



## **DCUSA CHANGE REPORT**

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

## 1 PURPOSE

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- 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](mailto:dcusa@electralink.co.uk) by **day January 2016**.

## 2 BACKGROUND AND SUMMARY OF DCP 248

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- 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 **xx**.

**Comment [LN1]:** Will be updated once an option is picked

- 2.5 Additional information on the CP is contained within the CP form provided as Attachment 3.

### 3 WORKING GROUP

- 4.1 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](http://www.dcusa.co.uk).

- 4.2 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)**

- 4.3 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**

- 4.4 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**

4.5 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.

4.6 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**

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

**The need for DCP 248?**

4.8 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.

- 4.9 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.
- 4.10 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**

- 4.11 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.
- 4.12 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**

- 4.13 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.

### **5 DCP 248 CONSULTATION**

- 5.1 The DCP 248 consultation was issued on 20 November 2015 and there were ~~XX~~ responses received.
- 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

**Comment [LN2]:** Needs updating

Attachment 4.

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

5.3 The Working Group noted that

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

5.4 X of the respondents were supportive of the principles

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

5.5 The Working Group noted that.

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

5.6 The Working Group noted that.

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

5.7 The Working Group noted that.

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

5.8 The Working Group noted that. The following table outlines which DCUSA Charging Objectives respondents stated as being better facilitated by the CP:

DCUSA Charging Objectives	No. Of Respondents that agree it is better facilitated
Objective 1	
Objective 2	
Objective 3	
Objective 4	
Objective 5	

5.9 The Working group noted that the majority view of consultation respondents was that the CP better facilitates the DUCSA Objectives.

**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??**

5.10 The Working Group noted.

**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?**

5.11 The Working Group noted that .

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

5.12 The Working Group noted that

**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?**

5.13 The Working Group noted that

**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?**

5.14 The Working Group noted that

**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?**

5.15 The Working Group noted that

**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?**

5.16 The Working Group noted that

**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)?**

5.17 The Working Group noted that

**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?**

5.18 The Working Group noted that

**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?**

5.19 The Working Group noted that

**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?**

5.20 The Working Group noted that

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

5.21 The Working Group noted that

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

5.22 The Working Group noted that

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

**Comment [LN3]:** Needs updating once the consultation responses have been considered

## 6 ASSESSMENT AGAINST THE DCUSA OBJECTIVES

7.1 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).

7.2 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

7.3 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.

7.4 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

7.5 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.

## 8 DCP 248 - LEGAL DRAFTING

9.1 Plain English summary of the legal text

9.2 Reference the Attachment

**Comment [LN4]:** Will be updated once an option is picked

## 10 ENVIRONMENTAL IMPACT

10.1 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.

## 11 ENGAGEMENT WITH THE AUTHORITY

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

## 12 IMPLEMENTATION

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- 12.1 The proposed implementation date of DCP 248 is 30 June 2016, which is the next available release following consideration by the DCUSA Panel.
- 12.2 DCP 248 is classified as a Part 1 matter and therefore will go to the Authority for determination after the voting process has completed.

## 13 PANEL RECOMMENDATION

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- 13.1 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.
- 13.2 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

## 14 NEXT STEPS

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14.1 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](mailto:dcusa@electralink.co.uk) by **day/month/year**.

14.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA by email to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) or telephone 020 7432 30XX.

#### ATTACHMENTS

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- Attachment 1 – DCP 248 Legal Text
- Attachment 2 – Voting Form
- Attachment 3 – DCP 248 CP Form
- Attachment 4 – DCP 248 Consultation Document