



DCUSA Consultation Two

DCP 190 - Credit For Equipment Recovery
Associated With Temporary Connections

1 PURPOSE

- 1.1 The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity Distributors, 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 all DCUSA Parties, the Authority and any other interested parties in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 190 'Credit For Equipment Recovery Associated With Temporary Connections' Change Proposal.
- 1.3 Parties are invited to consider the questions set out in section 5 below and submit comments using the response form provided as Attachment 1 to DCUSA@electralink.co.uk by **Wednesday, 10 September 2014**.

2 DCP 190 – CREDIT FOR EQUIPMENT RECOVERY ASSOCIATED WITH TEMPORARY CONNECTIONS

- 2.1 DCP 190 has been raised by Northern Powergrid to amend the Common Connection Charging Methodology (CCCM) such that customers may receive a credit for the value of any equipment recovered by DNOs that can subsequently be reused, as a result of the disconnection of a temporary connection. This refund generally relates only to switchgear and transformers that can be reused and any refund may take account of depreciation and maintenance required to allow the equipment to be reused on the network.

3 WORKING GROUP ASSESSMENT

- 3.1 The DCUSA Panel has established the DCP 190 Working Group to analyse the change. An open invitation was issued to a wide audience including the DCUSA Contract Managers, the Distribution Charging Methodology Forum and the National Terms of Connection distribution lists. The Working Group consists of DNO and Customer representatives. Meetings are held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.

- 3.2 The DCUSA defines Temporary Connections in Schedule 22 Clause 1.19 “*as connections that are only required for a period of up to five years, but exclude connections to provide the initial connection to a development, where the Reinforcement will subsequently be required for the permanent connection*”.
- 3.3 For permanent connections that require Reinforcement of the network in order to be connected, the cost of the connection is apportioned between the DNO and the Customer based on the minimum scheme required to make the connection under the CCCM. If Reinforcement is required to accommodate a Temporary Connection then the Reinforcement is treated as Extension Assets and the apportionment rules do not apply.
- 3.4 Therefore those Customers seeking Temporary Connections do not have their costs for the connection apportioned with the DNO. Currently some DNOs provide a credit for equipment that is recovered and can be re-used once the Temporary Connection is terminated. This Change Proposal allows those DNOs who wish to pay a credit may do so whilst being compliant with the CCCM.
- 3.5 The Working Group agreed the scope of the CP does not include how the credit is calculated. Each company will have its own criteria for calculating this credit. This CP is to establish the principle of providing a credit only.

4 LEGAL DRAFTING FOR THE DCP 190 CHANGE PROPOSAL

- 4.1 Under DCP 190 and DCP 190A Consultation one, the Working Group were divided on the use of the wording of “we may” or “we will” make a payment as some members considered that inserting the word “will” in proposed clause 1.33 would give the impression to customers that a credit was due in every case where this may not happen when the costs of refurbishment and the effect of depreciation are taken into account.
- 4.2 One member considered that the use of the word “may” did not require the DNO to undertake the process of calculating a credit for the equipment. Another member advised that they have an obligation to not discriminate between customers and therefore to carry out the process of calculating the credit.

- 4.3 Following the review of responses to consultation one, the Working Group agreed that the DNO should undertake the process of calculating a credit for the equipment before determining whether the Customer was due a refund for this equipment. This fact was not sufficiently reflected in the drafting of either the DCP 190 or DCP 190A legal text. As a result the Working Group modified the DCP 190 and the DCP 190A draft legal text.
- 4.4 Following a review of both Change Proposals legal text by the legal advisor, the text was further modified to clarify that the refund was obligatory as opposed to optional.
- The DCP 190A Alternate Change Proposal drafting allows for an obligatory refund net of depreciation and removal and refurbishment costs.
 - The DCP 190 Change Proposal drafting allows for this obligatory refund (net of depreciation and removal and refurbishment costs) once its net value exceeds a de-minimus level which will be set out in section 6 of each DNOs Connection Charging Methodology Statement (CCMS.)
- 4.5 The term “de-minimus level” was introduced by the legal advisor and agreed by the majority of the Working Group following discussions over the level of any refund calculated compared to the minimum cost of processing such a refund. It was noted during these discussions that the concept of a de-minimum level is recognised in the Electricity Connection Charges Regulation where it is set at £300. It is proposed that any de-minimus refund value would be calculated by each DNO and that value published within Section 6 of the Connection Charging Methodology Statement which is the DNO Specific Methodology. (Note - Section 6 is governed by Ofgem and is not part of the DCUSA governance process).
- 4.6 One Working Group member questioned whether the concept of a de-minimus value was reasonable. This member was of the opinion that the DNOs could recover all of their administrative charges and as a result the concept of the de-minimus value was unnecessary.

- 4.7 The Working Group is seeking views from industry parties on the additional text to be added to Schedule 22 clause 1.33. The proposed DCP 190 and DCP 190A legal text for this new Clause 1.33 is shown below in redlined text:

DCP 190 Change Proposal Draft Legal Text Red-Lined Against the Current DCUSA Legal Text

Recovered Equipment and Deferral of Asset Replacement

- 1.33 **Normally**, you will not receive any credit for the value of any equipment recovered by us as a result of the connection. **However, where a Temporary Connection is to be Disconnected, we will determine the value of recovered equipment that we can subsequently reuse (net of depreciation and removal and refurbishment costs). Where there is a net value in the recovered equipment that can be reused, we will pay you the amount of such net value subject to a de minimus level as specified in section 6.**

DCP 190A Alternate Change Proposal Draft Legal Text Red- Lined Against the Current DCUSA Legal Text

Recovered Equipment and Deferral of Asset Replacement

- 1.33 **Normally**, you will not receive any credit for the value of any equipment recovered by us as a result of the connection. **However, where a Temporary Connection is to be Disconnected, we will determine the value of recovered equipment that we can subsequently reuse (net of depreciation and removal and refurbishment costs). Where there is a net value in the recovered equipment that can be reused, we will pay you the amount of such net value.**

DCP 190 Change Proposal Draft Legal Text Differences Highlighted In Comparison to the DCP 190A Draft Legal Text

Recovered Equipment and Deferral of Asset Replacement

- 1.33 Normally, you will not receive any credit for the value of any equipment recovered by us as a result of the connection. However, where a Temporary Connection is to be Disconnected, we will determine the value of recovered equipment that we can subsequently reuse (net of depreciation and removal and refurbishment costs). Where there is a net value in the recovered equipment that can be reused, **we will pay you the amount of such net value subject to a de minimus level as specified in section 6.**

DCP 190A Alternate Change Proposal Draft Legal Text Differences Highlighted In Comparison to the DCP 190 Draft Legal Text

Recovered Equipment and Deferral of Asset Replacement

- 1.33 Normally, you will not receive any credit for the value of any equipment recovered by us as a result of the connection. However, where a Temporary Connection is to be Disconnected, we will determine the value of recovered equipment that we can subsequently reuse (net of

depreciation and removal and refurbishment costs). Where there is a net value in the recovered equipment that can be reused, **we will pay you the amount of such net value.**

5 CONSULTATION

5.1 The following table provides a list of the consultation questions that the Working Group is seeking responses to.

Question Number	General Questions
1.	Do you have any comments on the proposed DCP 190 legal text?
2.	Do you have any comments on the proposed DCP 190A legal text?
3.	Do you have a preference for the DCP 190 proposed legal text or the DCP 190A proposed legal text? Please provide your reasoning.
4.	Do you consider it reasonable to accept the principle of a de-minimis value? Please provide your reasoning.
5.	Are there any alternative solutions or matters that should be considered by the Working Group?

5.2 Responses should be submitted using Attachment 1 to DCUSA@electralink.co.uk no later than **Wednesday, 10 September 2014.**

5.3 Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate any parts of a response that are to be treated confidentially.

6 NEXT STEPS

6.1 Following the end of the consultation period the responses will be reviewed by the Working Group. The Working Group will finalise the drafting of the CPs and submit its final report to the Panel. Following Panel approval, the Change Proposals will be issued to all DCUSA Parties for voting and, following the vote, issued to Ofgem for final determination.

6.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA Help Desk by email to DCUSA@electralink.co.uk or telephone 020 7432 3017.

7 ATTACHMENTS

- Attachment 1 – DCP 190 and DCP 190A Response form
- Attachment 2 – DCP 190 Proposed Legal Text
- Attachment 2 – DCP 190A Proposed Legal Text
- Attachment 3 – DCP 190 Change Proposal
- Attachment 3 – DCP 190A Change Proposal