



1

DCUSA CONSULTATION

DCP 203 – The Rationalisation of Discount Factors Used to Determine LDNO Use of System Tariffs Relating to UMS Connections on Embedded Distribution Networks and the Associated LDNO Tariffs

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.
- 1.2 Parties to the DCUSA can raise a DCUSA Change Proposal (“DCP”) to amend the Agreement. DCPs should better facilitate the DCUSA General Objectives and/or Charging Objectives of the DCUSA document.
- 1.3 Amendments to DCUSA may only be made with the consent of a majority proportion of Parties to the DCUSA, through a voting process, or (where applicable) the Gas and Electricity Markets Authority.¹
- 1.4 When a DCP is raised, a Working Group is established to assess and develop the proposal in consultation with industry parties and other interested parties.
- 1.5 This document is a consultation issued in accordance with Clause 11.14 of the DCUSA and seeks industry views on Change Proposal DCP 203 ‘The rationalisation of Discount Factors Used to Determine LDNO Use of System Tariffs Relating to UMS Connections on Embedded Distribution Networks and the Associated LDNO Tariffs’.
- 1.6 The Consultation has been issued to DCUSA Parties, the Distribution Charging Methodologies Forum (DCMF) Distribution List and Ofgem.
- 1.7 Parties are invited to consider the Change Proposal detailed in this consultation and submit comments using the form attached as Attachment D to dcusa@electralink.co.uk by **11 July 2014**.

¹ For more information about GEMA visit the Ofgem website: <http://www.ofgem.gov.uk/TheAuthority>

2 INTENT OF DCP 203 – THE RATIONALISATION OF DISCOUNT FACTORS USED TO DETERMINE LDNO USE OF SYSTEM TARIFFS RELATING TO UMS CONNECTIONS ON EMBEDDED DISTRIBUTION NETWORKS AND THE ASSOCIATED LDNO TARIFFS

- 2.1 DCP 203 has been raised by ESP Electricity Limited and the intent of this change proposal is to make the required amendments to the DCUSA that will reduce the number of LDNO discount factors for UMS connections to EDNO networks.
- 2.2 The Proposer explains that under the current arrangements, schedule 19 of the DCUSA, entitled Portfolio Billing, sets out the rules for inter-distributor Use of System (UoS) billing where an EDNO is connected to the host DNO and subsequently connects end users to that EDNO's distribution system. This process requires that end user's MPANs be linked to a Line Loss Factor Class (LLFC) identifier. The LLFC shows the voltage of connection of the EDNO's distribution system to the DNO network (i.e. DNO/EDNO boundary network level) and the network voltage of the EDNO's end user customer. In the case of UMS connections provided to UMS Customers that have multiple exit points, often distributed amongst a wide geographic area containing a number of different EDNO distribution systems, the process becomes more complex. Such UMS customers are more often than not Local Authorities (LAs) that are responsible for public street lighting. Such a scenario requires that each UMS customer must trade an additional separate MPAN for each EDNO operating in its area. Furthermore, to accommodate inter-distributor billing, the EDNO must also ensure that it can differentiate between the connected voltages. So the inventory that a customer provides to an EDNO has to be split by the EDNO across the various voltages and an MPAN applied to each. Potentially a customer with connections to multiple embedded networks connected at multiple voltages could have up to approximately 180 different MPANs and as a consequence 180 bills for the street lighting.
- 2.3 The reason behind this high number is that there are currently seven different IDNO boundary network level interface connection arrangements, namely LV/LV, HV/LV, HV Plus, EHV, 132kV/EHV, 132kV, and GSP. There are currently four active IDNOs plus one DNO working 'out of area'. Each distributor operating in the customer's area, could be required to provide a suite of MPANs for each network level and then for each different energy profile e.g. dusk till dawn, continuous etc. 7 network levels x 5 MPANs (4 UMS operational hour bands + 1 HH) x 5 distributors (4 x IDNOs and 1 x

distributor working out of area) + 5 DNO MPANs = potentially 180 MPANs. Whilst this number of MPANs is technically possible, realistically this level would unlikely be reached for a single customer however as competition in connections on new housing developments grows the number of MPANs that UMS customers may require will substantially increase.

- 2.4 Should this DCP be implemented an LDNO UMS customer would only need one additional MPAN for each UMS category per LDNO operant in its area thus significantly reducing the associated UMS administration costs to the customer.

3 DCP 203 – LEGAL DRAFTING

- 3.1 The proposed legal drafting is included as Attachment B. The draft proposes the following changes:

- 3.1..1 Schedule 16: paragraph 98 updated to add the new “LDNO Any: Unmetered” discount weighted average discount calculation
- 3.1..2 Schedule 16: new paragraph 124 added to specify the formula to be used to determine the new LDNO Any: Unmetered” discount.
- 3.1..3 Schedule 16: paragraphs 124 and 125 are renumbered.
- 3.1..4 Schedule 16: Insert new table 10 showing five new “LDNO Any: Unmetered” discount tariffs.
- 3.1..5 Schedule 17: Paragraph 24.1, a new sub-paragraph added to allow for the calculation of UMS Connectees discounts associated with LDNO “Designated EHV Property” distribution systems.
- 3.1..6 Schedule 18: Paragraph 24.1, a new sub-paragraph added to allow for the calculation of UMS Connectees discounts associated with LDNO “Designated EHV Property” distribution systems.

4 DCP 203 – MODEL SPECIFICATION

- 4.1 The proposed changes to the charging models along with the specification documents are included as Attachment C. The model specification identifies the changes that have been made to the LDNO models.

5 CONSULTATION

- 5.1 The Working Group would like for Parties to consider the following consultation questions:

1. Do you agree with the intent of DCP 203?
2. Do you agree with the principles of DCP 203?
3. Do you have any comments on the proposed legal text? Provide supporting comments.
4. Do you have any comments on the model specification documents? Provide supporting comments.
5. Do you agree with the proposals to address the potential error in inter-distributor billing as a result of customers employing CMS?
6. The Working Group considers that DCUSA General Objective 1² and 2³, along with Charging Objective 2⁴ are better facilitated by DCP 203; do you agree with this opinion? Please provide supporting comments on this and any other DCUSA General or Charging Objective you feel is impacted by DCP 203.
7. Do you agree with the implementation date of DCP 203?
8. Are there any alternative solutions or matters that should be considered by the Working Group?
9. The Working Group have decided to create 5 new “LDNO Any: Unmetered” discount tariffs rather than replacing the existing LDNO UMS discount tariffs. This means that an LDNO would have the option to choose to be billed on the “LDNO Any: Unmetered” discount for its UMS Connectees only or to opt for the relevant LDNO discount to be applied for all its UMS Connectees connected to its distribution systems at each applicable network level. The Working Group anticipates that all established LDNOs will opt for the new “LDNO Any: Unmetered” discount although future new market entrants that only adopt distribution systems connected to HV or EHV networks may wish to opt for the higher discount that would be available if they were to raise an MPANs for each of their UMS connected at each of the applicable boundary network levels. The Working group believes that this is the best approach to avoid unfair discrimination to any future LDNO market entrant. Do you agree with this assertion?

² The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks

³ 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

⁴ 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)

10. The working group discussed the migration of UMS connection form the current discount tariffs to the new arrangement should this DCP be successful. It was agreed that the impact should be negligible as most IDNO networks are still waiting for Local Authorities to complete the highways adoption. This tariff is likely to only be used for LA customers so there is not expected to be any migration issues. Do you agree with this assertion?

5.2 The Consultation response form (Attachment D) should be submitted to dcusa@electralink.co.uk no later than **11 July 2014**. Parties are asked to provide as much relevant detail as possible to enable the Working Group to understand the comments and the reasons behind them.

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 Following the end of the consultation period the Working Group will meet to review and consider the responses. The DCP 203 Working Group will continue to progress its work developing and analysing the CP.

6.2 If you have any questions about this paper or the DCUSA Change Process or would like to participate in the Working Group please contact the DCUSA Help Desk by email to dcusa@electralink.co.uk or telephone 020 7432 3014.

7 ATTACHMENTS

- Attachment A – DCP 203 ‘The rationalisation of Discount Factors Used to Determine LDNO Use of System Tariffs Relating to UMS Connections on Embedded Distribution Networks and the Associated LDNO Tariffs’
- Attachment B – DCP 203 Proposed Legal Text
- Attachment C – DCP 203 Model Specification Documents
- Attachment D – Response Form