



**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 by **30 May 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 Schedule 22 of DCUSA (Common Connection Charging Methodology) with regards to the calculation of costs to be paid by a DNO Party.
- 2.2 The CP seeks to make changes to the Common Connections Charging Methodology 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.
- 2.3 This change stemmed from a discussion under RIIO-ED1 on the scenario of one street where the first four houses choose to install Photo Voltaic units (PV) with no cost. A fifth house decides to install a PV unit but triggers a requirement for the network to be reinforced in order to support its instalment. Under current practice the customer who triggers the reinforcement is required to pay for the reinforcement of the network. This approach was considered to be unfair and unequitable as the fifth domestic customer would be required to pay for the reinforcement when the four previous houses did not incur any costs for their installation. It is proposed that these types of costs be socialised.
- 2.4 This Change Proposal (CP) 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. Ofgem are in the process of

redrafting Standard Licence Condition 13 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 Members noted that the fundamental principle of this change was that where the customer requires the installation of equipment, the costs for the reinforcement of the network will be borne through DUoS charges to customers as opposed to the individual connecting domestic or small business customer.
- 3.3 The Working Group considered how to develop a mechanism to identify those customers who should have their reinforcement costs recovered through DUoS (such as those installing low carbon equipment) and how to clearly set out a common process that all DNOs will adhere to in the CCCM. The Working Group listed a number of options that could act as a solution for the DCP 205 change and each options advantages and disadvantages. Please find a summary table of the solutions and their options below.

Comment [h1]: I would consider asking Brian Hoy and Neil Copeland whether he wishes to include the draft standard licence condition in the consultation to inform the change? This would then allow you to refer the various areas of the SLC that this change is proposing to fulfil.

Options	Advantages	Disadvantages
Likely to cause disruption to other Users	<ul style="list-style-type: none"> • Simple • Future proofed • DNOs must have proof /evidence 	<ul style="list-style-type: none"> • Open to interpretation • Customers unlikely to know in advance of purchase in order to make an informed decision • Relies on notification by the customer in advance • May not reflect Ofgem strategy decision
Equipment Standard	<ul style="list-style-type: none"> • Customers more likely to know as there will be a list of standards • Unambiguous • Consistent • Greater transparency 	<ul style="list-style-type: none"> • May require development of industry standards • May take significant time to develop industry standards • Future proofing effort required • Could cause an inappropriate locational signal resulting in discouraging adoption of certain equipment • Removes DNO discretion to act in the customers interest
Equipment List	<ul style="list-style-type: none"> • Customers more likely to know 	<ul style="list-style-type: none"> • Future proofing effort required

Comment [h2]: Further detail is required on the options for this change. I know that you are awaiting the drafting of legal text for each Option. You could ask them members to provide you with a brief summary section of their assigned option to incorporate in to the consultation.

	<ul style="list-style-type: none"> • Unambiguous • Greater transparency 	<ul style="list-style-type: none"> • Could cause an inappropriate locational signal resulting in discouraging adoption of certain equipment • Removes DNO discretion to act in the customers interest
Network Standards	<ul style="list-style-type: none"> • Definable • Identifies the impact of any disruption 	<ul style="list-style-type: none"> • Customers unlikely to know in advance of purchase in order to make an informed decision • Different DNOs have different standards (National and local standards) • May not reflect Ofgem strategy decision
Cost of Fixing (High Cost Cap)	<ul style="list-style-type: none"> • Recovers costs from disruptive load • Send a price signal • Site specific • Caps the exposure for DUoS Customers 	<ul style="list-style-type: none"> • Customers unlikely to know in advance of purchase in order to make an informed decision • Complicated –Site specific • Disadvantaged pockets –Inconsistent treatment geographically • May not reflect Ofgem’s strategy decision
Remain Silent fix later	<ul style="list-style-type: none"> • Simple 	<ul style="list-style-type: none"> • Inconsistent with generic charging policy • More expensive for DUoS Customers • Does not send a price signal
Does cause disruption to other Users	<ul style="list-style-type: none"> • Simple • Future proofed • DNOs more likely to have proof /evidence 	<ul style="list-style-type: none"> • Customers unlikely to know in advance of purchase in order to make an informed decision • May not reflect Ofgem’s strategy decision

4 ASSESSMENT AGAINST THE DCUSA OBJECTIVES

4.1 The Working Group considers that this CP better facilitates DCUSA General Objective 3:

“The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences”.

The Working Group considers that this CP is better facilitated by DCUSA General Objective three as this change seeks to fulfil a proposed draft licence condition which is due to be implemented on the 01 April 2015. It is noted that the draft licence conditions have been consulted upon by those companies who have been Fast Tracked.

- 4.2 The Working Group also considers that this CP better facilitates DCUSA Charging Objective 1:

“that compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence)”

Each DNO is obliged under Standard Licence Condition 13.1 to at all times have in force a Connection Charging Methodology which includes the Common Connection Charging Methodology. The DNO Licences define a Connection Charging Methodology as ‘a complete and documented explanation, presented in a coherent and consistent manner, of the methods, principles, and assumptions that apply...in relation to connections, for determining the Licensee’s Connection Charges’

The Working Group considers that this CP better facilitates DCUSA Charging Objective 1, as implementation within DCUSA will facilitate a proposed draft Standard Licence Condition (SLC) which is proposed to be enforced on the 01 April 2015.

5 DCP 205 – LEGAL DRAFTING

- 5.1 The DCP 205 legal text is provided as Attachment 3. This text amends DCUSA Schedule 22 paragraph 1.31, 1.33, 1.34, 1.35, 1.36 and 1.37 as follows:

1.31 We will fully fund Reinforcement carried out to allow the installation of all equipment (other than the circumstances described in 1.36) installed in 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, including where that equipment is part of multiple installations made by a single applicant.

1.33 Where it is necessary to remove a low-voltage single, two or three phase looped service fused at 100 amperes or less per phase and with whole-current metering to allow the installation of all equipment installed (other than the circumstances described in 1.36) in existing premises we will fully fund the installation of a new service where the customer's Required Capacity is less than or equal to the Existing Capacity.

1.~~31~~ 34 Where another LDNO with a distribution network that is connected to our Distribution System requires an increase in capacity to its distribution network, the voltage at the POC for assessing the one voltage rule will be:

- In the case of a new extension to the network of the other LDNO, the voltage of connection at which the Extension Assets will connect to the other LDNO's network;
- or
- In the case of additional capacity required in respect of a Customer connected to the existing assets of the LDNO, the voltage at which the Customer connects to the LDNO's network; or
- In the case of additional capacity required to meet general load growth on the LDNO's network then the Reinforcement costs will be borne by us. The LDNO will be required to provide justification in such circumstances.

1.3~~52~~ The table below illustrates the application of the one voltage rule in relation to Reinforcement. You will be required to contribute towards the cost of any Reinforcement provided at one voltage level above the POC, up to and including the cost of circuit breakers provided at that voltage.

England & Wales

Voltage of Scheme Assets	Voltage at the POC			
	LV (below 1000V)	HV (above 1kV but less than 22kV)	EHV (above 22kV but less than 72kV)	132kV
132kV Network	We fund	We fund ¹	Apportioned	Apportioned
132kV/ EHV	We fund	EHV circuit breakers only Apportioned	Apportioned	Not applicable
EHV Network	We fund	Apportioned	Apportioned	Not applicable
132kV/ HV Substation	HV circuit breakers only Apportioned	Apportioned	Not applicable	Not applicable
EHV/HV	HV circuit	Apportioned	Not applicable	Not applicable

Substation	breakers only Apportioned			
HV Network	Apportioned	Apportioned	Not applicable	Not applicable
HV/ LV Substation	Apportioned	Not applicable	Not applicable	Not applicable
LV Network	Apportioned	Not applicable	Not applicable	Not applicable

1 Except where there is direct transformation from 132kV to HV when the costs are apportioned.

Scotland

	Voltage at the POC		
Voltage of Scheme Assets	LV (below 1000V)	HV (above 1kV but less than 22kV)	EHV (above 22kV but less than 72kV)
EHV Network	We fund	Apportioned	Apportioned
EHV/HV Substation	HV circuit breakers only Apportioned	Apportioned	Not applicable
HV Network	Apportioned	Apportioned	Not applicable
HV/ LV Substation	Apportioned	Not applicable	Not applicable
LV Network	Apportioned	Not applicable	Not applicable

1.36 The circumstances where we would not fully fund the Reinforcement are where the

(a) generation equipment with a rated output greater than 16 amperes per phase (including the connection of generation equipment of less than 16 amperes per phase where the aggregate capacity of installed generation equipment at the premises is greater than 16 amperes per phase);

(b) equipment which the licensee has a reasonable expectation will fail to meet the equipment standards which have been clearly set out in 1.37.1.37 Equipment standards include:

- XXX
- YYY
- ZZZ

6 Implementation Date

6.1 The proposed implementation date for DCP 205 is 01 April 2015 in accordance with the timescales for the implementation of the proposed SLC 13 changes.

7 DCP 205 – Consultation Questions

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

Question Number	Question
1	Do you understand the intent of the CP?
2	Are you supportive of the principles of the CP?
3	Do you have any comments on the proposed legal text?
4	<p>Do you consider that the proposal better facilitates the DCUSA General Objectives? Please give supporting reasons.</p> <ol style="list-style-type: none"> 1. The development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System. 2. The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity. 3. The efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences. 4. The promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it. 5. Compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.
5	<p>Do you consider that the proposal better facilitates the DCUSA Charging Objectives? Please give supporting reasons.</p> <ol style="list-style-type: none"> 1. That compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence

	<p>2. 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)</p> <p>3. 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</p> <p>4. 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</p> <p>5. That compliance by each DNO Party with the Charging Methodologies facilitates compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.</p>
6	Are there any unintended consequences of this proposal?
7	Are there any alternative solutions or matters that should be considered?
8	Are you supportive of the proposed implementation date of 1 April 2015?
9	Please state any other comments or views on the Change Proposal.

7.2 Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk no later than **30 May 2014**.

7.3 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.

8 NEXT STEPS

8.1 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.

8.2 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 3016.

APPENDICES

- Attachment 1 – Response Form
- Attachment 2 – DCP 205 CP Form
- Attachment 3 – Proposed Legal Text
- Attachment 4 – Draft Standard Licence Condition 13

Comment [h3]: If agreed that the draft licence condition can be added