

DCUSA DCP 222 Consultation responses – collated comments

| Company | Confidential/ Anonymous | 1. National Grid has not explicitly requested that all DNOs provide this service, so do you believe that this service should be reflected by a change to the Common Distribution Charging Methodology (CDCM) for LV & HV connections? | Working Group Comments |
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| GTC | Choose an item. | <p>No. We are not convinced of the case for a universal solution for this issue and are not supportive of a change to the CDCM.</p> <p>If National Grid want to manage the Transmission System in such a way as to make it more efficient by asking generators to operate outside of the 0.95 Power Factor then this can be achieved through commercial agreements between National Grid and the Generator where National Grid can agree to pay charges for reactive power. Reactive Power charges give a pricing message to customers with poor power factor. The CDCM is supposed to deliver prices which are reflective of costs of operating the distribution system. We do not think it is appropriate that this should be removed. By retaining the charge it is for National grid to determine whether the most economical solution for them in managing reactive power flows is through commercial arrangements with the generators connected to the distribution system (including payment of reactive power charges) or through some other mechanism. Poor power factor introduces losses on the distribution system and can also trigger the need for distribution network reinforcement. We do not see the logic behind the assertion that National Grid should get this service for “free”, with the burden of costs borne by other</p> | The Working Group agreed with the GTC response and noted that valid points have been raised in their response. |

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| | | <p>distribution network customers</p> <p>Additionally, implementing this change will affect all distribution & supplier businesses and will place additional costs and administrative burdens on them. This does not seem appropriate for a change which may never directly affect them.</p> | |
| Northern Powergrid | Non-confidential | <p>We do not believe that there is currently the requirement for this to be progressed at this time as there is no pressing need, or current request, for generators to operate outside 0.95 power factor – specifically at voltages of 11kV or below. This should be monitored and if this becomes an issue at 11kV or below then there should be a change proposal raised and progressed.</p> | The Working Group agreed with this response |
| SmartestEnergy | Non-confidential | <p>This question implies that if the service had been explicitly requested by National Grid then this would somehow justify a change to the CDCM for LV and HV connections. We do not believe that a change is justified under this or any other circumstance.</p> | The Working Group agreed with this response |
| Southern Electric Power Distribution plc and Scottish Hydro Electric Power | Non-confidential | <p>We do not believe that the CP represents the most appropriate approach to the underlying issue or that an adequate case has been made to justify any changes to the CDCM, affecting all DNOs.</p> <p>The potential additional CDCM tariffs are heading in the direction of being almost site-specific in nature and this deviates from the standard tariff, high level, CDCM approach.</p> <p>However, changes to CDCM itself are a relatively minor part of this subject. To implement the solutions</p> | The Working Group agreed with this response |

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| Distribu tion plc | | <p>proposed would burden distributors with considerable additional complexity, contractual issues, administrative and billing costs to resolve a transmission system matter.</p> <p>As illustrated by paragraph 4.4 of this consultation, there are other imperfections which would inevitably arise from acceptance of this CP. We further note that the option to implement new tariffs in CDCM would also have a significant requirement for additional LLFCs, for IDNOs and DNOs operating 'out of area' networks across the GSP groups, which would exacerbate the existing issues with LLFC availability for some distributors.</p> | |
| SP Distribu tion plc, SP Manweb plc | Non- confident ial | <p>If identified as a significant issue, to ensure a common approach continues to be applied and consistency maintained across DNOs with regard to charging we believe any change that impacts the applicability of charges should be made to the common methodology/models.</p> | The Working Group noted the response |
| UK Power Network s | Non- confident ial | <p>No we do not believe that this service should be reflected by a change to the CDCM. The charges calculated by the CDCM are designed to reflect the cost imposed on the DNO by poor power factor and therefore the cost signal should remain even if there is a conflict with NGC requirements. The commercial arrangements for any reactive charges should be handled within the multi-party contractual agreements.</p> <p>This change will only affect limited customers connected at LV and HV (CDCM) due to the small generation size of these customers.</p> | The Working Group noted the response |

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| WPD | Non-confidential | In order to maximise the potential service this could deliver to the industry (including across any local network issues) it would be appropriate to include down to HV connections 'where requested' only. Extending to LV would seem of limited benefit. | The Working Group noted the response |
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| Company | Confidential/Anonymous | 2. The Working Group discussed whether it is correct that National Grid may benefit from this service without incurring any costs. Do you agree with this assumption? | Working Group Comments |
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| | | | The Working Group noted that the majority of the respondents felt that National Grid should bear the costs of providing the service and not the DNOs. |
| GTC | Choose an item. | <p>We agree that this is the assumption being made. We disagree that it is an appropriate assumption (see our response to question 1 above). The working group may wish to explore what the costs of this change will be on Parties. We have difficulty in understanding why National Grid should not bear these costs. National Grid should be fully exposed to the costs, in that way they will be incentivised to look at the most economical solutions.</p> <p>If a universal solution is being adopted for a small number of parties but all parties under the DCUSA bear costs as a result it seems unfair that National Grid as the originator of the issue does not bear costs at all. As above, a commercial arrangement may be more appropriate and send better economic pricing signals to generators as a result.</p> <p>The DCUSA objectives relate to the operating of the</p> | The Working noted the response |

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| | | Distribution Network. There is no justification or explanation as to why the DCUSA objectives are better met. The CDCM is in place to reflect the costs of operating a distribution system, we do not see why the costs of operating the transmission system are relevant here. We recognise that this may an increasing requirement for such services to be provided. Where they are provided they should be done so on a cost reflective basis | |
| Northern Powergrid | Non-confidential | It does appear as if this will assist in the alleviation of system wide issues which currently would be the responsibility of National Grid. These issues could be resolved by the use of Short Term Operating Reserve (STOR) generators which have a contract with National Grid where they are paid to generate at short notice for wider system benefits. | The Working noted the response |
| SmartestEnergy | Non-confidential | It is not clear what the "assumption" is here. To be clear we believe that National Grid should pay where it is receiving benefits. | The Working noted the response |
| Southern Electric Power Distribution plc and Scottish Hydro Electric | Non-confidential | Yes – this CP would pass significant burdens to distributors which may be better and more appropriately managed by National Grid by alternative means and at their cost. | The Working noted the response |

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| Power Distribution plc | | | |
| SP Distribution plc, SP Manweb plc | Non-confidential | Yes we agree with this assumption. | The Working noted the response |
| UK Power Networks | Non-confidential | We believe that National Grid would benefit, and that the costs should at least in part be paid for by National Grid, under this approach the costs would instead be picked up by CDCM customers as the cost would be socialised. We believe that DUoS charges are cost reflective, so it is correct that were a threshold breached then a charge is levied for excess reactive. Allocation of costs should be handled through the multi-party contractual agreements. | The Working noted the response and noted that the respondent felt that National Grid should pay part of the costs. |
| WPD | Non-confidential | Where it has been agreed at time of connection as part of connection terms, then yes. | The Working Group noted the response |
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| Company | Confidential/Anonymous | 3. Has National Grid specifically requested that these connection conditions be added to new LV and / or HV generator connection offers and if so, on how many instances has this been included within new connection agreements? | Working Group Comments |
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| GTC | Choose an item. | We have not been asked to do this | The Working Group noted the response |
| Northern Powergrid | Non-confidential | National Grid has not specifically requested that these conditions be added to new LV and/or HV generation connection offers for any new generation customers in either of Northern Powergrid's Licence areas. | The Working Group noted the response |
| SmartestEnergy | Non-confidential | Not known | The Working Group noted the response |
| Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc | Non-confidential | We have no experience of National Grid requesting specific power factor conditions to be imposed on generators connecting at these voltages. | The Working Group noted the response |
| SP Distribution plc, SP Manweb plc | Non-confidential | None that we are aware of across the SPD and SPM distribution service areas. | The Working Group noted the response |
| UK Power Network | Non-confidential | We are not aware of any connections in our regions where this has applied. | The Working Group noted the response |

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| WPD | Non-confidential | Not for LV generators. HV generators have been included on Statement of Works requests where the outcome has been for generators to operate a specific power factor to consume reactive power, so yes. | The Working Group noted the response |

| Company | Confidential/Anonymous | 4. This change proposes an arrangement that could lead to a trilateral agreement between the Customer, DNO and National Grid. Do you believe this to be the case? Please provide comments? | Working Group Comments |
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| | | | The Working Group noted that most of the respondents believe that this change should apply to all customers. |
| GTC | Choose an item. | There may be some situations under which this may arise and we believe this is further evidence that a commercial arrangement may be more appropriate than a change to the DCUSA which will affect all parties regardless of their involvement. | The Working Group noted the response |
| Northern Powergrid | Non-confidential | <p>For CDCM customers we currently have no requirements for them to operate their generation outside of the parameters stated in the standard connection agreement.</p> <p>If the industry moves to a point where one of the options to be discussed at CDCM level, is the creation of a trilateral agreement, then this would require consideration of governance arrangements and constraints and also operational arrangements.</p> <p>Presumably any trilateral agreement would involve National Grid having a contractual arrangement with customers that they currently have no relationship with.</p> | The Working Group noted the response |

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| | | Generally our experience is that industry parties are not keen on trilateral agreements. | |
| SmartestEnergy | Non-confidential | We would prefer to see bi-lateral reimbursement between the generator and DNO or NGET when they provide the service rather than having to develop IT solutions for a revised charging statement. | The Working Group noted the response |
| Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc | Non-confidential | <p>A tripartite agreement or a contractual pass through of obligations from National Grid to the generator via agreements with the distributor(s) would be necessary for the obligations to have effect.</p> <p>Bearing in mind that HV and LV connected generators are normally of relatively small scale, the contractual implications (including future and ongoing management) seem to represent a disproportionate burden for the distributors and generators.</p> <p>It should not be overlooked that generators at these voltages may be connected on embedded distribution networks (IDNO or DNO 'out of area'), which would add a further layer of contractual complexity, further emphasising the unsuitability of this proposal.</p> | The Working Group noted the response |
| SP Distribution plc, SP Manweb plc | Non-confidential | No. We believe the customer relationship should be directly managed by the DNO. | The Working Group noted the response |
| UK Power | Non-confidential | Under this proposal National Grid would need to make a request of the DNO, who in turn would place obligations | The Working Group noted the response |

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| Networks | Confidential | with the Customer (and their supplier?). As a result a multi-party agreement would likely be the most appropriate approach. | |
| WPD | Non-confidential | Do not believe this is the case, as statement of works requirements would be covered via NGET to DNO bilateral agreements, and reflected through to the generator in the DNO – Generator Connection Agreement. | The Working Group noted the response |

| Company | Confidential/Anonymous | 5. Should the non-billing of excess reactive power only apply to new customers? | Working Group Comments |
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| | | | The Working Group noted and agreed with the response that non-billing should apply to new customers or old customers. |
| GTC | Choose an item. | Excess reactive power should apply on a non-discriminatory basis to any customer that operates outside of a 0.95 power factor. We do not see how reserving this process for new customers only, is a benefit. There is no justification why such charging arrangements would be fair across all DUoS customers and why such discrimination would be due. | The Working Group noted and agreed with the response |
| Northern Powergrid | Non-confidential | No, this should not be the case – it would be unfair to allow only new customers/new connectees to benefit from this arrangement. | The Working Group noted and agreed with the response |
| Smartest | Non- | It should not apply to new customers or old customers. | The Working Group noted and agreed with the response |

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| tEnergy | confidential | | |
| Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc | Non-confidential | This would have to apply to any generator who meets the criteria, new or established, and opens up possibilities for implementation issues and possible claims. | The Working Group noted and agreed with the response |
| SP Distribution plc, SP Manweb plc | Non-confidential | No any customer who has been requested to operate in this way should be exempt from this element of the charge. However, as with other change proposals the customer would need to provide evidence of this. | The Working Group noted and agreed with the response |
| UK Power Networks | Non-confidential | We believe that for the consistent treatment of all Customers this proposed change of arrangements would need to apply to all Customers who are required / requested to provide this service, whether they are a new or existing customer. | The Working Group noted and agreed with the response |
| WPD | Non-confidential | Only to the individual connections asked to operate with these reactive power requirements, irrespective of new or pre-existing. | The Working Group noted and agreed with the response |

| Compa | Confide | 6. When is it envisaged (if at all) that this requirement to | Working Group Comments |
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| ny | ntial/ Anonym ous | request that 11kV generators operate outside a 0.95 power factor will be needed in each DNO License area - and if appropriate, how many generators will this be expected to impact? | |
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| | | | The Working noted that all DNOs apart from ENWL who did not respond, agree that there will not be an impact on generators in the future |
| GTC | Choose an item. | | |
| Northern Powergrid | Non-confidential | This is not expected to be an issue (at 11kV) in either of Northern Powergrid's Licence areas. | The Working Group noted the response |
| SmartestEnergy | Non-confidential | N/A | |
| Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc | Non-confidential | We do not currently ask for any new generator to operate below 0.95 power factor and would not anticipate this being a regular requirement. | The Working Group noted the response |
| SP | Non- | We do not expect this to become an issue in the near | The Working Group noted the response |

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| Distribution plc, SP Manweb plc | confidential | future. | |
| UK Power Networks | Non-confidential | We do not believe that we have any such customers where this applies. | The Working Group noted the response |
| WPD | Non-confidential | In order to provide specific levels of reactive power compensation at particular times of day/year it may be appropriate to require a range of generator connections across the HV and EHV networks to operate outside of 0.95 pf. This could therefore impact many generators across EHV and HV networks. The number is difficult to forecast, but could be the order of tens to a hundred connections per year if a Statement of Works requirement has a system wide impact. | The Working Group noted the response |

| Company | Confidential/Anonymous | 7. If you are a DNO or IDNO and do not use the Durabill billing system, please advise how Option Two could be incorporated into your existing billing system – if at all? | Working Group Comments |
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| GTC | Choose an item. | Our billing system does not have the ability to switch off an individual tariff component, rather tariffs are inserted and a tariff is linked to an individual customer. It would be possible for us to employ significant and costly changes to the system to work around this. Additionally, we believe such arrangements could be complex to administer and audit and therefore it is not favourable for us. We would be in favour of an LLFC solution; however only on the basis that CP1434 is | The Working Group noted the response |

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| | | approved increasing the number of LLFC's available – we have limited availability of LLFCs and if this is not resolved could lead to significant costs. | |
| Northern Powergrid | Non-confidential | Not Applicable | |
| SmartestEnergy | Non-confidential | N/A | |
| Southern Electric Power Distribution plc and Scottish Hydro Electric Power Distribution plc | Non-confidential | N/A | |
| SP Distribution plc, SP Manweb plc | Non-confidential | N/A | |
| UK Power | Non-confidential | We can deliver option 2, by using different tariffs with the same LLFC. | The Working Group noted the response |

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| Network s | ial | | |
| WPD | Non- confident ial | WPD use Durabill | The Working Group noted the response |

| Compa ny | Confide ntial/ Anonym ous | 8. If you are a Supplier do you envisage there being any billing or validation systems issues as result of Option Two being implemented? | Working Group Comments |
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| GTC | Choose an item. | | |
| Norther n Powergr id | Non- confident ial | Not Applicable | |
| Smartes tEnergy | Non- confident ial | Currently the same reactive power charging threshold, and a reactive power charge, applies to all measurement class C MPANs. It might involve additional IT development to implement this change. We would prefer the price of the ERP charge to be zero than not be applied at all. | The Working Group noted the response |
| Souther n Electric Power Distribu tion plc and Scottish Hydro | Non- confident ial | | |

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| Electric Power Distribution plc | | | |
| SP Distribution plc, SP Manweb plc | Non-confidential | N/A | |
| UK Power Networks | Non-confidential | N/A as we are a DNO. | |
| WPD | Non-confidential | N/A | |
| | | | The Working Group discussed the responses further and noted that the proposed change does not seem to be an issue for many DNOs. It was suggested it might not be of benefit to make an industry wide change for a small issue. |