for affected sites will not be properly informed and engaged with the process until well after the customers have migrated to HH DUoS billing. As a result there is a significant risk that customers could be significantly disadvantaged in any of the following ways:

1. Being subject to standard capacity charges for a MIC which is well in excess of their requirements<sup>[G4]</sup>; or
- ~~2. Being subject to excess capacity charges because a MIC has been set which is too low for their requirements; or<sup>[G5]</sup>~~
- ~~3.2.~~ Losing capacity rights at a site because a default MIC has been applied (and deemed to be accepted) which is lower than a historic MIC which a customer agreed and wishes to retain.

3.2 The proposer believes that there needs to be protection for customers with CT meters impacted by P272 by allowing them a grace period of at least 12 months, from the date of the change in measurement class, to agree the Maximum Import Capacity with DNOs. Once the MIC has been agreed with the DNO it would be applied retrospectively from the date of the change in measurement class of the affected site. The proposer considers that this will provide sufficient time for customers to become aware of the impact of the P272 change and engage with the DNO to agree an appropriate MIC for their site.

### 4 Working Group Assessment of DCP 248

4.1 The DCUSA Panel established a Working Group to assess DCP 248. This Working Group consists of DNO, Supplier, customer and Ofgem representatives. This section of the consultation document sets out the topics discussed by the Working Group.

#### Time Limit

- 4.2 The Working Group noted that the DCP 248 legal text contains a time limit on how long, following a change in measurement class to HH Settlement, a retrospective change to the MIC can be made.
- 4.3 The group agreed that 12 months was a reasonable timescale as it gives customers time to understand any seasonality impacts and is consistent with other industry time frames, e.g. billing codes. As part of this consultation document you are invited to provide your views on this timescale.

**Should DCP 248 be end dated?**

- 4.4 The Working Group noted that the 12 month time period would be based on the date of the change of Measurement Class, so each individual customer would have their own 12 month period. It was considered whether the ability to retrospectively back date the capacity value should have end date itself.
- 4.5 On the one hand it was suggested that it would not be appropriate to put in an end date and that the protection offered by DCP 248 will naturally fall away once the transition of customers to the new Measurement Class is complete.
- 4.6 Counter to this it was highlighted that if the CP is left open ended then the legal text will remain in the DCUSA unless a future CP is raised. It could also result in the ability to request a backdated change to the MIC enduring for many years to come, when it was only intended to assist customers during the P272 transition period.

**Change in Tenancy**

- 4.7 The Working Group considered how DCP 248 would work in a situation where there is a change in tenancy. It was noted that the customer who is the customer at the time of the P272 migration can make a choice as to whether they wish to change their MIC.
- 4.8 It was suggested that if a new customer moves in then they are in a business as usual situation and if they do not sign a new connection agreement then they will move on to the National Terms of Connection. The new tenant will be subject to the previous MIC and will have the opportunity to vary it, but this variation should not be back dated, as the

new customer is not impacted by P272 and thus is not entitled to protection from it. As an example, the Working Group considered the situation where the customer could be choosing from two properties – one that has been HH for years and another that has been HH only a few months because of P272 – there is no difference between these properties in terms of the situation the new customer is in and thus it would not be appropriate to back date the MIC for the P272 property.

- 4.9 It was suggested that the protection offered by DCP 248 should only apply for customers impacted by P272 so long as they are the customer (i.e. occupying the property). If the customer moves out of the property within the 12 month window, they cannot ask for a retrospective change to the MIC once they have left the property, as this would require a connection agreement to be entered into by a person who is no longer a customer.
- 4.10 It was also noted that if a customer requests a change in MIC very shortly before they move out (e.g. the day before) it may not be possible for a revised connection agreement to be put in place in time. The Working group noted that to address this, the DCP 248 legal text needs to be very clear that they must be the current customer at the time the agreement is put in place for DCP 248 to apply.

#### **Is DCP 248 Required?**

- 4.11 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.
- 4.12 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.

### Materiality Threshold

4.13 The Working Group noted that if a customer requests a revised back dated MIC and the credit rebill is less than the cost of ~~posting-out~~processing the invoice then it is questionable whether it should be done.

4.14 The group discussed setting a materiality threshold and agreed that ...<<<< this section needs to be completed[RT6] >>>>[G7]

	No. of customers	Average MIC	Average MD	MIC vs MD	£/cust/month
All Customers (Historic & Default MIC)	69,328	78	48	62%	£32
Range of DNO average values		56 - 104	39 - 56	0% - 111%	£0 - £75
Historic MIC customers	34,385	100	48	107%	£56
Range of DNO average values		78 - 132	40 - 53	68% - 226%	£33 - £114
Default MIC customers	34,943	56	48	17%	£8
Range of DNO average values		46 - 71	39 - 56	0% - 60%	£0 - £29

Additional MIC charge vs MD (per month)	% of		
	Count	population	Cumulative %
<£1	5,711	8.2%	8%
<£5	8,215	11.9%	20%
<£10	12,695	18.3%	38%
<£15	2,983	4.3%	43%
<£20	0	0.0%	43%
<£30	5,339	7.7%	50%
<£40	11,596	16.7%	67%
<£50	1,328	1.9%	69%
<£60	12,460	18.0%	87%
<£70	0	0.0%	87%
<£80	7,112	10.3%	97%
<£90	1,534	2.2%	99%
<£100	0	0.0%	99%
<£110	0	0.0%	99%
<£120	355	0.5%	100%

### Technical and Resource Constraints

4.15 The Working Group noted that validation systems may not be designed to enable adjustments of this nature up to 12 months or more in to the past.



- 4.16 It was also noted that there may be resource constraints if current processes require manual intervention. For instance, those customers that wish to change their MIC will require a site specific connection agreement. If say 20,000 customers requested a new connection agreement over a very short period of time then there may not be sufficient resource to facilitate this.
- 4.17 As part of this consultation, respondents are invited to inform the Working Group of any constraints they may have that would impact on the ability to implement DCP 248.

## 5 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 five General DCUSA Objectives and five Charging Objectives. The full list of objectives is documented in the CP form provided as Attachment 2.
- 5.2 The Working Group has assessed the CP against the DCUSA objectives and the Working Group members agree that the following DCUSA Objective is 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).

- 5.3 DCP 179 was intended to facilitate the implementation of P272, however since approval of DCP 179 it has become clear that DNOs do not believe it is feasible or practical to implement the common approach set out in the DPC 179 change report for deriving a capacity value where one is not held. This has lead to a number of different solutions being proposed by DNOs which is not ideal for customers or competition. This change will ensure that DNOs are ultimately 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.

- 5.4 This change will allow 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.

- 5.5 This change will continue to permit DNOs to adopt their own approaches to initially overcome the administrative burden of setting an initial MIC for the c. 71,000 CT metered sites affected by P272 whilst allowing affected sites sufficient time to actively agree an appropriate enduring MIC. This change will also 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

- 5.6 DCP 179 was intended to facilitate the implementation of P272, however since approval of DCP 179 it has become clear that DNOs do not believe it is feasible or practical to implement the common approach set out in the DPC 179 change report for deriving a capacity value where one is not held. This has lead to a number of different solutions being proposed by DNOs which is not ideal for customers or competition. This change will

ensure that DNOs are ultimately applying a common approach when dealing with customers affected by P272 when they seek to actively agree an enduring MIC.

## **6 DCP 248 Legal Drafting**

- 6.1 The DCP 248 legal text is provided as Attachment 3.
- 6.2 The legal introduces a definition of P272 to the DCUSA and, for customers impacted by P272, gives them the ability to agree a revised MIC and request that it be backdated. This ability is limited to within 12 months of the change in Measurement Class and only one retrospective change is permitted. The revised MIC must be agreed with reference to the customer's maximum demand.

## **7 Implementation Date**

- 7.1 The proposed implementation date for DCP 248 is the next release following consent. Based on the current work plan this would be on 25 February 2016.

## **8 DCP 248 – Consultation Questions**

- 8.1 The Working Group is seeking views on the following consultation questions:
  - 1. Do you understand the intent of DCP 248?
  - 2. Are you supportive of the principles of DCP 248?
  - 3. Do you have any comments on the proposed legal text?
  - 4. Do you consider that the proposal better facilitates the DCUSA Objectives? Please give supporting reasons.
  - 5. Are you supportive of the proposed implementation date of the next release following Authority consent.
  - 6. In the DCP 248 legal text the ability to agree a revised MIC and to request that it be backdated is limited to within 12 months of a change in Measurement Class. Do you agree with this timescale? If not, please provide your rationale.
  - 7. Do you believe that there should be an end date within the DCP 248 legal text and, if yes, what date should it be?
  - 8. 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?

9. 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?
10. 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?
11. 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 agree that the protection of DCP 248 is still required?
12. Are there any technical constraints with billing systems that need to be taken into consideration (and is there an associated cost)?
13. 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?
14. 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? Please provide supporting reasons.
15. 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?
16. If there were to be a materiality threshold, what do you believe it should be set at?
- ~~13.~~17.
- ~~14.~~18. Are there any alternative solutions or matters that should be considered by the Working Group?

- 8.2 Responses should be submitted using Attachment 1 to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than **20 November 2015**.
- 8.3 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.

## 9 NEXT STEPS

- 9.1 Responses to the Consultation will be reviewed by the DCP 248 Working Group and used to aid the group in progressing the Change Proposal.
- 9.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA helpdesk by email to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) or telephone 020 7432 2842.

## **APPENDICES**

- Appendix A - Extract from Use of System Charging Statement

## **ATTACHMENTS**

- Attachment 1- Response Form
- Attachment 2– CP Form
- Attachment 3 –DCP 248 Legal Text

## Appendix A – Extract from Use of System Charging Statement

### Incorrectly allocated charges

2.54. It is our responsibility to apply the correct charges to each MPAN/MSID. The allocation of charges is based on the voltage of connection and metering information. We are responsible for deciding the voltage of connection while the Supplier determines and provides the metering information.

2.55. Generally the voltage of connection is determined by where the metering is located and where responsibility for the electrical equipment transfers from us to the connected Customer. This is normally established when the MPAN/MSID is created and will include information about whether the MPAN/MSID is for import or export purposes. Where an MPAN/MSID is used for export purposes the type of generation (intermittent or non-intermittent) will also be determined.

2.56. The Supplier provides us with metering information which enables us to allocate charges where there is more than one charge per voltage level. This metering data is likely to change over time if, for example, a Supplier changes from a two rate meter to a single rate meter. When this happens we will change the allocation of charges accordingly.

2.57. Where it has been identified that a charge is likely to be incorrectly allocated due to the wrong voltage of connection (or import/export details) then a correction request must be made to us. Requests from persons other than the current Supplier must be accompanied by a Letter of Authority from the Customer; the existing Supplier must also be informed. Any request must be supported by an explanation of why it is believed that the current charge is wrongly applied along with supporting information including, where appropriate, photographs of metering positions or system diagrams. Any request to correct the current charge that also includes a request to backdate the correction must include justification as to why it is considered appropriate to backdate the change.

2.58. If it has been identified that a charge has been incorrectly allocated due to the metering data, then a correction request should be made to the Supplier.

2.59. Where we agree that an MPAN/MSID has been assigned to the wrong voltage level then we will correct it by allocating the correct set of charges for that voltage level. Any adjustment for incorrectly applied charges will be as follows:

- Any credit or additional charge will be issued to the Suppliers who were effective during the period of the change.
- The correction will be applied from the date of the request back to the date of the incorrect allocation or up to the maximum period specified by the Limitation Act (1980) in England and Wales which covers a six year period, whichever is the shorter.

2.60. Should we reject the request a justification will be provided to the requesting Party.

2.61. We shall not unreasonably withhold or delay any agreement to correct the charges applied and would expect to reach agreement within three months from the date of request.