



DCUSA Change Report

DCP 190 and DCP 190A – Credit For
Equipment Recovery Associated With
Temporary Connections

1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA and details DCP 190 and DCP 190A – Credit For Equipment Recovery Associated With Temporary Connections (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 no later than **13 February 2015**.

2 EXECUTIVE SUMMARY

- 2.1 DCP 190 was raised by Northern Powergrid on the 18 September 2013 to amend DCUSA Schedule 22 Common Connection Charging Methodology (CCCM) to allow customers with a temporary connection to receive a credit for the value of any equipment recovered by DNOs that can subsequently be reused upon its disconnection. All Working Group members agree with the principle of this CP and consider that where the customer receives a refund it will better reflect the costs incurred by the DNO.
- 2.2 Over a period of one year the DCP 190 Working Group met four times and issued two consultations. Consultation one considered the amendment of DCUSA Schedule 22 Clause 1.33 (Please see Attachment 2). All of the Working Group agree with the concept of providing a refund within the circumstances described however, the difference of opinion is in the way each of the legal text options seeks to reasonably manage customer's expectations regarding the potential for a refund. The Working Group was split on the proposed legal text in regards to the use of the wording of "we may" or "we will" make a payment. The majority of the Working Group 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. Whilst the minority considered that the use of the word "may" did not require the DNO to undertake the process of calculating a credit for the equipment. As a result one Working Group member chose to raise an alternate Change Proposal DCP 190A.

- 2.3 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. A second consultation was issued to consider the revised legal text. DCP 190 and DCP 190A proposed legal text relating to consultation one and consultation two is set out in Appendix A.
- 2.4 The revised DCP 190 legal text approach developed in conjunction with the legal advisor proposes that once the value of equipment for a disconnected temporary connection has been calculated the DNO will refund any amount above a de-minimus value set out in section 6 of the CCMS. Members considered that where there was a small refund to a customer, the de-minimus value would offset the administrative costs and prevent the DNO from undertaking burdensome administration for very small amounts. The revised DCP 190A legal text proposes for the refund to be processed less the net value of recovery, removal and depreciation costs. This proposal contests the de-minimus value approach by suggesting that all refunds no matter the size should be refunded to the customer. The majority of the Working Group supports the original DCP 190 CP.

3 INTENT OF DCP 190 AND DCP 190A – CREDIT FOR EQUIPMENT RECOVERY ASSOCIATED WITH TEMPORARY CONNECTIONS

- 3.1 DCP 190 has been raised by Northern Powergrid, following on from the work of the Connections Sub Group of the Commercial Operations Group which identified that some DNOs provide a refund to customers for plant and equipment that is recovered when a temporary connection is no longer required. This 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.
- 3.2 The Change Proposal (CP) seeks 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.
- 3.3 DCP 190A Alternate CP was raised by the Working Group on the 21 November 2013 and seeks to meet the same intent as DCP 190 but with a difference in the proposed legal text which is detailed in section eight of this change report.

4 DCP 190 – WORKING GROUP CONSIDERATIONS

- 4.1 The DCUSA Panel 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 met on four occasions and consists of representatives from 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.
- 4.3 All Working Group members were supportive of the general principle of DCP 190.
- 4.4 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*”.
- 4.5 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 Common Connection Charging Methodology (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.
- 4.6 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 CP allows those DNOs who wish to pay a credit to do so whilst being compliant with the CCCM.
- 4.7 The majority of the Working Group has considered the CP and are in agreement that customers should receive a credit for the value of any equipment recovered by DNOs that can subsequently be reused.

- 4.8 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.

5 DCP 190 AND DCP 190A CONSULTATION ONE

- 5.1 The Working Group carried out a Consultation to give DCUSA Parties and other interested organisations an opportunity to review and comment on DCP 190. There were nine responses received to the consultation from six DNO parties, two consultants and one trade association. 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 DCP 190 and DCP 190A?

Respondent Party Type	Yes	No
DNOs	6	0
Consultants	2	0
Trade Associations	1	0

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

Question 2: Do you agree with the principles of DCP 190 and DCP 190A?

Respondent Party Type	Yes	DCP 190 Only	DCP 190A Only	No
DNOs	3	3	0	0
Consultants	2	0	0	0
Trade Associations	1	0	0	0

- 5.4 Six respondents indicated that they agreed with the principles of the DCP 190 and DCP 190A CPs. Three respondents indicated that they agreed with the principles of the DCP 190 CP. The Working Group noted the responses.

Question 3: Do you agree that customers should receive a credit for the value of any equipment recovered by DNOs that can subsequently be reused after the termination of a temporary connection?

Respondent Party Type	Yes	No
DNOs	6	0
Consultants	2	0

Trade Associations	1	0
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- 5.5 All respondents agreed that the Customer should receive a credit for the value of any equipment recovered by the DNO that could be reused after the termination of a temporary connection.
- 5.6 Some of the respondents caveated their response with a request that the credit be provided only once the equipment recovered is deemed to be re-usable and the value has been reduced by the removal, depreciation and refurbishment costs of the equipment. One DNO stipulated that the credit should be recoverable by the customer when they have paid the full value of the temporary connection upfront and another DNO stipulated that it should apply where the Electrical Plant is reusable.

Question 4: Do you consider that the word “may” should be changed to the word “will” in proposed clause 1.33?

Respondent Party Type	Yes	No
DNOs	0	6
Consultants	2	0
Trade Associations	1	0

- 5.7 Six DNO respondents did not consider that the word “will” should replace the word “may” in proposed Clause 1.33. The respondents were concerned that it would set unrealistic expectations for the customer as the costs of refurbishing the equipment for re-use may be greater than the depreciated value of the asset.
- 5.8 One respondent advised that the scenario in which a piece of equipment would generate credit would be an exception and therefore the word “may” as opposed to the word “will” would be more appropriate. Furthermore, the equipment may be low value and the administrative costs of making a payment may be greater than the payment itself or the cost may need to be offset against the debt of the customer. One respondent considered that using the word ‘may’ could prevent the requirement for further complex arrangements such as setting up a de-minimis limit on the value to be paid.
- 5.9 Two consultants and one trade association considered that the word “will” should replace the word “may” in proposed Clause 1.33. One consultant was concerned that the word “may” could lead to some DNOs being able to ignore the change introduced to DCUSA and as a result not provide any rebate. The trade association respondent considered that the use of the word “may” could provide inconsistent application across the licence areas and

noted that consistency in the application of the CCCM was a major objective of the 2010 connection standards.

- 5.10 The Working Group considered that the DNO should be required to make an assessment in every circumstance. The Working Group reached an agreement that where appropriate the credit should be made. However, there are different views within the Working Group on the exact drafting of the legal text (e.g. use of the words ‘will’ or ‘may’).
- 5.11 The Working Group considered the trade association’s response to consultation question four, where the respondent considered that the word “will” make a payment as opposed to “may” would provide consistency of application in the CCCM. The Working Group noted that the calculation of the credit would not be part of the common methodology but part of the specific methodology published by each DNO in section 6. This is due to the inputs of such a calculation being different in each DNO area as DNOs are separate businesses. One of the inputs to such a calculation would be operation and maintenance and this information is taken from a table which is DNO specific so the calculation of credit could not be placed in the common methodology and the use of the word “will” would not ensure the consistency of its application.
- 5.12 Following consultation one, the Working Group considered several versions of the DCP 190 and DCP 190A legal text with a legal advisor with the aim of determining whether a single form of words could be agreed upon. The Working Group agreed that under DCP 190 the calculation for any potential refund would be made by the DNO and that any refund payment for reusable equipment would be subject to a de-minimus value set out in Section 6 which would cover items such as administrative costs. The main difference between the two CPs is that the majority of the group who support DCP 190 recognise that there will be situations where the customer will be eligible for a refund either because there is no net value or the equipment cannot be reused. The minority who support DCP 190A believe a refund should be made in every case regardless of how small the net value is.

Question 5: Do you consider that inserting the word “will” as opposed to the word “may” in to proposed clause 1.33 ensures consistency of treatment by DNOs of the provision of credit for equipment recovery associated with Temporary Connections to customers under the Common Connection Charging Methodology?

Respondent Party Type	Yes	No	Undecided
DNOs	0	2	4
Consultants	2	0	0

Trade Associations	0	0	1
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- 5.13 Two DNO respondents stated that they did not consider that the word “will” should be inserted in to Clause 1.33. The respondents considered that the word “will” could be misleading as the customer would not receive a credit in all circumstances as there are valid exceptions such as the assessment of the condition of the equipment. One DNO noted that there was a subjective element to either version of the clause in regards to the condition assessment and ability for the equipment to be reused by the DNO which would not result in consistency of treatment.
- 5.14 Four DNO respondents commented on the question as opposed to providing a ‘Yes’ or ‘No’ response to the question. The respondents noted that there would be unintended consequences from the insertion of the word “will” in Clause 1.33 as payment may not always be appropriate such as where the equipment is in reusable condition but is obsolete.
- 5.15 One DNO respondent considered the question based on the consistent application of the CCCM and noted that they considered that all DNOs intended to provide a credit once this change is enacted. Although there is a difference between how DNOs calculate the credit due to different policies relating to the use of equipment, the DNOs are required to apply their own policies on a non-discriminatory basis under other obligations. Therefore, each DNO will need to apply their own policy on a consistent basis whether or not the word “will” is used.
- 5.16 Two consultant respondents stated that they did consider the word “will” should be used in Clause 1.33 but did not provide any further reasoning. One trade association respondent noted that not all DNOs were in the same position on the application of this clause but considered that the addition of the word “will” would ensure consistency and provide a clear position and impetus for the networks to work towards.
- 5.17 The Working Group noted the responses to whether inserting the word “will” as opposed to the word “may” in to proposed Clause 1.33 ensured consistency of treatment by DNOs of the provision of credit for equipment recovery associated with Temporary Connections to customers.

Question 6: Do you have any comments on the proposed legal text for DCP 190 and DCP 190A?

5.18 Two DNOs and one consultant respondent had no further comments on the legal text. The other four DNO respondents did not indicate a 'Yes' or 'No' answer but commented on the question.

5.19 One DNO respondent noted that the amendment to Clause 1.33 by the DCP 190 CP allowed those DNOs who currently provide a credit to customers to comply with the methodology in circumstances where the provision of a credit is appropriate. This DNO considered that if the DCP 190A CP was approved it would mislead customers in to believing that they would always receive a credit for equipment recovered. The term 'Temporary Connection' is defined in DCUSA as *"connections that are only required for a period of up to five years"* and there are also other scenarios where a customer would not be provided with a credit such as:

- *"the equipment may be scrapped after removal;*
- *the residual value after depreciation, removal costs and refurbishment may not result in a credit; or*
- *the equipment recovered may not comply with the latest specifications and may not be reusable".*
 - Some Working Group members disagree as there is no drafting which states that a credit will have to be given.

5.20 One DNO advised that they agreed with the legal text provided by the DCP 190 CP but considered that this change would be an appropriate opportunity to improve the 'Temporary Connection' definition at DCUSA Schedule 22 Clause 1.19. The Working Group were asked to consider clarifying the definition so *"that this term only refers to connections which are identified as temporary at the time of their provision and do not refer to connections which become redundant under other circumstances, or assets which become subject to removal/replacement on provision of an upgrade, within the 5 year period"*.

5.21 Furthermore the respondent asks the Working Group to provide clarity on who is entitled to a credit under these provisions and suggests that it is applied in line with the EECR established 'original contributor' principles.

- The Working Group considered that this comment is worth considering but out of scope of this CP.

- 5.22 Two DNO respondents considered that the legal text for DCP 190A was inappropriate and one of the respondents requested for the Working Group to consider the question of depreciation of the equipment.
- 5.23 The consultant respondent suggested that a de-minimis level could be set and suggested the wording a *“de-minimis’ level as set by the Panel from time to time”*. The respondent suggested that the level could be £1,000 to ensure that the value of the credit could be sufficiently of set against the administration costs. The consultant further suggested that if the credit is not reimbursed then it should be offset against customer contributions and not DNO profit.
- In response the Working Group advised that any de-minimus level would be within the remit of the DNO to set but not the DCUSA Panel. Furthermore, the Working Group considered that £1000 was too high for a de-minimus level as small customers may be happy with a £100 refund and large customers with a £1,000 refund.
- 5.24 The trade association respondent considered the Working Groups concerns in regards to a false expectation of payment and advised that the drafting of the legal text should give equal weight to the provision of credit on equipment up to 5 years and whether it is reusable equipment. The respondent advised that if the conditions of this credit are clearly stated then the customer will not misunderstand.
- The Working Group considered that adding any age restriction of the equipment would be detrimental. The temporary connection would be up to 5 years old but there should be nothing in the CCCM limiting the age of equipment. It would be inappropriate if a DNO was not permitted to make a refund payment where the connection was five years old but the equipment is six years old.

Question 7: Do you consider that the proposals (DCP 190 & DCP 190A) better facilitates the DCUSA General objectives? Please give supporting reasons.

1. **The development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System.**
2. **The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity.**
3. **The efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences.**

4. **The promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it.**
5. **Compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.**

5.25 Two DNOs considered that DCUSA General Objective one was better facilitated, One DNO considered that Objective two was better facilitated and another DNO considered that Objective three was better facilitated.

5.26 One consultant respondent did not identify which DCUSA General Objective was better facilitated but stated that the change *“allows for better cost reflectivity of the temporary supplies”*. One DNO respondent considered that this change was neutral on the DCUSA General Objectives.

5.27 Another DNO respondent specifically considered that the DCP 190A CP did not better facilitate DCUSA General Objective one as *“the use of the term “will” could imply that a credit will be provided in all cases and this does not provide an appropriate economic signal”*.

- Some Working Group members disagreed as there is no drafting which states that a credit will have to be given.

5.28 The Working Group considered that DCUSA General Objective three was better facilitated by the CP. The reasoning for this view is explained in section ten of this Change Report.

Question 8: Do you consider that the proposals (DCP 190 & DCP 190A) better facilitates the DCUSA Charging objectives? Please give supporting reasons.

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**
2. **That compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences)**
3. **That compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business**

4. **That, so far as is consistent with Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business**
5. **That compliance by each DNO Party with the Charging Methodologies facilitates compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.**

5.29 Five DNO respondents considered that this change better facilitates DCUSA Objective One with three respondents agreeing with the Working Group analysis set out in the consultation. The remaining two respondents provided the following reasons:

- *“as a current practice exists where some DNOs offer a credit for the value of any equipment recovered by DNOs that can subsequently be reused. This change ensures that this practice is in compliance with the charging methodology within the meaning of standard condition 13”.*
- *“as this will improved clarity within the common connection charging methodology and will help ensure a more consistent application of relevant licence conditions (SLC13, SLC14)”.*

5.30 Six DNO respondents considered that this change better facilitates DCUSA Objective Three with three respondents agreeing with the Working Group analysis set out in the consultation. The remaining three respondents provided the following reasons:

- *“is better facilitated by this change as by providing the Customer with a credit for the reusable equipment it better reflects the cost of the connection”.*
- *“as this will more accurately reflect the costs incurred by the business by providing the Customer with a credit for the reusable equipment, in certain circumstances, which better reflects the cost of the connection”.*
- *“better facilitated by this change, it provides the customer with a credit where equipment can be reused. It will better reflect the cost of the connection”.*

5.31 One consultant respondent agreed that the DCUSA Charging Objectives were better facilitated and commented *“I can see issues of how each DNO calculates the rebates in relation to refurbishment and recovery costs. This may need further investigation after a period of time”.*

5.32 One DNO respondent considered that DCP 190A did not better facilitate DCUSA Charging Objectives 1 and 3 for the following reasons:

- *“as the methodology is already clear that the customer “will not receive any credit for the value of any equipment recovered”.*
- *“as the use of the term “will” cannot result in charges which reflect the costs incurred, or reasonably expected to be incurred, by the Business if there are clear circumstances where a credit is not appropriate such as those given in response to question 6”.*

5.33 The Working Group agreed that DCUSA Charging Objectives 1 and 3 are better facilitated by the DCP 190 CP. The reasoning for this view is explained in section ten of this Change Report. The Working Group is not in agreement on whether Objectives 1 and 3 are better facilitated by the DCP 190A alternate CP.

Question 9: Are you supportive of the proposed implementation date of DCP 190 and DCP 190A as the next DCUSA release following Authority consent?

5.34 The Working Group noted that all respondents were supportive of the implementation date of the next DCUSA release following Authority consent.

Question 10: Are there any alternative solutions or matters that should be considered by the Working Group?

5.35 The Working Group noted that the majority of respondents had no further comments. One respondent proposed that the DNOs *“Give a discount in the first instance for anticipated recovery of plant so that rebates are not necessary”.*

5.36 The Working Group noted that this comment was outside of the scope of this change.

6 DCP 190 AND DCP 190A CONSULTATION TWO

6.1 The original intent of this CP was to amend the Common Connection Charging Methodology (CCCM) such that customers may receive a credit for the value of any equipment recovered by us, that we can subsequently reuse, as a result of the disconnection of a temporary connection. All of the Working Group agree with the concept of providing a refund within the circumstances described however, the difference of opinion is in the way each of the legal text options seeks to reasonably manage customer’s

expectations regarding the potential for a refund. 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 as part of the process of determining whether the Customer was due a refund for this equipment. The Working Group had already developed and examined several versions of the draft legal text with the DCUSA legal advisor in an attempt to recommend a single solution in this CP and concluded that a common way forward on the draft legal text for this change could not be agreed upon. The Working Group agreed to issue the new DCP 190 and DCP 190A draft legal text to Parties for further comment before submitting to a final Change Report.

6.2 There were seven responses received to the consultation from four DNO parties, two consultants and one anonymous respondent. The anonymous respondent requested that their response remain confidential but allowed the response to be viewed by the Working Group and Ofgem only and to be anonymously summarised in this report. The Working Group discussed each response and its comments are summarised alongside the collated Consultation responses in Attachment 5.

6.3 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 190 legal text?

6.4 There were four DNO respondents, two DNO respondents indicated that they were supportive of the DCP 190 legal text and the remaining two DNO respondents advised that they did not have any further comments on the DCP 190 legal text. The anonymous respondent advised that they did not favour this option due to the de-minimus value concept proposed within it.

6.5 One customer respondent referred to their response to question three which the Working Group considers at question three. The second customer respondent did not comment on the DCP 190 legal text.

6.6 The Working Group noted the responses and advised that they would respond to the consultant's comments at question three.

Question 2 - Do you have any comments on the proposed DCP 190A legal text?

- 6.7 Two DNO respondents noted the difference between DCP 190 and DCP 190A was the concept of the de-minimus value with one DNO respondent advising that they were concerned about the lack of de-minimus provision for payments that would be administratively burdensome in the DCP 190A legal text. One DNO respondent advised that the revised drafting of DCP 190A provided in consultation two was an improvement on the drafting provided in consultation one as it removes the impression that a credit is due in every case.
- 6.8 One DNO and one customer respondent did not have any comments on the DCP 190A legal text. One customer respondent considered the legal text to be definitive and adequate whilst the anonymous respondent considered that the DCP 190A legal text was a comprehensible set of words for customers and restated their preference for their not being a reference to a de-minimus value.
- 6.9 The Working Group noted the responses.

Question 3 - Do you have a preference for the DCP 190 proposed legal text or the DCP 190A proposed legal text? Please provide your reasoning.

- 6.10 Four DNO respondents advised of their preference for the DCP 190 legal text. Two DNO respondents considered that the DCP 190 legal text recognised the circumstances where it was not appropriate to provide a refund. This may include cases where it may be uneconomical to provide a refund due to administrative costs. Another DNO respondent considered it to be beneficial to be able to set a reasonable de-minimus value below which no payment would apply.
- 6.11 The anonymous respondent preferred the DCP 190A legal text as once the DNO had calculated the payment there were no additional tests to reduce the chance of the customer receiving their credit.
- 6.12 Two customer respondents advised that they preferred the DCP 190A legal text. One of the customer respondents did not provide a rationale for their choice. The other customer respondent provided their rationale for not choosing the DCP 190 legal text. This respondent considered that there was no rationale for entering a provision for a de-minimus value in to the DCUSA legal text as the DCP 190 legal text does not define the circumstances under which it would apply. This respondent considered that as the de-minimus value remained undefined, its application could vary significantly between DNOs.

This respondent questioned whether it was acceptable for the DNO to place a de-minimus value on a customer's refund when the customer could not place a de-minimus value on their refunds to a DNO. This respondent considered that the concept of the de-minimus value would set a precedent within the charging statements.

- 6.13 The Working Group agreed that under the DCP 190 change the refund would be provided net of depreciation, removal and refurbishment costs but it is subject to a de-minimus value to minimise occasions where the value of the payment is lower than the administrative costs to process it.
- 6.14 The Working Group believes that both DCPs are clear on their intent and how they will be operated in practice.
- 6.15 The Working Group noted the question on whether it was acceptable for the DNO to place a de-minimus value on a customer's refund when the customer could not place a de-minimus value on their refunds to a DNO but considered it to be outside of the scope of both DCPs.

Question 4 - Do you consider it reasonable to accept the principle of a de-minimus value?

Please provide your reasoning.

- 6.16 Four DNO respondents considered the principle of the de-minimus value to be acceptable. Two DNO respondents noted that the principle of a de-minimus value in relation to refunds was already established under the Electricity Connection Charges Regulations (ECCR) 2002. Two DNO respondents considered that the de-minimus value allowed the DNO to consider the level of the refund against the minimum costs of processing such a refund so that it would save the DNO from raising a refund for a very small amount. One DNO noted that although it would be up to each DNO to set their de-minimus value, they considered that it would be a nominal amount.
- 6.17 One customer respondent and the anonymous respondent advised that the principle of a de-minimus value was not acceptable. The customer respondent considered that the addition of a de-minimus value to the CCCM did not add clarity or transparency for the customer. The anonymous respondent considered the principle of the de-minimus value to be unacceptable as it has not been defined and therefore its application was unknown and could be treated differently by each DNO. Furthermore this respondent could not see the

justification for a de-minimus value where provision had already been made for depreciation and the cost of refurbishment.

- 6.18 The second customer respondent considered that the costs of this change being considered under the DCUSA change process may be greater than the costs of the refunds referred to in this CP and considered there to be other more important issues that participants should be considering.
- 6.19 The Working Group considered the customer respondents rationale and advised that the de-minimus value in the DCP 190 change will be set out in Section 6 of the DNO's charging statement. Members advised that if the de-minimus value was the same for all DNO areas there may be Competition Act implications. A de-minimus value will minimise occasions where the value of the payment is lower than the administrative costs to process the refund.

Question 5 - Are there any alternative solutions or matters that should be considered by the Working Group?

- 6.20 Five respondents had no further comments. One customer respondent proposed that a nominal sum of £100 should be the de-minimus value over which all refunds are then provided to the customer or alternatively an aggregate saving on the DNOs administration costs should be paid in to a charity on a yearly basis along with the value of any uncashed cheques.
- 6.21 Another customer respondent highlighted instances which would not be covered by this CP and may need to be resolved as a separate issue such as where the original equipment provided was installed by an ICP and subsequently adopted by the DNO.
- 6.22 The respondent was of the opinion that it was not usual practice for DNOs to adopt second hand equipment and therefore it is likely that the application of this CP may be limited.
- 6.23 The Working Group considered the responses and advised that the debate on the adoption of equipment installed by an ICP was a valid point but outside of the scope of this CP. Members noted that both CP's are based on the assumption that second hand equipment is reused. The Working Group advised that second hand equipment is re-used in appropriate circumstances.

7 DCP 190 and DCP 190A WORKING GROUP CONCLUSIONS

7.1 The Working Group reviewed each of the responses received to consultation one and concluded that the majority of the respondents understood the intent of DCP 190 and DCP 190A.

7.2 The Working Group agreed that all respondents were supportive of the principle of the CP.

7.3 The Working Group noted that the majority of respondents considered that DCUSA Charging Objectives 1 and 3 were better facilitated by this CP. The Working Group agreed that the CPs better facilitated DCUSA General Objective three and DCUSA Charging Objectives one and three. The reasoning for this view is explained in section ten of this Change Report.

7.4 The Working Group concluded that the CP will provide the following benefits:

- Customers will receive a credit where appropriate for the value of any equipment recovered by DNOs that can subsequently be reused thus better reflecting the costs incurred;
- It will meet the obligations of DNOs imposed upon them in their Distribution Licence; and
- It will meet the obligations of DNOs imposed upon them in the fulfilment of Electricity Act Section 9.

8 ALTERNATE CHANGE PROPOSAL RAISED

8.1 One Working Group member disagreed with the Working Group's preferred solution and exercised the right to raise an alternate proposal (DCP190A, Attachment 3 to this report).

8.2 In the alternate proposals draft legal text (incorporated in to Consultation one) the word "will" replaces the word "may" to prevent DNOs from choosing to not provide a credit to a customer through the open interpretation of proposed Clause 1.33.

8.3 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. Further analysis was undertaken in developing the legal text for both DCP 190 and DCP 190A CPs with the

legal advisor in an attempt to find a common approach. The proposer remained concerned that the approach taken by DCP 190 would provide an inconsistent approach to providing a credit to customers across the DNOs licence areas and decided to retain the alternate CP.

- 8.4 Under Consultation two the proposer modified the legal text to provide a credit to the customer less the net value of the depreciation, removal and refurbishment costs. The legal text for the alternate proposal acts as Attachment 2 to this report.

9 PROPOSED LEGAL TEXT

- 9.1 The draft legal text of both DCP 190 and DCP 190A has been reviewed by the DCUSA Legal Advisor and acts as Attachment 2.

10 EVALUATION AGAINST THE DCUSA OBJECTIVES

- 10.1 The majority of the Working Group considers that DCUSA General Objective 1 and 3 and DCUSA Charging Objectives 1 and 3 are better facilitated by DCP 190. Some Working Group members consider that DCUSA General Objectives 1 and 3 and DCUSA Charging Objective 1 and 3 are better facilitated by DCP 190A. The reasoning against each objective is detailed below:

General Objectives

Objective 1 – *The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks.*

- **Majority Working Group view on DCP 190:** The majority of the Working Group agreed that Objective one is better facilitated by this change as it adds clarity and consistency to the methodology and helps to ensure an efficient and co-ordinated network is developed through the provision of the relevant economic signals.
- **Some Working Group members view on DCP 190A:** Some Working Group agreed that Objective one is better facilitated by this change as it adds clarity and consistency to the methodology and helps to ensure an efficient and co-ordinated network is developed through the provision of the relevant economic signals.

Objective 2 – *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.*

- **Majority Working Group view on DCP 190:** The Working Group agreed that the

impact on Objective two is neutral.

- **Some Working Group members view on DCP 190A:** Some Working Group members agreed that the impact on Objective two is neutral.

Objective 3 – *The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences.*

- **Majority Working Group view on DCP 190:** The majority of the Working Group agreed that General Objective three is better facilitated by this change as licence condition 13 requires each DNO to have a connection charging methodology in force. This CP facilitates the fulfilment of this obligation by ensuring the CCCM is consistent with current industry practices and clearly stating those charges to the customer.
- **Some Working Group members view on DCP 190A:** Some Working Group members agreed that General Objective three is better facilitated by this change as licence condition 13 requires each DNO to have a connection charging methodology in force. This CP facilitates the fulfilment of this obligation by ensuring the CCCM is consistent with current industry practices and clearly stating those charges to the customer..

Objective 4 – *The promotion of efficiency in the implementation and administration of this Agreement.*

- **Majority Working Group view on DCP 190:** The Working Group agreed that the impact on Objective four is neutral.
- **Some Working Group members view on DCP 190A:** Some Working Group members agreed that the impact on Objective four is neutral.

Objective 5 – *Compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.*

- **Majority Working Group view on DCP 190:** The Working Group agreed that the impact on Objective five is neutral.
- **Some Working Group members view on DCP 190A:** Some Working Group members agreed that the impact on Objective five is neutral.

Charging Objectives

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.*

- **Majority Working Group view on DCP 190:** The majority of the Working Group agreed that Objective one is better facilitated by DCP 190 through the fulfilment of section 9 of the Electricity act and Distribution Licence condition 13 and 14.
- **Some Working Group members view on DCP 190A:** Some Working Group members agreed that Objective one is better facilitated by DCP 190A through the fulfilment of section 9 of the Electricity act and Distribution Licence condition 13 and 14.

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).*

- **Majority Working Group view on DCP 190:** The majority of the Working Group agreed that the impact on Charging Objective two is neutral.
- **Some Working Group members view on DCP 190A:** Some Working Group members agreed that the impact on Charging Objective two is neutral.

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.*

- **Majority Working Group view on DCP 190:** The majority of the Working Group agreed that Charging Objective three was better facilitated by this change as the introduction of the provision of a credit to the customer for equipment that was reusable following the termination of a temporary connection would better reflect

costs incurred.

- **Some Working Group members view on DCP 190A:** Some Working Group members agreed that Charging Objective three was better facilitated by this change as the introduction of the provision of a credit to the customer for equipment that was reusable following the termination of a temporary connection would better reflect costs incurred.

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.*

- **Majority Working Group view on DCP 190:** The majority of the Working Group agreed that the impact on Charging Objective four is neutral.
- **Some Working Group members view on DCP 190A:** Some Working Group members agreed that that the impact on Charging Objective four is neutral.

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).*

- **Majority Working Group view on DCP 190:** The majority of the Working Group agreed that the impact on Charging Objective five is neutral. DCP 190 was 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.
- **Some Working Group members view on DCP 190A:** Some Working Group members agreed that the impact on Charging Objective five is neutral. DCP 190A was 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 190 or DCP 190A 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 190 CP will be implemented in to the next DCUSA release following Authority consent.

12.2 Subject to Party approval and Authority consent, the DCP 190 CP would be implemented in to the next DCUSA release following Authority consent however, the proposed wording of this DCP requires section 6 of the common connection charging methodology statement to be updated with specific wording linked to this change proposal. Section 6 requires Ofgem's approval so it is proposed that DCP190 will be implemented into the next DCUSA release following Authority consent of both DCP190 and the DNO specific wording within section 6 of the common connection charging methodology statement.

12.3 Subject to Party approval and Authority consent, the DCP 190A CP will be implemented in to the next DCUSA release following Authority consent.

13 PANEL RECOMMENDATION

13.1 The DCUSA Panel approved the DCP 190 and DCP 190A 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	13 February 2015
Change Declaration Issued	17 February 2015
Authority Decision ¹	24 March 2015
DCP 190 CP Implementation Date	Next DCUSA Release following Authority Consent
DCP 190A CP Implementation Date	Next DCUSA Release following Authority Consent

14 ATTACHMENTS:

- Appendix A - DCP 190 and DCP 190A Legal Text Variation Consulted Upon

¹ Indicative decision date based on the 25 Working Day KPI

- Attachment 1 – DCP 190 and DCP 190A Voting 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
- Attachment 4 – DCP 190 and DCP 190A Consultation One
- Attachment 5 – DCP 190 and DCP 190A Consultation Two

15 APPENDIX A – DCP 190 AND DCP 190A LEGAL TEXT VARIATIONS CONSULTED UPONDCP 190 Consultation One Legal Text

- 1.33 Normally you will not receive any credit for the value of any equipment recovered by us as a result of the connection. Where a Temporary Connection is to be Disconnected we may make a payment based on the value of any equipment recovered that we can subsequently reuse, net of depreciation, removal and refurbishment costs. (Please see DCP 190 Change Proposal)

DCP 190A Consultation One Legal Text

- 1.33 Normally you will not receive any credit for the value of any equipment recovered by us as a result of the connection. Where a Temporary Connection is to be Disconnected we will make a payment based on the value of any equipment recovered that we can subsequently reuse, net of depreciation, removal and refurbishment costs. (Please see DCP 190 Change Proposal)

DCP 190 Consultation Two Legal Text

- 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 Consultation Two Legal Text

- 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.