



**DCUSA CONSULTATION  
DCP 205 - Recovery of Costs Due To Load and  
Generation Increases from Existing Customers  
in RIIO-ED1**

## 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. Parties to the DCUSA can raise Change Proposals (CPs) to amend the Agreement with the consent of other Parties and (where applicable) the Authority.
- 1.2 This document is a Consultation issued to DNO, IDNO, Suppliers, Consumer Focus, ELEXON, any other interested Parties and the Authority in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 205 – ‘Recovery of Costs Due To Load And Generation Increases From Existing Customers’.
- 1.3 Respondents are invited to consider the proposed legal drafting set out in Attachment 2 to this document and the associated questions within this consultation. Comments should be submitted using the response form provided as **Attachment 1** to [DCUSA@electralink.co.uk](mailto:DCUSA@electralink.co.uk) by **28 November 2014**.

## 2 DCP 205 – RECOVERY OF COSTS DUE TO LOAD AND GENERATION INCREASES FROM EXISTING CUSTOMERS

- 2.1 DCP 205 has been raised by Electricity North West Limited (ENWL) to make changes to DCUSA Schedule 22 Common Connection Charging Methodology (CCCM) to take account of Ofgem policy for RIIO-ED1 in relation to recovery of costs due to load and generation increases from existing customers, and will facilitate the introduction of an interim measure until smart meters are installed providing a greater ability to identify which property has added extra load to the network.
- 2.2 This change has come about following Ofgem's RIIO-ED1 Final Position (March 2013):

***Recovery of costs due to load and generation increases from existing domestic customers***

*3.32. In practice DNOs currently recover the cost of network reinforcement triggered by load growth at existing domestic premises through distribution use of system (DUoS) charges. This is because they are unable to identify which individual customers are driving the costs. However, since they are allowed to charge individual customers, there is the potential for inconsistent treatment across DNOs.*

***Our decision***

*3.33. Ideally, DNOs would recover costs from those customers who impose them. However, since this is currently not practicable we have decided that until DNOs have a means to accurately identify the customers who trigger cost, they will continue to recover the costs of any reinforcement caused by load or generation growth by domestic (as defined in the electricity distribution licence) and small business (profile class 3-4) customers through DUoS charges. DUoS charges are paid by all customers as part of their overall bill to reflect the costs of transporting electricity through the distribution network.*

*3.34. This decision will apply to all equipment installed in existing domestic or profile class 3-4 properties, including where that equipment is part of multiple installations made by a landlord.*

*3.35. Given the projected take up of low carbon technologies by domestic customers over time, we consider that there needs to be a consistent policy across all DNOs. Otherwise customers may be unaware of connection charges which they are liable for and face these charges only after they have installed devices.*

*3.36. At present the only practical policy which can apply across the board is for DNOs to recover the costs of reinforcement from all customers through DUoS charges. Without access to granular data or installing costly monitoring equipment, the only means DNOs have for identifying domestic or small business customers who may trigger reinforcement are through the types of appliances they install. DNOs are working, through the Energy Networks Association (ENA), to receive advanced notification of when certain devices are installed. However, they will not know with confidence when these devices are used and hence whether they are triggering costs.*

*3.37. Socialising the cost of reinforcement to accommodate domestic growth means that customers who are not adopting high energy consumption equipment may, in effect, be paying for those who do through raised DUoS charges. This reflects current practice of funding reinforcement costs through DUoS charges where DNOs cannot identify the customers who trigger these costs. A system that targets upfront connection costs at individual domestic and small business customers may not only be impracticable, but also costly as DNOs would need to identify and approach individual customers. The impact of that approach would be likely to increase DNOs' overall costs which are passed through to all consumers.*

*3.38. We recognise that socialising reinforcement costs may insulate domestic and small business customers from the financial consequences of their actions, rather than actively encouraging them to properly manage their demand. However, this will be an interim measure until sufficient smart metering data is available to identify those who trigger reinforcement and incentivise them to manage their consumption in order to avoid reinforcement. A key element of our smart grid project (outlined above) will be to understand how incentives on these customers to manage demand can be introduced. This goes to the heart of what form a future smart grid should take and how it should interact with customers.*

- 2.3 To enact this approach in all DNOs licences, Ofgem are finalising the new Standard Licence Condition 13C (attached as Attachment 6) which DNOs will be required to be in compliance with by 01 April 2015.

### 3 WORKING GROUP ASSESSMENT

- 3.1 The DCUSA Panel established a Working Group to assess DCP 205. This Working Group consists of DNO, Customer and Ofgem representatives.
- 3.2 The Working Group discussed the circumstances where an existing customer requires the installation of equipment and notifies the DNO of this requirement. Based on the proposed RIIO ED1 policy the costs for the Reinforcement of the network following the installation of equipment may be borne through DUoS charges to customers as opposed to the individual connecting domestic or small business equipment.
- 3.3 The draft Standard licence condition 13C.6 (SLC13C.6) informed the Working Group decision.
- 3.4 In order to provide a common policy that can be utilised across all DNOs, the Working Group sought to identify types of equipment that, if installed, may cause harmonics and fluctuations in the low voltage system. This type of equipment would not be fully funded through DUoS charges.
- 3.5 The Working Group developed a number of potential solutions to this change which were considered by industry parties under Consultation one. The Working Group agreed to progress two options; Option (c) and Option (d) which are listed in the table below.

Options	Advantages	Disadvantages
Option (c)/ DCP 205 CP Equipment Standard	<ul style="list-style-type: none"> <li>Definition of qualifying connections.</li> <li>Maximum Generator capacity.</li> <li>List of specific British Standard or European Union standards that equipment would require to be compliant with (like a kite</li> <li>Customers more likely to know before they purchase any equipment as there will be a list of standards</li> <li>Unambiguous</li> <li>Consistent</li> <li>Greater transparency</li> </ul>	<ul style="list-style-type: none"> <li>May take significant time to develop industry standards</li> <li>Future proofing effort required</li> <li>Could cause an signal resulting in discouraging adoption of certain equipment</li> <li>Removes DNO discretion to act</li> </ul>

	mark)	in the customers interest
<b>Option (d)/DCP 205A Alternate CP</b> <b>No exclusion for any equipment installed by existing customers.</b>	Definition of qualifying connections. Maximum Generator capacity. <ul style="list-style-type: none"> <li>• Simple</li> <li>• No cost risk for customers purchasing equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Inconsistent with generic charging policy</li> <li>• More expensive for DUoS Customers</li> <li>• Does not send a price signal</li> </ul>

3.6 The originating CP for this change, DCP 205 supports Option (c) and the DCP 205A Alternate CP submitted on the 31/10/2014 supports Option (d).

#### **4 DCP 205 AND DCP 205A DRAFT LEGAL TEXT**

4.1 The DCP 205 Working Group is seeking industry Parties views on the draft legal text for Option (c) and Option (d) which acts as Attachment 2.

4.2 Both CPs legal texts propose to allow for the installation of equipment up to 100 amperes by existing connectees where the consumer has a single, two or three phase connection to a low voltage fuse. Following the installation of the equipment the consumer will still have a low voltage fuse connection and the installation of the equipment will not cause them to breach their agreed capacity. This may also include work required to rectify a looped service arrangement as part of a one, two or three phased connection.

#### **DCP 205 Change Proposal**

4.3 The DCP 205 CP proposed legal text amends DCUSA Schedule 22 by the inclusion of an additional paragraph 1.31 which cites the circumstances where the DNO will fully fund Reinforcement at lower voltages:

- equipment at an existing premises which remain connected via an existing low-voltage single, two or three phase service fused at 100 amperes or less per phase and with whole-current metering; and
- where the installation of generation equipment with a rated output less than 16 amperes per phase; and
- the installation of any equipment which, where relevant meets the following British Standards:

- BS EN 61000-3-21; BS EN 61000-3-32.

4.4 The DCP 205 CP proposed legal text acts as Attachment 2.

#### **DCP 205A Alternative Change Proposal**

4.5 The DCP 205A Alternative CP proposed legal text amends DCUSA Schedule 22 by the inclusion of an additional paragraph 1.31 which cites the circumstances where the DNO will fully fund Reinforcement at lower voltages:

- equipment at an existing premises which remain connected via an existing low-voltage single, two or three phase service fused at 100 amperes or less per phase and with whole-current metering; and
- where generation is installation, generation equipment with a rated output less than 16 amperes per phase.

4.6 The DCP 205A Alternate CP proposed legal text acts as Attachment 3.

4.7 The majority of the Working Group were in support of DCP 205, however to retain Option (d) as an alternative the Working Group also wished to progress this as an alternate CP in order to provide a solution which provides a high level approach to Parties as well as the more detail specific solution that is supported by the originating DCP 205 CP.

## **5 DCP 205 – Consultation Questions**

5.1 The Working Group is seeking views on the questions set out below:

Question Number	Question
1	Do you have any comments on the proposed DCP 205 Change Proposal draft legal text?
2	Do you have any comments on the proposed DCP 205A Alternate Change Proposal draft legal text?
3	Do you have a preference for DCP 205 Change Proposal draft legal text or DCP

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- <sup>1</sup> BS EN 61000-3-2 Limits for harmonic current emissions (equipment input current 16 A per phase)

- <sup>2</sup> BS EN 61000-3-3 Limitation of voltage changes, voltage fluctuations and flicker in public low-voltage supply systems, for equipment with rated current 16 A per phase)

	205A Alternate Change Proposal draft legal text? Please provide your reasoning.
4	Are there any unforeseen impacts from either change which the Working Group should take in to account?
5	Are there any other National or International Standards that it would be reasonable that if installed equipment does not comply with, DUoS customers would not be expected to fund network reinforcement for (in addition to those already laid out in DCP 205 Change Proposal)?
6	How would customers be best notified of the Standards applicable (under DCP 205 Change Proposal) to electrical equipment to ensure that if purchased and installed the customer would not be liable for any network reinforcement if required?
7	Are there any alternative solutions or matters that should be considered by the Working Group?

5.2 Responses should be submitted using Attachment 1 to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than **28 November 2014**.

5.3 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.

## 6 NEXT STEPS

6.1 Responses to the Consultation will be reviewed by the DCP 205 Working Group who will use the responses to aid them in the progression of the CP.

6.2 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 3011.

## **ATTACHMENTS**

- Attachment 1 – DCP 205 and DCP 205A Consultation Response Form
- Attachment 2 - DCP 205 Proposed legal Text -Option (c)
- Attachment 3 - DCP 205A Proposed legal Text - Option (d)
- Attachment 4– DCP 205 Change Proposal
- Attachment 5 – DCP 205A Alternate Change Proposal
- Attachment 6 – Standard Licence Condition 13C