



## **DCUSA Change Report**

DCP 205 and DCP 205A - Recovery Of Costs Due To Load And Generation Increases From Existing Customers In RIIO-ED1.

## 1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA and details DCP 205 and DCP 205A '*Recovery Of Costs Due To Load And Generation Increases From Existing Customers In RIIO-ED1*' (Attachment 3).
- 1.2 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.
- 1.3 Parties are invited to consider the proposed amendments (Attachment 2) and submit their votes using the form attached as Attachment 1 to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than **06 February 2014**.

## 2 EXECUTIVE SUMMARY

- 2.1 DCP 205 was raised by Electricity North West on the 12 March 2014 to make changes to the Common Connections 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.
- 2.2 The DCP 205 legal drafting looks to modify Schedule 22 of DCUSA (Common Connection Charging Methodology) with regards to the socialisation of reinforcement costs currently funded by connecting customers. The Working Group considered how to clearly set out a common methodology that all DNOs will adhere to in the CCCM which will identify equipment standards that a DNO can have a reasonable expectation that the majority of equipment installed by a domestic or small business customer will be compliant with.
- 2.3 Over a period of 10 months the DCP 205 Working Group met eight times and issued two consultations. The Working Group developed four solutions for Parties' consideration in consultation one. Following the feedback from the consultation one responses, the Working Group agreed to proceed with two Options: Option C and Option D.
- 2.4 Option C proposes for costs to be socialised for standard equipment in accordance with a list of specific British Standard or European Union standards e.g. BS EN 61000-3-2 and BS EN 61000-3-3 Equipment standards. This is the Working Group's preferred Option and is submitted for consideration as the solution to the originating DCP 205.

- 2.5 Option D provides a more high level approach and does not specify that equipment must adhere to any standards. This solution is submitted for consideration under the DCP 205A which was introduced by the Working Group in October 2014 to provide an alternative solution to Parties.
- 2.6 The Working Group drafted legal text for both Options which was provided to industry Parties to comment upon under Consultation two. Following the Working Group's consideration of the DCP 205 consultation two responses (Attachment 5), the Working Group agreed to modify the legal text to refer specifically to electricity generators for clarification purposes. The Group also agreed to consult on the possibility of the inclusion of two further British Standards (BS) EN 61000-3-11 and BS EN 61000-3-12 in order to address the concern that Demand equipment greater than 16 amps per phase would not benefit from fully funded reinforcement.
- 2.7 The intent was to allow for the full funding at qualifying existing connections of electricity generators up to 16 amps per phase ("G83") and load or Demand equipment (such as heat pumps) up to 75 amps per phase as long as they comply with existing relevant standards for harmonics and flicker. The modified legal text was provided to the DCP 205 consultation two respondents for comment. The responses to these questions are captured in Attachment 5 confirming a wish for the inclusion of larger Demand equipment but also a concern that the new British Standards would raise additional network issues.
- 2.8 Following subsequent informed discussions including review of the work carried out by the ENA Low Carbon Technology Working Group (Attachment 6) and examination of example heat pump specimen Declarations of Confirmation (Attachment 7) it became apparent that inclusion of the two new British Standards would actually inhibit the intended inclusion of Demand equipment above 16 amps per phase which complied with the original relevant British Standards rather than the two new ones proposed.
- 2.9 The Working Group therefore modified the legal text to refer to all Demand equipment (such as heat pumps) up to 100 amps per phase to simply comply with the original relevant standards for harmonics and flicker e.g. BS EN 61000-3-2 and BS EN 61000-3-3 Equipment standards.
- 2.10 The Working Group preferred option is the solution proposed by the DCP 205 change as the British Standards provide the customer with a pre-determined indicator of the type of equipment to install at the premises that will not incur reinforcement charges where the

service is not required to be changed. The Working Group wished to provide Ofgem with a choice and as a result is also submitting DCP 205A for the Authority's consideration.

### 3 INTENT OF DCP 205 CHANGE PROPOSAL

- 3.1 DCP 205 has been raised by Electricity North West as a Part 1 matter<sup>1</sup>, to make changes to the Common Connections 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.
- 3.2 The DCP 205 legal drafting aims to modify Schedule 22 of DCUSA (Common Connection Charging Methodology) with regards to the socialisation of reinforcement costs currently funded by connecting customers.

### 4 DCP 205 – WORKING GROUP CONSIDERATIONS

- 4.1 The DCUSA Panel established a Working Group to assess DCP 205. The Working Group met on eight occasions and was comprised of DNOs, Ofgem and other (non-DCUSA) parties whose work involves electricity network connections.
- 4.2 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).
- 4.3 All Working Group members were supportive of the general principle of DCP 205.
- 4.4 The Working Group considered that 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*

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<sup>1</sup> DCP 205 has been classified as a Part 1 matter in accordance with Clause 9.5.5 as it is likely to amend the Common Connection Charging Methodology set out in Schedule 22. Once progressed, the CP will require Authority consent.

*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.*

4.5 This change benefits customers by explaining how charges would be applied where domestic and small businesses customers request to install equipment that require the network to be reinforced and the situations within which the costs may be socialised.

4.6 In order to simplify the consultation process the Working Group decided to approach this change by identifying the subset of equipment whose costs to connect to the network would not be socialised. The Working Group identified the following four Options as solutions to this change.

#### **ADVANTAGES AND DISADVANTAGES OF THE FOUR OPTIONS CONSIDERED DURING THE CP'S ANALYSIS**

Options	Likely format in CCCM	Advantages	Disadvantages
<b>Option A</b> <b>Causing disruption to other Users</b>	Simple statement that equipment of an unusual nature or non-standard for a domestic or small business environment may incur additional costs and requirement that customer or installer contact the DNO to confirm before installation to confirm.	<ul style="list-style-type: none"> <li>• Simple to draft</li> <li>• Future proofed</li> <li>• DNOs must have proof /evidence</li> </ul>	<ul style="list-style-type: none"> <li>• Open to interpretation</li> <li>• Customers may not know in advance of purchase in order to make an informed decision</li> <li>• Relies on DNO being able to identify location of equipment causing issue</li> </ul>
<b>Option B</b> <b>Causing disruption to other Users with costs to rectify in excess of</b>	As above but with additional proviso that customer will only pick up reinforcement cost in excess of	<ul style="list-style-type: none"> <li>• Simple to draft</li> <li>• Future proofed</li> <li>• DNOs must have proof /evidence Only when</li> </ul>	<ul style="list-style-type: none"> <li>• Open to interpretation</li> <li>• Customers may not know in advance of purchase in order to</li> </ul>

<b>a High Cost Cap</b>	£x/kW.	significant costs will they be charged to connecting customers	make an informed decision <ul style="list-style-type: none"> <li>• Relies on DNO being able to identify location of equipment causing issue</li> </ul>
<b>Option C Equipment Standard</b>	List of specific British Standard or European Union standards that equipment would require to be compliant with (like a kite mark) e.g. BS EN 61000-3-2 and BS EN 61000-3-3 Equipment standards	<ul style="list-style-type: none"> <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 a signal resulting in discouraging adoption of certain equipment</li> <li>• Removes DNO discretion to act in the customers interest</li> </ul>
<b>Option D No current exclusion for any equipment installed by existing customers.</b>	No additional drafting required	<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>

- 4.7 Following the Working Group's consideration of the DCP 205 consultation one responses, the Working Group ruled out Option A for being not sufficiently descriptive to allow customers to make an informed decision and Option B as there is insufficient information to be able to determine an appropriate cap value.
- 4.8 The Working Group decided to progress both Option C and Option D. Members considered that both Options C and D fulfil the licence condition better than the other options listed above. Option C provides clarity to consumers on which equipment can be connected to the network which will not require the consumer to pay reinforcement costs prior to purchase and ensure the equipment does not cause harmonics and fluctuation on the network. Option C is the Working Group's preferred option which supports the originating DCP 205 CP. Option D is a high level solution which supports the DCP 205A CP and provides a second option to Ofgem to allow the DNOs to meet the upcoming licence obligation.
- 4.9 Please see consultation one which acts as Attachment 4 for discussion of the four Options and consultation two, including the follow up questions, which acts as Attachment 5 for discussion on the DCP 205 and DCP 205A legal text.

## 5 DCP 205 CONSULTATION ONE

- 5.1 The Working Group carried out a consultation to give DCUSA Parties and other interested organisations (Attachment 4) an opportunity to review and comment on DCP 205. There were five responses received to the consultation. All five respondents were Distributors. The Working Group discussed each response and its comments are summarised alongside the collated Consultation responses in Attachment 4.
- 5.2 A summary of the responses received, and the Working Group's conclusions are set out below:

### Question 1: Do you understand the intent of the CP?

Respondent Party Type	Yes	No	Undecided
DNOs	5	0	0

- 5.3 The Working Group noted that all respondents understood the intent of the CP.

### Question 2: Are you supportive of the principles of the CP?



Respondent Party Type	Yes	No	Partially
DNOs	5	0	0

5.4 The Working Group noted that all respondents were supportive of the principles of the change.

**Question 3: Do you have any comments and preferences on the four options in order to capture and exclude from this charging change “equipment of an unusual nature or that it would be non-standard in a normal domestic or small business environment”. Please provide comments for each option.**

- a) **Causing disruption to other Users**
- b) **Causing disruption to other Users with costs to rectify in excess of a High Cost Cap**
- c) **Equipment Standard**
- d) **No current exclusion for any equipment installed by existing customers.**

Respondent Party Type	Option A	Option B	Option C	Option D
DNOs	1	1	2	1

5.5 All five DNOs responded to this question providing their preference for one of the four options and their rationale as to why the other three options were not the preferred solution to this CP. One member made a general comment that they did not believe that options A, B and D complied with Ofgem’s expectations as per licence drafting 13C.6 part b.

#### **Option A - Causing Disruption To Other Users**

5.6 One DNO who preferred Option C considered that the overall policy should provide clear signals to influence customer behaviour and be sufficiently aligned with the aims of Ofgem’s smart grid project. This respondent did not believe that Option A was sufficiently descriptive *“enough to allow customers to make an informed decision and thus influence behaviour”*.

5.7 Another DNO respondent noted that Option A was simple to apply and would fairly reflect the costs incurred. A third DNO respondent preferred Option A as the solution could be

applied on a consistent basis in conjunction with the detail provided in the CCCM. This member proposed that Clauses 1.11 and 1.18 could be modified to implement this Option.

#### Option B - Causing disruption To Other Users With Costs To Rectify In Excess Of A High Cost Cap

5.8 One DNO respondent who preferred Option C advised that Members should bear in mind a point made by Ofgem that *“stated that sufficient examples of where DNOs had spent money to mitigate the impacts of power quality issues to inform the setting of a cap were difficult to obtain”*. This respondent considered that unless Examples could now be obtained to determine an appropriate cap value that this option could not be successfully applied.

5.9 Another DNO respondent who preferred this Option advised that it was simple to apply and fairly reflective of the substantial cost incurred.

#### Option C - Equipment Standard

5.10 One DNO respondent who preferred Option C considered this solution to operate in line with the current licence conditions. The respondent noted the following licence conditions:

- SLC 20.2 where DNOs are required to comply with the Distribution Code.
- SLC 20.7 where the licensee is not obliged to offer to enter into an agreement for connection if doing so would be likely to cause it to be in breach of the Distribution Code.
- SLC 21.5 states that the Distribution Code must include a Distribution Planning and Connection Code and a Distribution Operating Code. SLC 21.6 states that the *“Distribution Planning and Connection Code must contain:*
  - *planning conditions that specify the technical and design criteria and procedures that are to be applied by the licensee in the planning and development of its Distribution System and taken into account by persons having a connection or seeking a connection to that system in the planning and development of their own plant and systems; and*
  - *connection conditions that specify the technical, design, and operational criteria to be complied with by any person having a connection or seeking a connection to the licensee’s Distribution System”*.
- SLC13C where the owner or occupier should be able to see the standards that equipment must meet.

This DNO respondent considered that the purpose of the new SLC 13C is clearly set out in the statutory notice and that option C is the most consistent in meeting the declared purpose of this condition.

- 5.11 Another DNO respondent raised a concern in regards to keeping the equipment standards up to date which may result in a discouraging signal. A third DNO respondent who preferred this option also considered that Option C best met the purpose of Ofgem's proposed licence drafting. This respondent also agreed that the industry standards should be developed and maintained across all DNOs. A fourth DNO respondent advised that this approach did *"not recognise that the level of any disruption caused to other Users will be dependent of the network characteristics in any particular locality e.g. fault level"*

Option D - No Current Exclusion For Any Equipment Installed By Existing Customers.

- 5.12 One DNO respondent preferred Option D as they considered that customers that install equipment and can be clearly identified should incur the costs associated with changes to the network to accommodate their equipment. This member explained that the first three Options seek to address this issue but are not sufficiently developed. This DNO respondent suggested that the issue should be revisited in a few years' time when there may be sufficient evidence to justify the change.
- 5.13 Another DNO respondent who preferred Option C advised that Option D was inconsistent with current charging policy and SLC 13C and it goes against the shallow charging boundary established by Ofgem. This respondent advised that the Option would be more expensive for DUoS customers and could *"create a perverse incentive on existing customers to connect any equipment without considering modern alternatives or low energy options"*.
- 5.14 This DNO respondent understood that Option D would be constrained by a 100 amps limit but that the costs of accommodating such a load would fall on the DUoS customers. This DNO advised that they did not understand the rationale to support a distinction between 100 amps and those exceeding that limit when the connection would be disturbing the networks load. Furthermore, the respondent did not understand the reasoning behind providing the benefit of socialisation to those who are already connected and not to those who have not yet connected. The respondent suggested that if this Option was to proceed that the Working Group would need to *"define the acceptable equipment standards in relation to new connections"* and whether this solution could be applied for new connections as well as existing connections.

- 5.15 Another DNO respondent raised a concern that Option D provides no commercial signals and does not *“fairly reflect real costs incurred to encourage behaviours in manufacturer, installer or end customers”*.
- 5.16 The Working Group discussed the responses and agreed that Option A was not sufficiently descriptive to allow customers to make an informed decision and that under Option B there was insufficient information to be able to determine an appropriate cap value. The Working Group was undecided on whether Option D complied with the proposed licence drafting.
- 5.17 In conclusion the Working Group agreed to support Option C to provide a suitable equipment standards list. It was noted that such a list was already in existence and the Working Group agreed to check whether the Distribution Code annex 1 equipment standards was sufficient and could be easily applied by a Customer.

**Question 4: Do you consider that the proposal better facilitates the DCUSA General Objectives? Please give supporting reasons.**

Respondent Party Type	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5
DNOs	0	0	5	0	0

- 5.18 All respondents considered that DCUSA General Objective 3 was better facilitated by this CP for the following reasons:

**DCUSA General Objective 3**

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

- This CP discharges an obligation imposed on DNOs Parties under Ofgem’s RIIO-ED1 proposals; and
- If Option C was chosen it would align with the Distribution Licence which requires the DNOs to comply with the Distribution Code. This includes the right to charge a connectee where the connectee’s behaviour causes an increase in costs. It is suggested that the solution should be aligned with the circumstances where a DNO can disconnect or discontinue the supply to the premises and with the principles of

the Distribution Code and the Electrical, Safety, Quality and Continuity Regulations (ESQCR).

5.19 The Working Group noted that all respondents agreed on the General Objectives best met by the DCP 205 CP. The Working Group considered that DCUSA General Objective three is better facilitated by this CP as this change seeks to discharge an obligation posed by a draft Distribution licence condition expected to come in to effect on the 01 April 2015.

**Question 5: Do you consider that the proposal better facilitates the DCUSA Charging Objectives? Please give supporting reasons.**

Respondent Party Type	Objective 1	Objective 2	Objective 3	Objective 4	Objective 5
DNOs	5	0	0	0	0

5.20 All respondents agreed that this CP better facilitates DCUSA Charging Objective 1 for the following reasons:

**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”*

- This CP brings the Connection Charging Methodology into line with an objective of the RIIO ED1 proposals thus better facilitating DCUSA Charging Objective 1.

5.21 The Working Group noted that all respondents agreed on the Charging Objective best met by the DCP 205 CP. The Working Group considered that DCUSA Charging Objective one is better facilitated by this CP as this change seeks to discharge an obligation posed by a draft Distribution Licence condition expected to come in to effect on the 01 April 2015.

**Question 6: Are there any unintended consequences of this proposal?**

5.22 There were 5 respondents to this question. Two respondents did not have any unintended consequences to highlight to the group. One respondent referred to their response to question eight. The Working Group responded to that DNO’s answer at question eight.

- 5.23 One respondent noted that if Option D was chosen then an unintended consequence could be that the DUoS customers will end up paying for the installation of equipment that they would not have previously paid for.
- 5.24 Another DNO respondent cited the ESQCR 2002 25 (1), (2) and (3) and how it should be applied to this change. This respondent considered that under the licence and Distribution Code it was clear that the customer will have to make a request to connect additional equipment when it is in excess of their connection agreement and could cause problems for other customers. This respondent considered that this DCUSA modification should be aligned with the connection agreement, ESQCR, the Licence and the Distribution Code.
- 5.25 The Working Group agreed that the ESQCR regulations would apply and the DNO would have the right to disconnect the equipment and carry out the remedial work required. However, the ESQCR does not define who should pay for this work.

**Question 7: Are there any alternative solutions or matters that should be considered?**

- 5.26 Four of the five respondents had no further comments. One DNO respondent advised that an alternative matter to be considered was a potential change to the National Terms of Connection, as whole current metered customers are not required to comply with the Distribution Code in the same way as CP metered customers are. Instead whole current metered customers are only required to be in compliance with the code in relation to generation equipment. This respondent wondered if equipment such as photo-voltaics, heat pumps, electric vehicle charging points and other low carbon technologies were in existence at the time of the legal drafting applied for whole current metered customers and suggested that National Terms of Connection be revised to comply with wording in the Distribution Code of it “shall be complied with by the DNO and by potential and existing Generators, Suppliers and Customers connected to or seeking connection to the DNO’s Distribution System”.
- 5.27 The Working Group noted the response but considered it to be outside of the scope of this change.

**Question 8: Please state any other comments or views on the Change Proposal.**

- 5.28 There were five respondents to this question. Two respondents stated that they had no other comments or views to add. One respondent stated that they would like to see this change implemented on the 01 April 2015.
- 5.29 One of the respondents stated their understanding of the solution provided by the DCP 205 CP and advised that ‘the industry needs to avoid creating a charging policy that would effectively nullify the requirement for customers to avoid installing equipment that is disruptive in its nature and by its design’.
- 5.30 Another respondent noted that they did not understand paragraph 3.2 of the consultation document in relation to ‘Relevant Customers’ and noted that proposed new standard licence condition 13C included *“the provision for Relevant Customer’ being an ‘owner or occupier of premises”*. This respondent pointed out that the legal drafting proposed by DCP 205 did not include this terminology.
- 5.31 The respondent further suggested that where proposed paragraph 1.31 uses the wording *“....made by a single applicant”* it is replaced with *“....for a single owner or occupier”*. The respondent considered that this change in wording would act to protect against any unintended consequences involving speculative multiple applications made by parties other than an owner or occupier.
- 5.32 The Working Group noted the responses.

## **6 DCP 205 CONSULTATION TWO**

- 6.1 Following further discussions on the responses to consultation one, the Working Group agreed to draft legal text for Option C under the originating DCP 205 CP and legal text for Option D under an alternate DCP 205A CP. The Working Group agreed to pose further questions to Parties to gain further insight into both CPs and to gain feedback on the proposed legal text. There were eight respondents to DCP 205 consultation two which consisted of one consultant, one IDNO respondent, two trade associations’ respondents and four respondents were Distributors. The Working Group discussed each response and its comments are summarised alongside the collated consultation responses in Attachment 5. A summary of the responses received, and the Working Group’s conclusions are set out below.

**Question 1: Do you have any comments on the proposed DCP 205 Change Proposal draft legal text?**

- 6.2 There were nine respondents to this question. Out of a total of five DNO respondents, three DNO respondents had no further comments. One DNO respondent suggested that although they understood the intent of the change, it was not sufficiently clear in the legal text drafting and suggested that the Working Group consider reviewing the legal text in respect of the wording *““and where relevant” condition and the linkage of the bullet point items”* in Clause 1.30A.
- 6.3 Another DNO respondent recommended that the Working Group check the legal status of the quoted standards as EN 61000-3-2 is part of the European 'EMC-directive', which must be complied with. *“The EMC directive covers most electronic and electrical equipment destined for sale in the EU. It is important to comply with the EMC directive if someone wishes to CE Mark their product”*. This respondent asked the Working Group to consider how the policy introduced by this legal text would impact upon the treatment of a manufacturer of a non-compliant product and the treatment of a customer who wishes install a non-compliant product.
- 6.4 The IDNO respondent quoted Paragraph 3.36 of Ofgem’s RIIO-ED1 final position document in their response. Although they understood the Working Group’s position in regards to disturbing generation or load, the respondent considered the legal text open to interpretation in regards to who paid or did not pay for reinforcement in practice when addressing the issue of equipment being installed that disturbs the harmonics of the network. This respondent highlighted the application of the legal text to equipment connected prior to the revised connection policy where a customer has paid reinforcement charges for a connection of equipment that does not meet the 16 amperes limits and where the DNO has not entered in to a connection agreement. This respondent requested the Working Group to consider clarifying how the reinforcement costs will be treated in premises with previously agreed generation equipment greater than 16 amperes and those where they have previously agreed to the connection of equipment without any specified restrictions on the customer. This respondent considered that the re-configuration of the network may lead to a change in the level of harmonics which may impact new or existing customers.



6.5 There were two trade association responses to this question. Both trade associations supported the principle of socialising costs but considered that the restrictions of 16 amps on equipment were too severe as:

- *“Only 37% ASHPs are up to 5kW and 21% GSHPs. In overall heat pump unit sales this can be expressed as only 30% of the market (less than 1,000 units for GSHPs and around 5,000 units for ASHPs).”*
- *“To take this argument a step further, an aggregate load limit up to 16 amperes would present a problem if this includes immersion as it means no heat pumps will be connected under the socialised cost rules.”*

6.6 Furthermore, the trade association respondents did not consider the proposed legal text met Ofgem’s RIIO-ED1 policy *“to use the price period to facilitate growth in these technologies to support Government renewable energy policies; by maintaining either of the proposals this will not happen”* given the numbers quoted above based on sales and MCS registration data.

6.7 The consultant respondent proposed that the Working Group consider *“If heat pumps are deemed within scope to include heat pumps above 16 amps as long as they comply with EN61000-3-11 and EN61000-3-12 (up to 75 amps)”*. This respondent noted that the limit of 16 amperes was very low as an induction cooking hob can have a rating above 16 amperes and could elicit potential network upgrade costs once installed if the consultation two proposed legal text change is approved.

6.8 The consultant respondent advised that they considered Ofgem’s RIIO-ED1 policy promoted facilitating *“the uptake of HP’s & EV’s in order to assist with the UK reaching its renewable energy targets within the EU”*. This respondent advised the Working Group that *“the 16 A/ph threshold would penalise the vast majority of heat pump installations”* (circa 70%). This modification could render any Heat Pump installation un-economical. On a more specific level, *“Heat Pumps with soft start/inverter in size (<4.8kW thermal) but be a complete death sentence to DoL Heat Pumps”*. This consultant considered that this change would have *“competition and market distortion consequences”*.

6.9 The Working Group discussed the comment on the European EMC directive and the product compliance required to achieve the CE mark. The Working Group considered that

there is equipment that would not get the CE mark and could be installed for which the costs for reinforcement would not be socialised.

- 6.10 The Working Group noted the comments provided by the trade associations on the 16 amperes limit in reference to heat pumps but highlighted that the DCP 205 and DCP 205A proposed legal text reference to the 16 amperes limit was drafted to refer to electricity generators only and not to heat pump installations.
- 6.11 Members discussed the suggestion to add the British Standards EN61000-3-11 and EN61000-3-12 to the DCP 205 legal text. The Working Group agreed to insert text containing the standards which provided for up to 75 Amps so long as a service change is not required.
- 6.12 On consideration of the IDNOs response the Working Group noted that there is no intent for this modification to be applied retroactively. Also in reference to harmonics there is no intention for this change to modify the charging.

**Question 2: Do you have any comments on the proposed DCP 205A Alternate Change Proposal draft legal text?**

- 6.13 Two DNO respondents had no further comments to add on the DCP 205A proposed legal text. One DNO respondent highlighted the fact that the DCP 205A legal text did not take account of the connection of disruptive loads on the network. One DNO respondent restated their response to question 1 that although they understood the intent of the change, it was not sufficiently clear in the legal text drafting and suggested that the Working Group consider reviewing the legal text in respect of the wording *“and where relevant” condition and the linkage of the bullet point items* in Clause 1.30A.
- 6.14 One DNO respondent considered that the proposed DCP 205A legal text could create *“circumstances where customer behaviour causes reinforcement costs to be incurred by the DUoS customers i.e. by customers who may be acting outside of their connection agreement, the Distribution Code and the Electricity Safety, Quality and Continuity Regulations”*.
- 6.15 The Working Group considered the DNO’s comments in regards to the wording in Clause 1.30A *“and where relevant”* and the formatting of the bullet points beneath and agreed to modify the structure to provide greater clarity.

6.16 The Working Group discussed the suggestion that the DCP 205A draft legal text could help to create circumstances where the customer's behaviour causes reinforcement costs. Members noted that there is currently no financial signal to indicate who is causing problems on the network until smart metering can help identify those customers inflicting cost on the network. This change is an interim measure until smart metering is in place. However, there is some signalling for load incorporated in to the DCP 205 draft legal text but not under the DCP 205A draft legal text. Members noted that the ESQCR allows you to disconnect customers if necessary.

6.17 One IDNO respondent, two trade association respondents and one consultant respondent restated their response to question 1 at question two which the Working Group considered in relation to its application to the DCP 205A legal text.

**Question 3: Do you have a preference for DCP 205 Change Proposal draft legal text or DCP 205A Alternate Change Proposal draft legal text? Please provide your reasoning.**

6.18 The table below sets out the preferences specified for either the DCP 205 proposed solution or the DCP 205A proposed solution for each respondent type.

Respondent Party Type	DCP 205 Draft Legal Text	DCP 205A Draft Legal Text
<b>DNOs</b>	5	0
<b>IDNOs</b>	1	0
<b>Consultants</b>	1	0
<b>Trade Associations</b>	2	0

6.19 All respondents preferred the solution provided by the DCP 205 CP. One DNO respondent noted that they preferred the DCP 205 solution providing that it specified a suitable standard that the DNO can expect equipment in the UK to be purchased within. Another DNO respondent advised that the solution needs to provide a clearer distinction *"on when a customer's behaviour would cause reinforcement costs to be incurred, including where such behaviour would potentially take the person outside of connection agreement, the Distribution Code and the Electricity Safety, Quality and Continuity Regulations"*. The remaining DNO respondents preferred the DCP 205 solution as:

- *"It more completely follows the intent of the Ofgem policy and proposals for RIIO ED1";*
- *"It better reflects industry arrangements and the provisions within the draft licence conditions";* and

- *“This option provides a list of equipment standards based upon a BS document that can be updated from time to time to reflect the changes to the equipment available to the market”.*

6.20 Although the IDNO respondent specified that they preferred the DCP 205 solution, they considered that it was unclear as to how easy it is for the Customer/DNO to ascertain whether equipment complies with the relevant standards and whether the reinforcement is required. The IDNO respondent’s interpretation of the RIIO-ED1 policy is that the recovering of costs of any reinforcement caused by load or generation growth relates to load growth rather than the broader context. This respondent considered that the DCP 205 legal text goes beyond the load growth context and seeks to put in arrangements for all types of load disturbance on the network. The ESQCR already places requirements on the customers in respect of equipment that causes interference on the network and the respondent did not consider that reinforcement is required to accommodate harmonics and that using the British Standards to determine who should or should not pay for reinforcement is equitable or fair.

6.21 Both trade associations and the consultant respondent provided the same response and considered the wording proposed by the DCP 205 solution was closest to the intent of energy policy promoted by RIIO-ED1. These associations proposed a change to the DCP 205 legal text to incorporate heat pumps over 16 amperes but with a requirement to meet additional standards EN61000-3-11 and EN61000-3-12 as set out below.

*1.30A “We will fully fund Reinforcement carried out to allow the installation of all 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 relevant:*

- *The reinforcement is carried out to allow the installation of equipment as part of a single application for a single or multiple installations, and*
- *It may be necessary to remove a low-voltage single, two or three phase looped service for these existing premises so long as the customer’s Required Capacity remains less than or equal to the Existing Capacity*
- *Any generation equipment installed with a rated output not greater than 16 amperes per phase (or not greater than 16 amperes per phase at any single*

*premises if a single application for multiple installations) which must meet the technical requirements of the following standards:*

- *BS EN 61000-3-2 Limits for harmonic current emissions (equipment input current 16 A per phase)*
- *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*
- *Any generation equipment installed with a rated output greater than 16 amperes per phase (or greater than 16 amperes per phase at any single premises if a single application for multiple installations) which must meet the technical requirements of the following standards:*
  - *BS EN 61000-3-11 Limits-Limitation of voltage changes, voltage fluctuations and flicker in public low-voltage supply systems, for equipment with rated current  $\leq 75$  A and subject to conditional connection* - *BS EN 61000-3-12 (Reference TBC)".*

6.22 The change in legal text is representative of the trade associations rationale that *"Heat pumps over 16amps complying with 3-11 and 3-12 represent a low technical risk and capture suitable data to assess the need to reinforce. These are being installed today so evidence suggests they are suitable for connection so the risk therefore is limited to costs to the DNO and is a political question of whether it is acceptable to charge a majority of customer for a minority of installations. That said, we see no better mechanism for facilitating the growth of the heat pump market than through ED1. The alternative is to charge customers up to £11,000 each for reinforcement which will stifle growth".*

6.23 The Working Group noted that the trade associations prefer Option C which makes reference to the BS EN 61000-3-2 and BS EN 61000-3-3 standards for equipment rated up to 16 amperes. The trade associations have requested that rather than excluding equipment above 16 amperes instead the equipment should comply with BS EN 61000-3-11 and BS EN 61000-3-12. The Working Group agreed to consult on adding the references of BS EN 61000-3-11 and BS EN 61000-3-12 to the DCP 205 legal text but this would be in respect of demand applications only.

6.24 The Working Group considered the IDNO responses and agreed that in addition to the technical specifications, how the equipment is operated will influence the decision of how reinforcement is required but not the apportionment of costs.

- 6.25 Members considered the suggestion that the proposed change goes beyond load growth when seeking to put in place arrangements in regards to load which cause disturbance on the network and that the IDNO respondent did not consider it to be equitable or fair in regards to using the British standards to determine whether a consumer should pay to accommodate reinforcement caused by harmonics disturbing the network.
- 6.26 The Working Group advised that if the DCP 205 change was implemented then whether the equipment is compliant with the British Standard would decide whether the customer is charged reinforcement. The Working Group considered this to be a more consistent position than the current position where the customer will be charged reinforcement wherever reinforcement is required irrespective of the equipment standards.
- 6.27 The Working Group noted that they addressed the concerns of the trade association and the consultant respondents in their response to question one.
- 6.28 The Working Group referred one DNO respondent to their response to question two and advised that although the Working Group prefer the DCP 205 solution, they would be providing both DCP 205 and DCP 205A to Ofgem so that they may have choice on their preferred solution.

**Question 4: Are there any unforeseen impacts from either change which the Working Group should take in to account?**

- 6.29 Three DNOs respondents noted that they were not aware of any unforeseen impacts from this change. One DNO respondent advised that there was likely to be a foreseen impact on all Distribution Use of System (DUoS) customers caused by some existing customers adopting certain equipment. Another DNO respondent considered that *“DCP 205 can only operate as drafted if it is legally possible for the customer to connect additional load that does not comply with current standards. If all equipment has to comply with the standard before being sold in the UK then DCP205 and DCP205A have the same outcome”*.
- 6.30 The IDNO respondent referenced Ofgem’s view in their RIIO-ED1 final position paper to socialise costs as an interim measure prior to the roll out of smart metering. This respondent considered that smart grids are unlikely to provide information on harmonic disturbance introduced by customers connecting equipment to the network.

- 6.31 This IDNO respondent highlighted the proposal for cost of reinforcement to domestic customers to be socialised through DUoS costs. The respondent suggested that the Working Group should consider socialising the costs of reinforcement across the customer group who benefitted from the reinforcement only under the CDCM. As the CDCM does not directly allocate reinforcement costs, (*"costs are recovered implicitly through other costs drivers in the CDCM (such as MEAV from the 500MW model)"*) the costs are instead recovered through all customer groups including LV and HV. This respondent considered that customer groups that were not covered by the DCP 205 proposal to socialise reinforcement costs would be penalised as those customer groups would still have to pay reinforcement costs through their connection charges and would also have to pay for the other customer groups network reinforcement through socialised charges.
- 6.32 Two trade association respondents advised that they did not consider the changes proposed to meet the RII0-ED1 policy and noted that there is an argument which suggests that it would not be fair to impose the socialising of costs due to a minority connecting heat pumps but that it was also not fair for a single customer to be expected to pay £11,000 (anecdotally) for the reinforcement of the network where other customers on the same street have not had to pay to connect their equipment.
- 6.33 The consultant respondent noted that if heat pumps were expected to be in scope for this change then the consultant's earlier proposals in question one and two along with the reference standards would allow the DNO to stay abreast of the need for reinforcement.
- 6.34 The Working Group noted the IDNOs point but clarified that when smart meters are installed DNOs would be charging for capacity rather than for harmonics. In regards to the IDNOs respondents suggestion that the socialised costs for certain connections proposed by this change should be reflected in the CDCM under the relevant customer group, the Working Group clarified that this change is not considering how DUoS costs are socialised but rather what reinforcement costs are to be socialised.
- 6.35 The Working Group considered the trade association's response and the Working Group attendee who reiterated the trade association's position by stating that although this change socialises reinforcement costs where a service doesn't require to be modified it does not address the costs of service upgrades. Members considered that this comment refers to a sole use asset that could be used for a future connection as a jointly used asset. This is out of scope of this change.

**Question 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)?**

6.36 Three DNO respondents were not aware of any other standards that would be applicable. One DNO respondent noted that the standards that were suggested for this change seemed reasonable. Another DNO respondent advised that the Distributor was required to comply with the Distribution Code which contains a number of recognised standards.

6.37 Two trade association respondents noted that all heat pump installations were required to be compliant with the Microgeneration Certification Scheme (MCS) rules for the installation and correct operation of heat pumps. These respondents suggested that under the MCS rules a customer must notify the network in advance of the installation and commissioning using agreed forms A, B and C. By following the MCS process the respondents advised that there is no risk of unplanned load as the DNOs are notified of any changes. These two trade associations proposed that *“the DNOs could and should socialise connection costs for all heat pumps tested to the BS EN61000 series <75 amperes”*.

6.38 The consultant respondent advised that *“the MCS scheme is currently the most developed quality standard within the EU and is used by the UK government to provide some degree of quality within its Renewable Energy Strategy (i.e. RHI). This is a vehicle that could work in combination with DNO requirements providing they are developed in unison”*.

6.39 The Working Group noted the responses.

**Question 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?**

6.40 Respondents suggested the following locations for best notifying customer of the standards applicable to the installation of electrical equipment that is not liable for network reinforcement:

Websites:

- DNOs
- Trade Association website (electrical and HP)



- Energy Network Association
- Relevant end user platforms such as the Microgeneration Certification Scheme (MCS) and the Renewable Heat Incentive (RHI) scheme
- The professional installation bodies such as the IEE (Wiring Regulations), National Inspection Council for Electrical Installation Contracting (NICEIC).

Listed in documentation such as:

- Manufacturers technical specifications
- Standards listed in the methodology
- ESQCRs

6.41 One DNO respondent highlighted that where the Distributor is not notified by the customer of the installation of equipment that the Distributor can only identify the equipment where there has been an impact on quality of supply. Another DNO respondent suggested that the DNOs should seek a broader stakeholder engagement to increase awareness of the standards applicable.

6.42 One DNO suggested that the manufacturer's technical specifications should specify the standards that are applicable to the equipment. Furthermore there is a requirement in the National Terms of Connection for customers to notify Distributors of any material changes to their installation or equipment that they intend to use before the change has been made.

6.43 The IDNO respondent highlighted the fact that to obtain a copy of the British Standards it cost £162.00. The cost increases the likelihood that the British Standards would be used by consultants and allied trades rather than the general public. This respondent considered that as DCP 205 will be an interim change that the Working Group should concentrate on the wider issue of how the charging methodologies are communicated. This respondent suggested that trade bodies and associations could play a wider role in informing impacted parties.

6.44 The Working Group discussed the IDNO response in regards to the costs of accessing a copy of the British Standards. The Working Group considered that although the customer should seek to see at purchase that the British Standard applies to the equipment, the application of the mark to the product and the knowledge of these standards is a manufacturer's and installers requirement. In regards to the suggestion that publicity should be held around the CCCM and the requirements to comply with regulation, the Working Group considered

that the intent of this change is to highlight the need for customers to notify DNOs of actions that they wish to undertake.

- 6.45 The Working Group agreed with one member's suggestion that the MCS steering group could require a note to be put in to the installer standards in regards to the impact of this change if approved. The standards are upgraded on a yearly basis. Members also agreed that a note should be placed on the renewable heat incentive application process within Ofgem's control.

**Question 7: Are there any alternative solutions or matters that should be considered by the Working Group?**

- 6.46 Three DNO respondents did not consider there to be any other solutions or matters that should be considered by the Working Group and one DNO respondent was not aware of any other solutions or matters for the Working Group to consider. One DNO respondent proposed that the relevant customer does not pay for reinforcement where the increase in capacity is thermal in nature but where an increase in capacity causes harmonic issues or disturbance on the network then the customer should pay for the apportioned amount.
- 6.47 The two trade associations did not respond to this question. The IDNO respondent referred to their response to question four which the Working Group considered at question four.
- 6.48 The consultant respondent requested for there to be increased engagement with industry bodies such as the Heat Pump association.
- 6.49 The Working Group considered the responses and noted the DNOs suggestion that relevant customers did not pay for reinforcement where the increase in capacity is thermal in nature. The Working Group noted that it would be more consistent nationally if customers have the opportunity to purchase equipment within standards thereby having a pre-indication of the likelihood of incurring costs.

## **7 DCP 205 CONSULTATION TWO FOLLOW UP QUESTIONS**

- 7.1 Following the review of the DCP 205 and DCP 205A consultation two responses, the Working Group agreed to state in the DCP 205 and DCP 205A draft legal text that the change referred to electricity generation. The Working Group also agreed to consult on adding two further equipment standards. The Working Group issued two follow up questions to respondents to the DCP 205 and DCP 205A consultation two. There were four

respondents to the DCP 205 consultation two follow up questions which consisted of two DNOs, one trade association and one consultant respondent. A summary of the responses to the follow up questions is set out below:

**Question One: Does the inclusion of the word ‘electricity’ prior to the words ‘generation equipment’ (in Clause 1.30A bullet point two) resolve the issue of the restriction of 16 amperes per phase of all generation equipment?**

7.2 There were two respondents to this question. Both the DNO and consultant respondent agreed with the addition of the word electricity before generation in proposed Clause 1.30A.

7.3 The Working Group noted the responses.

**Question Two: Are respondents happy with the inclusion of the two standards (set out below) in the DCP 205 legal text to cover harmonics and fluctuation for connections of equipment up to 75 amperes?**

- **BS EN 61000-3-11 Limits for harmonic current emissions (equipment input current 75 amperes per phase)**
- **BS EN 61000-3-12 Limitation of voltage changes, voltage fluctuations and flicker in public low-voltage supply systems, for equipment with rated current 75 amperes per phase).**

7.4 There were four respondents to this question. One DNO respondent agreed with the inclusion of the two standards. The other DNO respondent considered that the addition of the standards would not provide manufacturers with any financial incentive to install equipment with low levels of flicker (voltage disturbance) and harmonics.

7.5 This respondent cited the example of heat pumps being introduced with soft start systems which limited the requirement for reinforcement of the network. This type of innovation would not have occurred without financial incentive and the DUoS customer would end up paying for connections of cheaper and more disturbing equipment if this legal text is inserted. A second response was provided by this DNO who requested for the DCP 205 legal text to state the following: “equipment must satisfy the technical requirements of BSEN 61000-3-2 and BS EN 61000-3-3 *”this allows equipment with higher ratings to be installed*

*as long as it meets the harmonics and voltage disturbance requirements of those documents”.*

- 7.6 The trade association respondent advised that their understanding of the addition of the equipment standards to the legal text is that so long as a heat pump is up to 75 amps and does not exceed the 100 amp load for the dwelling, it will be fully funded. This respondent considered that if the legal text insertion could not be interpreted in this way and the consumer had to pay for heat pumps over 16 amps then it would not meet the intention of the policy and cause a market growth barrier to renewable heat. This respondent suggested that a simply connect and notify process is already in existence for heat pump connection and it is a process that is built in to MCS which supports RHI.
- 7.7 The consultant respondent agreed with the inclusion of these two standards in the DCP 205 legal text. The respondent advised that they had reservations on the responsiveness of DNOs if the process following the introduction of this legal text would be to await consent for installation of equipment. This respondent did note that there was discussions taking place in relation to a notification and installation of heat pumps process so long as the unit met the criteria set out in the legal text. This respondent held a concern that Ofgem had not promoted the inclusion of the cost of three phase upgrades within the consultation as greater transparency on what elements of any upgrade cost are single use assets and the potential to proportion the cost of non-single use assets would have been useful.
- 7.8 The Working Group reviewed the responses to the consultation two follow up questions and following subsequent informed discussions including review of the works carried out by the ENA Low Carbon Technology working group (Attachment 6) and examination of example heat pump specimen Declarations of Confirmation (Attachment 7) it became apparent that inclusion of the two new British Standards would actually inhibit the intended inclusion of Demand equipment above 16 amps per phase which complied with the original relevant British Standards rather than the two new ones proposed.
- 7.9 The Working Group therefore modified the legal text to refer to all Demand equipment (such as heat pumps) up to 100 amps per phase to simply comply with the original relevant standards for harmonics and flicker e.g. BS EN 61000-3-2 and BS EN 61000-3-3 Equipment standards even though the titles of these standards relate to 16 amps.

## **8 DCP 205 – WORKING GROUP CONCLUSIONS**

- 8.1 The Working Group reviewed each of the responses received to consultation one and concluded that all respondents understood the intent of DCP 205.
- 8.2 The Working Group agreed that all respondents were supportive of the principle of the CP.
- 8.3 The Working Group noted that the majority of respondents felt that specifically DCUSA General Objective 3 and DCUSA Charging Objective 1 were better facilitated by this change.
- 8.4 The Working Group concluded that the CP will provide the following benefits:
- Ensure the fulfilment of each of the DNOs obligation 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’
- 8.5 Members have noted that following the outcome of the statutory consultation on the draft licence condition driving this change; it will come in to effect on the 01 April 2015. If this change is implemented in the required timescales then the licence allows for Ofgem to issue a direction for the relevant licence condition to not take effect.

## **9 ALTERNATE CHANGE PROPOSAL RAISED**

- 9.1 Following the consideration of responses to consultation one, the DCP 205 Working Group agreed to progress two solutions to this change in order to provide Ofgem with another option that could also be utilised to meet the draft licence obligation that is expected to come in to effect on the 01 April 2015.
- 9.2 The DCP 205A legal text allows 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. This legal text provides a more high level approach to the socialising of the relevant connection costs as it does not state any British Standards that the customer’s equipment is required to be compliant with. The legal text for the alternate proposal acts as Attachment 2b to this report.

## 10 EVALUATION AGAINST THE DCUSA OBJECTIVES

10.1 The Working Group considers that DCUSA General Objective 3 and DCUSA Charging Objective 1 are better facilitated by the DCP 205 and DCP 205A CPs. The reasoning against each objective is detailed below:

### General Objectives

**General Objective One** – *The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks.*

- **Working Group view on DCP 205:** The Working Group agreed that the impact on General Objective one is neutral.
- **Working Group view on DCP 205A:** The Working Group agreed that the impact on General Objective one is neutral.

**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.*

- **Working Group view on DCP 205:** The Working Group agreed that the impact on General Objective two is neutral.
- **Working Group view on DCP 205A:** The Working Group agreed that the impact on General Objective two is neutral.

**General Objective Three** – *The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences.*

- **Working Group view on DCP 205:** The Working Group considers that this CP better facilitates 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. Ofgem has consulted on the draft licence conditions for Fast Tracked Companies and this includes a draft licence condition covering this policy change.
- **Working Group view on DCP 205A:** The Working Group considers that this CP better facilitates 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. Ofgem has consulted on the draft licence conditions for Fast Tracked Companies and this includes a draft licence condition covering this policy change.

**General Objective Four** – *The promotion of efficiency in the implementation and administration of this Agreement.*

- **Working Group view on DCP 205:** The Working Group agreed that the impact on General Objective four is neutral.
- **Working Group view on DCP 205A:** The Working Group agreed that the impact on General Objective four is neutral.

**General Objective Five** – *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.*

- **Working Group view on DCP 205:** The Working Group agreed that the impact on General Objective five is neutral.
- **Working Group view on DCP 205A:** The Working Group agreed that the impact on General Objective five is neutral.

### Charging Objectives

**Charging Objective One** - *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.*

- **Working Group view on DCP 205:** 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 implemented on the 01 April 2015. 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'.

- **Working Group view on DCP 205A:** 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 implemented on the 01 April 2015. 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'.

**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).*

- **Working Group view on DCP 205:** The Working Group agreed that the impact on Charging Objective two is neutral.
- **Working Group view on DCP 205A:** The Working Group agreed that the impact on Charging Objective two is neutral.

**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.*

- **Working Group view on DCP 205:** The Working Group agreed that the impact on Charging Objective three is neutral.



- **Working Group view on DCP 205A:** The Working Group agreed that the impact on Charging Objective three is neutral.

**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.*

- **Working Group view on DCP 205:** The Working Group agreed that the impact on Charging Objective four is neutral.
- **Working Group view on DCP 205A:** The Working Group agreed that the impact on Charging Objective four is neutral.

**Charging Objective Five** - *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 (ACER).*

- **Working Group view on DCP 205:** The Working Group agreed that the impact on Charging Objective five is neutral. DCP 205 and DCP 205A were not raised as the result of a legally binding decision of the European Commission or ACER and therefore does not better facilitate Charging Objective five.
- **Working Group view on DCP 205A:** The Working Group agreed that the impact on Charging Objective five is neutral. DCP 205 and DCP 205A were not raised as the result of a legally binding decision of the European Commission or ACER and therefore does not better facilitate Charging Objective five.

## 11 IMPACT ON GREENHOUSE GAS OMISSIONS

11.1 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 205 or DCP 205A were implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of either of these CPs.

## 12 IMPLEMENTATION

12.1 Subject to Party approval and Authority consent, the DCP 205 CP will be implemented on the 01 April 2015. This implementation date is in accordance with RIIO-ED1 timescales.

12.2 Subject to Party approval and Authority consent, the DCP 205A CP will be implemented on the 01 April 2015. This implementation date is in accordance with RIIO-ED1 timescales.

## 13 PANEL RECOMMENDATION

13.1 The DCUSA Panel approved the DCP 205 and DCP 205A Change Report on 21 January 2015. The timetable for the progression of the CP is set out below:

Activity	Target Date
Change Report Agreed	21 January 2015
Change Report Issued For Voting	23 January 2015
Party Voting Ends	06 February 2015
Change Declaration Issued	10 February 2015
Authority Decision <sup>2</sup>	17 March 2015
Implementation	01 April 2015

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<sup>2</sup> Indicative decision date based on the 25 Working Day KPI

## 14 ATTACHMENTS

- Attachment 1 – DCP 205 Voting Form
- Attachment 2a – DCP 205 Proposed Legal Text
- Attachment 2b – DCP 205A Proposed Legal Text
- Attachment 3a - DCP 205 Change Proposal
- Attachment 3b - DCP 205A Change Proposal
- Attachment 4 – DCP 205 Consultation One
- Attachment 5 – DCP 205 Consultation Two
- Attachment 6 – ENA Low Carbon technology WG: Flow chart for application to connect a heat pump system
- Attachment 7 – Example specimen heat pump Declarations of Conformity