



DCUSA CONSULTATION

DCP 179 - Amending the CDCM Tariff Structure

1 Purpose

- 1.1 The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity Distributors and electricity Suppliers and large Generators. Parties to the DCUSA can raise Change Proposals (CPs) to amend the Agreement with the consent of other Parties and (where applicable) Ofgem.
- 1.2 This document is a Consultation issued to Distributors, Suppliers, Consumer Focus, Ofgem and other interested Parties seeking industry views on DCP 179 'Amending the CDCM tariff structure'. You are invited to consider the questions set out in section 12 below and submit comments using the form provided as Attachment 1 to DCUSA@electralink.co.uk.
- 1.3 Responses to this consultation should be submitted no later than **Thursday, 19 June 2014**.

2 Background of DCP 179

- 2.1 The current tariff structure within the Common Distribution Charging Methodology (CDCM) contains a range of half hourly (HH) and non-half hourly (NHH) tariffs. In 2011 a Distribution Charging Methodologies Forum (DCMF) Methodologies Issues Group (MIG) subgroup was established to address the anomalies between the two different cost allocation mechanisms for HH and NHH tariffs in the CDCM. DCP 179 was one of the DCUSA Change Proposals that was raised following on from the work of this DCMF MIG subgroup.
- 2.2 DCP 179 was raised by Electricity North West and seeks to amend the existing tariff structure within CDCM by introducing half hourly metered tariffs for Current Transformer (CT) metered customers and Whole Current (WC) metered customers. The purpose of this change is to address two issues:
 - Customers under 100kW with half hourly metering can elect to be settled on a NHH or HH basis. As the tariff structure for NHH and HH customers is different, there will be a difference in the Distribution Use of System (DUoS) bill depending on whether the customer is settled HH or NHH. As DNOs have an obligation to provide cost reflective charges, there should not be a material difference in charges as a result of this choice.

- The introduction of SMART metering will facilitate customers to be settled half hourly in the future. However, the only available half hourly tariff at present contains a capacity charge and therefore assumes that the customer has an agreed Maximum Import Capacity within a Connection Agreement. Most small LV customers do not have an agreed capacity and it would therefore not be appropriate to levy an explicit capacity charge to these customers.

2.3 Additional information on the Change Proposal can be found in the CP form which is provided as Attachment 2.

2.4 A previous DCUSA Change Proposal (DCP 103¹) was raised to enable Half Hourly (HH) Settlement for domestic customers. The proposed solution was to extend site specific billing to any customers that were moved on to the HH settled tariffs. The DCP 103 Working Group consulted on this option but identified that the DNOs' billing systems were constrained by the number of customers that could be billed on a site specific basis. The Working Group concluded that there would be a substantial cost to extend billing systems and consequently this Change Proposal was withdrawn. DCP 179 builds upon DCP 103 and proposes that the majority of customers can be settled HH on an aggregate basis rather than site specific. The DCP 103 consultation documents and the responses received are provided as Attachment 3.

3 Interaction of DCP 179 with other DCUSA Change Proposals

3.1 The DCMF MIG subgroup identified a number of changes to the CDCM which would address the discrepancy between HH and NHH tariffs. At the time there was debate within this subgroup as to whether the changes should be submitted together as a single CP or separately. It was decided that as some CPs were ready for submission before others they should be submitted separately. Accordingly, the subgroup raised the following DCUSA Change Proposals:

- DCP 130 - Remove the discrepancy between non-half hourly (NHH) and half hourly (HH) Un-metered Supplies (UMS) tariffs

¹ DCP 103 - Duos Charges for sub 100kw HH settled sites

- DCP 160 - Non-Half Hourly (NHH) Notional Capacity
- DCP 165 - Voltage Level Approach to Unit Charges in the CDCM
- DCP 179 - Amending the CDCM Tariff Structure

3.2 DCP 130, which was the first CP to be raised based on the work of the DCMF MIG subgroup, was implemented on 1 April 2013. DCP 160, DCP 165 and DCP 179 are currently in the definition phase of the DCUSA change process.

3.3 The DCP 160, DCP 165 and DCP 179 Working Groups identified that these CPs are highly interdependent and sought permission from the DCUSA Panel to consider all three under the scope of DCP 179. After undertaking an impact analysis of the combined change proposals the Working Group decided that the impact on tariffs was material and, therefore, it would not be feasible to implement a solution that incorporated all three change proposals for April 2015. The Working Group received a steer from Ofgem that the new tariffs needed to be in place for April 2015 to enable the benefits of smart metering to be gained as soon as possible². Consequently the Working Group has decided to implement the new aggregated tariffs as specified in the original intent of DCP 179, and DCPs 160 and 165 will be progressed by their respective Working Groups. The CP forms for DCP 160 and DCP 165 are provided for information as Attachment 4 and Attachment 5 to this consultation.

4 The DCP 179 Proposed Solution

Introduction of New Tariffs

4.1 Under DCP 179 it is proposed that the CDCM be modified to create two new tariffs as follows:

- LV Network Domestic
- LV Network Non-Domestic Non-CT

² <https://www.ofgem.gov.uk/ofgem-publications/85909/letteronindustryroleinsupportingdelivertoofsmartmeteringbenefits.pdf>

- 4.2 The new tariffs are derived to be consistent with a weighted average of the most appropriate existing CDCM tariffs:
- The LV Network Domestic tariff is derived from the existing Profile Class (PC) 1 and PC2 CDCM tariffs i.e. Domestic Unrestricted and Domestic Two Rate and Domestic Off Peak
 - The LV Network Non-Domestic Non-CT tariff is derived from the existing PC3 and PC4 CDCM tariffs i.e. Small Non Domestic Unrestricted, Small Non Domestic Two Rate and Small Non Domestic Off Peak
- 4.3 In addition, in order to cater for aggregate HH settled generation, the existing LV Generation NHH tariff has been relabelled to:
- LV Generation NHH / Aggregate HH
- 4.4 Additional information is contained within the specification document provided as Attachment 6.
- 4.5 These new tariffs will be available to WC metered customers. The majority of these customers are currently on PC 1 to 8, although a small number of the larger non-domestic customers are settled half hourly. Whilst the new tariffs introduced by DCP 179 are HH tariffs it is proposed under this Change Proposal for them to be settled in aggregate and this will be facilitated via the new Measurement Classes that have been proposed under BSC change P300.

Customer Migration to New Tariffs

- 4.6 An indication of the number of customers on each tariff is provided in Attachment 7 which shows the number of customers that are CT metered and non-CT metered split down by profile class. It should be noted that the figures in this attachment are still being validated by DNOs.
- 4.7 This Change Proposal will make available new tariffs but there will be no immediate migration to these tariffs as the proposed new Measurement Classes under P300 are not yet available. Therefore it is anticipated that Suppliers may instigate a change to their

customers' Measurement Class which will move them on to the new tariffs post the implementation of P300. Change of Measurement Class is not a simple process, therefore Suppliers will need to be aware of the timeline. It is expected that Smart meters will allow remote switching of Measurement Classes in the future.

Tariff Structure

- 4.8 Currently, Suppliers can elect to settle customers with a maximum demand of less than 100kW either HH or NHH. Within DCUSA the tariffs available for HH settled customers contain 3 unit rates (red/amber/green), a fixed charge, capacity charge, excess capacity charge and reactive charge. However, the structure of NHH tariffs contains either one or two unit rates and a fixed charge. This different tariff structure between HH and NHH tariffs means that where a Supplier moves a customer from HH to NHH settlement, or vice versa, there will be an impact on the customer's bill. To reduce this impact, the capacity charge for HH settled customers is currently factored into the unit rate for NHH settled customers. However, this only reduces the discrepancy, it does not eliminate it.
- 4.9 This change proposal reduces the discrepancy by introducing a new HH tariff for WC metered customers which follows the same charging structure as the current NHH tariffs (fixed and units). The new tariffs have three unit rates and a fixed charge. There is no capacity, excess capacity or reactive charge for these customers. Under this change proposal there will be little or no impact if a customer is settled NHH or HH as the only impact is the move from one or two unit rates under the NHH tariff to three unit rates under the HH tariffs. The unit rates for each tariff will be derived on the same basis and thereby reduces any discrepancy.

Boundary between HH and NHH Settlement

- 4.10 Under the current methodology customers are allocated to NHH or HH tariffs based on whether they are settled NHH or HH under the BSC. However, the BSC allows non-domestic customers with a maximum demand of less than 100kW to elect to be settled either half hourly or non-half hourly. Consequently, the boundary between NHH and HH settlement is not fixed and customers can move between NHH and HH settlement and therefore DUoS tariffs. To overcome this issue, once P300 has been implemented, this

Change Proposal proposes to set the boundary for NHH and HH tariffs based on the type of metering installed. This is a clear and unambiguous boundary that will be much more stable as an enduring solution. Under this proposal, customers that have WC metering installed will either be settled on a non-half hourly basis or on an aggregated HH basis. Customers that have CT metering installed will be settled on a site specific HH basis.

- 4.11 A further issue for NHH customers that elect to be settled HH is the requirement to have an agreed capacity to enable the application of the capacity element of the HH metered tariff. Many of the non-CT metered customers do not currently have an agreed capacity in a Connection agreement and this could act as a barrier to these customers moving to HH settlement under the current arrangements. The DCP179 proposed solution removes this barrier by not applying a capacity charge to these customers if they elect to be HH settled.

Existing WC Metered Customers on the LV HH Metered Tariff

- 4.12 There are currently customers with WC metering installed that are settled on the LV HH metered tariff and therefore pick up capacity and reactive charges. Under this Change Proposal, these customers will be required to move to one of the new Measurement Classes and therefore be moved to the new LV non-domestic, non-CT tariff. This will mean that these customers will no longer incur an explicit capacity or reactive charge. The number of customers that will transfer onto the new tariffs from the LV HH metered tariff is around 21,000 customers (an estimate of customer numbers can be viewed in Attachment 7). The Working Group believes that this is the best approach to implement an enduring solution with a clear and simple boundary between aggregated HH settlement and site specific HH settlement. The Working Group seeks views on whether these customers should automatically migrate and any unintended consequences of this change.
- 4.13 To assist stakeholders assess the impact of this migration, the Working Group has undertaken an impact analysis which determines the percentage change in DUoS charge for a range of WC metered customers that are currently on the LV HH metered tariff. This analysis is based on ten WC metered customers with a range of MICs (between 10 and 60) and a range of total consumption. Each customer's DUoS charge has been worked out on

the existing LV HH metered tariff and the new LV non-domestic, non-CT tariff for each DNO and the results of this analysis is contained within Attachment 8. This analysis shows that on average WC customers that are migrated will experience a reduction in their DUoS charge and a summary of this analysis is shown below:

	Impact of moving WC customers from LV HH Metered tariff to LV network, non-CT, non-domestic tariff
Maximum	30.8%
95% Upper Limit	17.0%
Average	-12.8%
95% Lower Limit	-48.4%
Minimum	-69.0%

Existing WC Metered PC 5-8 Customers on the LV Medium Non-domestic Tariff

4.14 The Working Group recognises that customers on PC 5-8 on the NHH LV medium non-domestic tariff will experience an impact on their charge when their Supplier moves them to Half Hourly settlement. This change proposal facilitates such a change but does not mandate it. However, BSC change P272 mandates that customers on PC 5-8 are settled half hourly and to assist stakeholders, the Working Group has undertaken an impact analysis. This analysis uses the volume data from each DNO's CDCM model and splits it into the red/amber/green timebands using each DNO's percentage split of rate 1 and rate 2 for each timeband. This enables an average bill to be determined for each DNO on the LV medium non-domestic tariff and the new LV network, non-CT, non-domestic tariff.

4.15 The impact analysis is contained in Attachment 9 and a summary of the results are shown below. On average these customers receive a reduction of 3.7% and the spread across DNOs is from -31% to +12.1%. The actual impact on each customer will depend on their consumption within the timebands. Although the impact across the DNOs is large, the Working Group believes that moving from 2 to 3 timebands and basing the settlement of these customers on half hourly data, will enable more cost reflective price signals to be generated for these customers.

DNO	Average Charge (LV Medium non-domestic)	Average Charge (LV Network Non-Domestic Non-CT	% Change (Impact of moving to new tariff)
ENWL	£2,529	£2,777	9.8%
NPG - NEDL	£1,793	£2,006	11.9%
NPG - YEDL	£2,114	£2,369	12.1%
SPEN - SPD	£1,827	£1,905	4.2%
SPEN - SPM	£3,245	£3,388	4.4%
SSE-SEPD	£1,802	£1,755	-2.6%
SSE - SHEPD	£4,129	£3,508	-15.0%
UKPN - EPN	£1,407	£1,107	-21.3%
UKPN - LPN	£1,440	£995	-30.9%
UKPN - SPN	£1,916	£1,320	-31.1%
WPD - EastM	£1,950	£2,029	4.1%
WPD - SWales	£3,167	£3,092	-2.3%
WPD - SWest	£2,327	£2,420	4.0%
WPD - WestM	£1,759	£1,786	1.5%

LV Generation Tariff

4.16 The Working Group discussed whether a new HH aggregate tariff for LV generation should be introduced into the methodology for consistency with the import tariff structure. The Working Group decided that instead of creating a new tariff, the existing tariff name could be amended to allow customers on this tariff to be settled either NHH or HH. The Working Group decided that this would be the most efficient and practical solution as the tariff unit rate and fixed charge should be the same for both tariffs and separating the tariffs could introduce a discrepancy where this is currently none.

4.17 A further issue for the NHH generation tariff is that it does not contain a reactive charge. The Working Group considered whether the introduction of a HH aggregated tariff would incur a reactive charge. The Working Group agreed that there should not be a difference in tariff structure between NHH and aggregate HH and this was another reason why the Working Group decided to rename the tariff rather than introduce a new HH tariff. The Working Group seeks industry views on whether this approach is acceptable.

5 Benefits of DCP 179

5.1 The Working Group have identified the benefits of the proposed DCP 179 solution are as follows:

- The anomaly that exists between HH and NHH tariffs will be removed, thus reducing a barrier which is currently incentivising some customers not to Settle HH;
- The CP will ensure that HH and NHH tariffs are calculated on a consistent basis;
- There will be tariffs specifically to facilitate the introduction of smart meters. Introducing three rate tariffs will provide Suppliers with the opportunity to offer cost reflective time of day tariffs which would allow domestic customers to manage their energy bills by responding to cost signals. This is in line with Ofgem's stated policy that *"it is in consumers' interests to be settled against their half-hourly consumption data"*³;
- Suppliers will have a HH tariff available for all customers which will enable them to offer time of use tariffs and allow them to manage their energy bill;
- It will be a simplified tariff structure once all customers have migrated; and
- The CP will facilitate BSC modification P272 'Mandatory Half Hourly Settlement for Profile Classes 5-8'.

6 Potential Issues

6.1 The Working Group has also identified the following potential issues and areas that require further consideration:

- A number of anomalies have been identified in the CT data and Whole Current Data, thus the data provided as Attachment 7 needs further validation.
- There is a need to adopt default positions if the data proves to be incorrect. For example, if thousands of sites are found to have incorrect CT/Whole Current data it would not be possible to carry out site visits to determine the correct data.
- The timing of P300 'Introduction of new Measurement Classes to support Half Hourly DCUSA Tariff Changes (DCP179)'. Currently, the final modification report is due to be issued to Ofgem in September 2014 with expected decision by end of October/

³ <https://www.ofgem.gov.uk/ofgem-publications/87053/electricitysettlementlaunchstatement.pdf>

beginning November 2014. The notice period requested by participants is at least 12 months after decision, making implementation November 2015 at the earliest, however, as a mid-season change to Line Loss Factors would not be desirable the implementation may be April 2016. This timeline may be subject to change.

- It will only be possible for customers to be assigned to the new DCP 179 tariffs when P300 is implemented.

7 Interaction with Balancing and Settlement Code Changes

7.1 It has been identified that DCP 179 interacts with two Balancing and Settlement Code (BSC) changes, namely:

- [P272 'Mandatory Half Hourly Settlement for Profile Classes 5-8'](#) which seeks to make Half Hourly Settlement mandatory for Profile Classes 5-8; and
- [P300 'Introduction of new Measurement Classes to support Half Hourly DCUSA Tariff Changes \(DCP179\)'](#) which has been raised to introduce new Measurement Classes for aggregated Half Hourly-settled customers as a consequence of this Change Proposal.

7.2 DCP 179 is dependent upon P300 being implemented, as this CP introduces HH aggregated tariffs that will require new Measurement Classes in the BSC to facilitate aggregated data used for billing customers currently on PCs 1 to 8 based on whether they are CT metered or not.

7.3 DCP 179 will support P272 by removing the perceived discrepancy between HH and NHH tariffs, thus facilitating the move to HH settlement for PC 5 to 8 customers.

8 Impact of DCP 179

8.1 The DCP 179 Working Group has carried out an impact assessment on the proposed solution. A revised CDCM model and spreadsheets showing the impact on tariffs, pence per unit and DNO revenue are provided as Attachment 10. It should be noted that there is no revenue impact on existing tariffs.

8.2 As customers migrate to the new tariffs it will have an impact on tariffs, as the model aims to ensure that the new HH tariffs and existing HH tariffs remain in line with each other. Consequently, as more customers move to the HH tariffs and the more accurate HH data is reflected in the assumptions the tariffs will change. The Working Group has undertaken a further impact analysis assuming 50% of the customers have migrated on to the HH tariffs to show the impact of this. The results of this can be seen in Attachment 11. Note, this is a hypothetical scenario and is for demonstration purposes only.

8.3 A summary of this impact analysis is shown in the table below. This table summarises the percent change in the average p/kWh rate (which incorporates all tariff elements) across all tariffs and all DNOs. The average tariff impact is an increase of 0.6% with 95% of the changes between -1.4% and +3.2%. The data behind this analysis can be viewed in Attachment 11.

	% Change across all DNO tariffs
Maximum	6.7%
95% Upper Limit	3.2%
Average	0.6%
95% Lower Limit	-1.4%
Minimum	-4.9%

9 Assessment against the DCUSA Objectives

9.1 The Working Group has assessed the CP against the DCUSA objectives and believes that the following DCUSA Objectives are better facilitated by DCP 179.

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)

9.2 The change proposal better meets Charging Objective Two by reducing the differential between the non half hourly and half hourly tariffs and encouraging customers and suppliers to choose the appropriate settlement approach.

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

- 9.3 The change proposal better meets Charging Objective Three by ensuring consistency of Use of System charges across non half hourly and half hourly tariffs and thereby enabling a transparent and predictable pricing structure.

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

- 9.4 The change proposal better meets Charging Objective Four by facilitating the industry requirement to remove the price barrier for customers to trade on a half hourly basis.

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

- 9.5 The change proposal better meets General Objective one by removing the differential between non-half hourly and half hourly tariffs and encouraging customers and suppliers to choose the appropriate settlement approach.

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

- 9.6 The change proposal better meets General Objective two by producing a more transparent pricing structure which enables more efficient and effective settlement.

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

- 9.7 The change proposal better meets General Objective three by satisfying the licence obligation on DNOs to review the charging methodology and bring about changes to improve the methodology.

10 DCP 179 Legal Text

- 10.1 The proposed DCP 179 legal text is provided as Attachment 12.
- 10.2 During the development of the legal text by the Working Group an inconsistency was identified between the legal text and the current version of the CDCM model (v102). In the current DCUSA, paragraph 74 of Schedule 16 states that the standing charge factor for NHH settled users are 100 per cent for the network level at which the end user is supplied and zero for any further network level. The current version of the CDCM model has the standing charge factors for the HV non-domestic tariff at 100% at HV, 100% at EHV/HV and 20% at EHV.
- 10.3 The percentages in the CDCM model have been the same since it was introduced in April 2010. These percentages were agreed by the DNOs during the development of the CDCM and this model went out for industry consultation. Therefore it is the view of the Working Group that the legal text is incorrect and should be amended as part of this change. If it is felt that the standing charge factors need to be reviewed a separate Change Proposal could be brought forward. It should be noted that there will be no impact on customers of aligning the CDCM legal text to the CDCM model.
- 10.4 The legal text has been developed to implement the Change Proposal based on option 1 of P300. The P300 Working Group is currently consulting on two options and if they decide to progress the second option a number of amendments will be required to the DCP 179 legal text. These changes have been highlighted via comments within the legal text.

11 Implementation Date

- 11.1 The proposed implementation date for DCP 179 is 1 April 2015, so that the CP is in place prior to P272 and P300.
- 11.2 It should be noted that the new tariffs introduced by DCP 179 cannot be used until P300 is implemented, and the decision on the implementation date for P272 needs to consider the potential impact on customers if the date is pre P300 in that some customers may have to move twice. This should be avoided where possible.

12 DCP 179 – Consultation Questions

12.1 The Working Group is seeking responses to the following questions.

1. Do you understand the intent of the CP?
2. Are you supportive of the principles established by this proposal?
3. Do you have any comments on the proposed legal text?
4. Do you agree with the Working Group's approach to remove the inconsistency between the standing charge factors for the HV non-domestic tariff in the legal text and the CDCM model by setting the values to that currently used in the CDCM model? If not, please explain why.
5. Do you need to make any system changes to accommodate this change? If yes, please provide information on the following points:
 - What systems are impacted?
 - How much time you believe you need to implement these changes?
 - What do you believe they will cost?
 - Please describe the nature of the changes required?
6. Do you have any comments on the structure of the tariffs? For instance, do you think it is appropriate for all HH customers to have three rates but not for all customers to have an explicit capacity charge?
7. Do you agree with the Working Group's proposal to amend the name of the LV Generation NHH tariff rather than introduce a new tariff?
8. Do you believe that Whole Current and CT is the appropriate boundary for HH site specific settlement and HH aggregated settlement?
9. Do you agree with the Working Group proposal that WC customers currently on the LV HH metered tariff should automatically migrate to the new LV non-domestic, non-CT tariff? If not, please explain why.
10. Are there any unintended consequences of this proposal?
11. Do you consider that the proposal better facilitates the DCUSA objectives?
12. Are there any alternative solutions or matters that should be considered?
13. The proposed implementation is date 1 April 2015, do you agree with this proposed date?
14. Please state any other comments or views on the Change Proposal.

- 12.2 Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk no later than **Thursday, 19 June 2014**
- 12.3 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.

13 NEXT STEPS

- 13.1 Responses to the Consultation will be reviewed by the DCP 179 Working Group. The group will use the responses received to aid it in its development of the CP.
- 13.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA helpdesk by email to dcusa@electralink.co.uk or telephone 020 7432 2842.

ATTACHMENTS

- Attachment 1 - Response form
- Attachment 2 - DCP 179 CP Form
- Attachment 3 – DCP 103 Consultation Document and Collated Responses
- Attachment 4 - DCP 160 CP Form
- Attachment 5 – DCP 165 CP Form
- Attachment 6 – DCP 179 Specification document
- Attachment 7 - Number of Whole Current and CT Customers
- Attachment 8 – Impact analysis of migrating customers from LV HH metered tariff to LV non-domestic, not-CT tariff
- Attachment 9 – Impact analysis of migrating customers from LV medium non-domestic tariff to LV non-domestic, not-CT tariff
- Attachment 10 - DCP 179 updated CDCM Model, description of model changes and impact assessment data
- Attachment 11 - 50% scenario impact analysis
- Attachment 12 - Draft Legal text