



DCUSA CHANGE REPORT

DCP 179 - Amending the CDCM Tariff Structure

Executive Summary

DCP 179 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.

This document presents the Change Report for DCP 179 and invites respondents to vote on the proposed change.

1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 179 - Amending the CDCM Tariff Structure. 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.
- 1.2 Parties are invited to consider the proposed amendment (Attachment 1) and submit their votes using the Voting form (Attachment 2) to dcusa@electralink.co.uk by **8 September 2014**.

2 BACKGROUND

- 2.1 The UK is investing a significant amount of resources to bring about smart metering. DECC estimates that the implementation of SMART metering will cost £10.9 billion and yield benefits of £17.1 billion¹. To achieve this benefit, it is important that end customers receive prices from Suppliers that reflect the costs of supplying those customers. This will enable customers to react to the price signal and amend their consumption where it is efficient for them to do so.
- 2.2 This Change Proposal will enable a Time of Use tariff to be made available to Suppliers for all customers. This will enable Suppliers to offer prices to customers that reflect the cost of using the distribution network at different times and incentivises customers to reduce consumption when the distribution network is under most pressure. Consequently, this Change Proposal is necessary to assist in realising the full potential of smart metering and achieving the £17.1 billion of benefits anticipated by the UK government.
- 2.3 The following table summarises the interaction across the Balancing and Settlement Code (BSC) and the Distribution Connection and Use of System Agreement (DCUSA) working groups and provides a high level summary of each activity. It serves to demonstrate that these changes either facilitate or are dependent upon each other and that the working groups are communicating across the codes, to deliver an optimal solution.

¹ <https://www.gov.uk/government/policies/helping-households-to-cut-their-energy-bills/supporting-pages/smart-meters>

| Date | Activity |
|---------------|---|
| May 2010 | <p>The Profiling and Settlement Review Group (PSRG) considered the industry impact of using Half Hourly (HH) data for those customers traditionally treated as Non Half Hourly (NHH).</p> <p>The work of the PSRG fed into the Distribution Charging Methodologies Forum (DCMF) who were looking to implement changes to the DUoS charging structure under the Common Distribution Charging Methodology (CDCM) so that charging is appropriate for customer type.</p> |
| May 2011 | P272 'Mandatory Half Hourly Settlement for Profile Classes 5-8' was raised by Smartest Energy. |
| June 2011 | The DCMF MIG raised a sub group to consider issues 12 and 22 which related to HH and NHH CDCM tariffs. |
| July 2011 | British Gas raised DCP103 'DUoS Charges for sub 100kw HH settled sites' |
| November 2011 | Electricity North West raised P280 'Introduction of new Measurement Classes'. P280 which sought to provide HH aggregated billing in preference to the DCP103 solution. |
| January 2012 | The P272 Assessment Report was presented to the Panel. The Group were supportive of P272, but concluded that until the issues with DUoS charging were resolved implementing P272 would not be viable. |
| June 2012 | <p>DCP103 was withdrawn as it was superseded by DCP151 'HH Aggregated tariffs'.</p> <p>DCP103 was withdrawn as it appeared the "quick win" would not materialise due to a desire to focus on the longer term solution rather than an interim one. In addition it was believed DCP151 (which sought to amend the CDCM to cater for the introduction, subject to approval, of three HH aggregated Measurement Classes raised under P280) would resolve the issue.</p> |
| August 2012 | The BSC Panel recommended that P280 should be approved and issued the Final Modification Report to Ofgem for decision. |
| November 2012 | Ofgem rejected P280 stating "The P280 proposal alone does not facilitate any change to the way sites will be settled and charged for UoS". |

| | |
|---------------|--|
| November 2012 | DCP 151 was withdrawn as it was dependent on P280. |
| December 2012 | The P272 Final Modification Report is issued to Ofgem with a Panel recommendation to reject, but noting that, should the DUoS issues be resolved, Ofgem should consider whether this would justify approval of P272. |
| June 2013 | DCP179 'Amending the CDCM tariff structure' was raised and seeks to amend the existing tariff structure within the CDCM by introducing changes to the application of tariffs for HH (settled) Current Transformer (CT) metered customers and HH aggregate tariffs for Whole Current (WC) metered customers and alleviate the discrepancy between NHH and HH tariffs. |
| October 2013 | Ofgem issue a Regulatory Impact Assessment for P272 and note that they are minded to approve P272 Alternative. |
| February 2014 | Ofgem request new implementation dates as they cannot make a determination on P272 by the end of February the (initial decision cut-off date). The Panel agree to issue a consultation on a new set of dates when there is more certainty around DCP179. |
| March 2014 | Electricity North West raise P300 'Introduction of new Measurement Classes to support Half Hourly DCUSA Tariff Changes (DCP179)' |

2.4 All three change proposals (DCP179, P300 and P272) are reaching a conclusion over the next couple of months although in accordance with each code each must be judged against each codes' relevant objectives. Details of this change proposal are provided in this Change Report.

3 THE INTENT OF DCP 179

3.1 DCP 179 was raised by Electricity North West and seeks to amend the existing tariff structure within CDCM by introducing Half Hourly (HH) 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 HH 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 HH in the future. However, the only available HH tariff at present contains a capacity charge and therefore assumes that the customer has an agreed Maximum Import Capacity (MIC) 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.

3.2 Additional information on the Change Proposal can be found in the CP form which is provided as Attachment 3.

4 SUMMARY OF THE DCP 179 CHANGE PROPOSAL

4.1 This section provides a high level overview of the proposal. Further details on DCP 179 are provided later in this Change Report.

Introduction of two import tariffs in the CDCM

4.2 DCP 179 proposes to amend the CDCM to create two new tariffs as follows:

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

4.3 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

Amendment to the LV Generation NHH tariff in the CDCM

- 4.4 DCP 179 proposes to amend the name of the LV Generation NHH tariff to cater for aggregated settlement of generation sites. The calculation of this tariff and its structure will remain unchanged and the tariff will be renamed as:

- LV Generation NHH or Aggregate HH

Amendment to the application of tariffs to customer groups in the CDCM

- 4.5 DCP 179 proposes to amend DCUSA to change the rules governing which tariffs are available for different customer groups. The principle that will be applied is that the tariffs available to customers will depend on the type of metering installed at the customers site (CT metering or WC metering).
- 4.6 The tariffs for customers with CT metering installed will consist of three unit rates, fixed, capacity and reactive charges. The tariffs for domestic customers and non-domestic customers with WC metering installed will consist of one, two or three unit rates and a fixed charge.
- 4.7 Where a domestic customer has CT metering installed, these customers will be able to choose whether they are settled in aggregate (tariff will consist of one, two or three unit rates and a fixed charge) or site specific (tariff will consist of three unit rates, fixed, capacity and reactive charges).
- 4.8 It should be noted that that in most cases, customers can remain on their existing tariffs and it is expected that Suppliers will migrate the customers to the applicable tariffs over time. This is discussed in more detail within Sections 11 and 13 below.

Introduction of aggregated billing for WC customers who are settled HH

- 4.9 DCP 179 proposes to amend DCUSA to allow for HH aggregated billing for customers with WC metering that are settled HH. Site specific billing will only be available for customers with CT metering. Domestic customers with CT metering will be able to select whether they are settled in aggregate or on a site specific basis.

4.10 To enable this to be achieved the Working Group believe that two new Measurement Classes are required. As a consequence of this, Modification P300 was raised with the BSC.

4.11 Additional information is contained within the specification document provided as Attachment 4.

5 INTERACTION WITH OTHER INDUSTRY CHANGES

5.1 DCP 179 was developed by the DCMF MIG subgroup that was set up to look at anomalies between HH and NHH pricing within the CDCM. This subgroup also identified a number of other 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 in addition to DCP 179:

- DCP 130 - Remove the discrepancy between Non Half Hourly (NHH) and Half Hourly (HH) Un-metered Supplies (UMS) tariffs
- DCP 160 - Non-Half Hourly (NHH) Notional Capacity
- DCP 165 - Voltage Level Approach to Unit Charges in the CDCM

5.2 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.

5.3 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.

- 5.4 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, and sought approval from the DCUSA Panel, to implement the new aggregated tariffs as specified in the original intent of DCP 179. This approval was granted on 21 May 2014. CPs 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 5 and Attachment 6.
- 5.5 As indicated earlier, it has also been identified that DCP 179 interacts with two currently on going 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 where advanced meters are installed; 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 HH-settled customers as a consequence of this Change Proposal.
- 5.6 DCP 179 is dependent upon P300 being implemented, as this CP introduces new HH aggregated tariffs that will require new Measurement Classes in the BSC. The new Measurement Classes will facilitate the use of aggregated data for customers currently on PCs 1 to 8 based or whether they are CT metered or not. New Measurement Classes are needed for the efficient implementation of DCP 179, as this will allow differentiation between the customer types.
- 5.7 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.
- 5.8 DCP 179 is also related to the rejected BSC change [P280 'Introduction of new Measurement Classes'](#). This change sought to introduce new Measurement Classes for HH-settled customers in the Domestic and SME markets, and to require that Distributors

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

be provided with aggregated HH consumption data for Metering Systems registered to those new Measurement Classes. This CP was rejected by Ofgem in November 2012, with Ofgem stating that:

“The P280 proposal alone does not facilitate any change to the way sites will be settled and charged for UoS. A change to the UoS charging methodology is required in order for any benefits to be realised. Until we are able to make an assessment of the most appropriate UoS charging structure for sites with demand below 100kW that wish to be settled HH, we do not consider we can approve this modification. This is because it is not certain whether the P280 proposed change will be required if a different approach is taken in developing the UoS charging methodology. Approving the P280 proposal may therefore result in wasted costs to the industry.”

- 5.9 P300 was raised based on P280. Ofgem rejected P280 because there was no charging methodology that it could be measured against. It is anticipated that developing and submitting DCP 179 and P300 together would overcome the objection raised by Ofgem when rejecting P280. DCP179 has developed the proposed solution from a DUoS perspective and the P300 Working Group has reflected the requirements of DCP179 in their solution.

6 THE DCP 179 WORKING GROUP

- 6.1 The DCUSA Panel established a Working Group to assess DCP 179. The group consists of Distributor, Supplier and Ofgem representatives. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.

7 CONSULTATION ONE

- 7.1 The Working Group carried out a consultation to give DCUSA Parties and other interested organisations an opportunity to review and comment on DCP 179.
- 7.2 There were sixteen responses received, each of which were reviewed and discussed by the Working Group. The following section provides an overview of the response received. The full consultation responses, along with the Working Group’s comments and the consultation document can be found in Attachment 7.

Question 1 - Do you understand the intent of the CP?

- 7.3 The Working Group noted that fifteen of the sixteen respondents understood the intent of the CP. One respondent explained that they would appreciate clarity on the intent of the CP, accordingly the Working Group agreed to ensure that this Change Report is clear on the intent.

Question 2 - Are you supportive of the principles established by this proposal?

- 7.4 The Working Group noted that all respondents were supportive of the principles of the proposal, however, four of the sixteen respondents did express concerns with the proposed solution.
- 7.5 Two respondents expressed concerns around the introduction of the new CT/WC metering boundary; with one cautioning that care needs to be taken to make sure this change is fully understood and the other suggesting that such a boundary should be by reference to the size of the customer as measured by their demand.
- 7.6 A Supplier respondent stated that they are not supportive of the attempt by DNO's to alter central settlement systems to satisfy their own billing requirements. In response, the Working Group noted that new Measurement Classes will need to be introduced for the efficient implementation of DCP 179, as this will allow differentiation between the customer types.
- 7.7 Another respondent expressed concern about the impact on low load factor customers in PCs 5 & 6 who may see an increase in distribution costs under DCP 179. The Working Group acknowledged that there will be some impact on customers, however, the HH and NHH tariffs have been aligned to try and minimise this impact. Ultimately, the charges that result will be more cost reflective toward customers over time.

Question 3- Do you have any comments on the proposed legal text?

- 7.8 A number of respondents provided comments on the legal text and the Working Group agreed to update the text accordingly. More detail on these comments can be found in Attachment 7.
- 7.9 Taking into account the comments received, the DCP 179 Working Group updated the DCP 179 legal text in the following areas:

- Comments referring to option 2 in P300 were removed as this is no longer being progressed;
- Para 19.5 in section 2A amended;
- Para 20 in section 2A amended;
- Table formatting tidied up;
- Para 131(a) moved to para 132(a);
- Paragraph 135(a) amended to refer to HH settled customers rather than HH metered customers and to state that the clause is only applicable when the new measurement classes become available, plus a number of other minor amendments;
- Table after para 135(a) amended to show metering type;
- Para 140(c) wording amended;
- Para 142 amended to include reference to 'LV generation aggregate HH';
- Table 9 amended to indicate that there is no reactive charge for LV generation NHH or aggregate HH;
- Changes to schedules 17 & 18 to refer to new version of the EDCM model.

Question 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?

7.10 The Working Group noted that all respondents agreed with this principle, except for two that chose not to comment.

Question 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?**

7.11 The following table provides an overview of which respondents identified that system changes would be needed to implement P300.

| Respondent Type | Are system changes needed? | | | |
|------------------|----------------------------|----|---------------------------------|-------|
| | Yes | No | No, but will be needed for P300 | Total |
| DNO | 2 | 2 | 2 | 6 |
| Supplier | 5 | 0 | 3 | 8 |
| Other/ Anonymous | 1 | 0 | 1 | 2 |
| Total | 8 | 2 | 6 | 16 |

- 7.12 The Working Group noted that the majority of respondents identified that system amendments would be required; however, several of the respondents stated that these would be needed for BSC Change P300 rather than DCP 179. The Working Group acknowledged that DCP179 requires the implementation of P300 as part of its solution.
- 7.13 The Working Group acknowledged that there will be costs associated with the implementation of DCP179 and BSC Change P300. It was observed that Great Britain is investing a significant amount of resources to bring about Smart Metering, and DCP 179 will enable Time of Use tariffs to be applied to these meters; this should be of benefit to consumers.

Question 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?

- 7.14 The Working Group noted that the majority of respondents were supportive of the proposed structure of the tariffs, as shown in the following table:

| Respondent Type | Any comments on the tariff structure? | | |
|-------------------------|---------------------------------------|-----------|-----------|
| | Yes | No | Total |
| DNO | 1 | 5 | 6 |
| Supplier | 4 | 4 | 8 |
| Other/ Anonymous | 0 | 2 | 2 |
| Total | 5 | 11 | 16 |

- 7.15 Of those respondents that did have comments on the tariff structure, one voiced concerns that DCP 179 could signal volatility in charging and asked that this be monitored in subsequent years. The Working Group discussed this comment and noted that the NHH and HH tariffs have been aligned to introduce new tariffs without significant volatility. The DNOs are obliged to have an annual review of the CDCM through the DCMF, and any excess volatility, if it becomes an issue through this or any other change can be picked up through that process.
- 7.16 Another respondent noted that it is the intention to calculate the new HH Aggregated tariffs based on the old NHH Unrestricted tariffs. The respondent suggested that the Working Group should consider at what point it will be appropriate to realign this to calculate the NHH Unrestricted tariffs based on the HH Aggregated tariffs. The Working

Group noted that this change will be needed in the future, but is out of scope for DCP 179.

- 7.17 One respondent explained that it is their belief that it is not viable for domestic customers to have their own capacity; moreover this is something that is specific to the HH market. Some PC5-8 Customers still have capacities and how these will be dealt with in the future needs to be considered; including ensuring suppliers are made aware of the capacity (before and whilst they are supplier). In response to this comment, the Working Group acknowledged that there may be some WC customers with an agreed capacity, under this CP they will not receive a capacity charge; therefore it does not impact upon this CP. It was noted that currently there are WC customers with an agreed capacity who are on a NHH tariff without a capacity charge.
- 7.18 This respondent also asked whether the current process for updating suppliers on capacity changes is still fit for purpose given that this change would increase the numbers. The Working Group acknowledged that this is a potential issue and noted it has been raised within the DCMF MIG. The conclusion of the MIG was that this was an MRA issue and should be progressed via that route.
- 7.19 Another respondent stated that it would be inappropriate to charge NHH customers a capacity charge where there is not a connection agreement with the DNO stating the customers agreed capacity. The Working Group discussed this comment and noted that all CT customers will be subject to either the national terms of connection or a bilateral agreement with their DNO. The Working Group identified that DNOs have an obligation under 12.3 of Schedule 2B of DCUSA to provide a capacity value to all CT customers who request it. The DNOs agreed to adopt a common approach in deriving the capacity values where one is not held and this approach is detailed in section 11.16 below.
- 7.20 The Working Group also asked the DCMF MIG to consider what capacity data could be provided to Suppliers to assist in the transition to the new tariffs. The DCMF MIG discussed this at its July 2014 meeting and a request for information has been issued to DNOs to collate data on how many customers have a MIC and to extract the MIC value. One member of the MIG is also looking at getting the capacity data loaded onto

ECOES/MPRS where it's available. However it is expected that this could take up to 12 months and will be subject to the approval of parties under another code.

Question 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?

7.21 The Working Group noted that the overall majority of respondents supported this change.

Question 8 - Do you believe that Whole Current and CT is the appropriate boundary for HH site specific settlement and HH aggregated settlement?

7.22 The Working Group noted that the majority of respondents were supportive of the proposed boundary. The following table provides a summary of the responses to this question by respondent type.

| Respondent Type | Is whole current/CT the appropriate boundary? | | | | |
|-------------------------|---|----------|----------|------------|-----------|
| | Yes | No | Unsure | No Comment | Total |
| DNO | 6 | 0 | 0 | 0 | 6 |
| Supplier | 2 | 3 | 2 | 1 | 8 |
| Other/ Anonymous | 1 | 0 | 1 | 0 | 2 |
| Total | 9 | 3 | 3 | 1 | 16 |

7.23 Nine respondents to this question supported the proposed boundary.

7.24 Of the three respondents that were unsure, one asked what alternatives there were. Another stated that they understand the reasons behind the decision but are not convinced it is easy for a supplier to identify which category a customer fits into. The Working Group noted that for existing sites which are not registered to the Supplier, the metering type will be identified by the LLFC. For new sites the data will be available from the Meter Operator or the D0150 data flow. As a transitional arrangement to assist during the implementation of this CP, the Working Group recommends that DNOs issue a list of MPANs with CT metering installed to all Suppliers.

7.25 Another respondent stated that whilst they believe this is a good boundary for the purpose of determining distribution prices, there is a concern that not all metering has been correctly identified as either WC or CT. The proposal would also require the DNO's to have a MIC value assigned to each of these CT metering points, to enable the correct

- site specific DUoS billing. The Working Group noted that these issues had been addressed in updates made to the legal text.
- 7.26 There were three respondents that did not agree that WC and CT metering is the appropriate boundary for HH site specific settlement and HH aggregated settlement. One of these respondents explained that they were concerned that industry will need to liaise with around 20,000 CT metered customers that are currently on a non-domestic LV tariff that will, under P272 migrate to a half-hourly tariff, and thus a new supply capacity will need to be agreed. It was also noted that although these tariffs are due to come into place from April 2015, customers will not automatically be migrated and Suppliers will manage the migration, notwithstanding any obligations that may arise from P272.
- 7.27 Another respondent suggested that a domestic and non-domestic customer split may be more appropriate for aggregated and site-specific settlement. The respondent also stated that they would like the option to receive a HH site-specific bill for all of their MPANs. The Working Group discussed this suggestion and noted that there would be data protection issues around access to HH data for some WC customers. In addition, DNOs systems would not be capable of dealing with that number of customers.
- 7.28 This respondent also raised a concern that Suppliers may not know the prospective customers metering (WC or CT) prior to taking over supply. The Working Group discussed this point and as a transitional arrangement to assist during the implementation of this DCP 179, the Working Group recommends that DNOs issue a list of MPANs with CT metering installed to all Suppliers.
- 7.29 The final respondent to disagree with the proposed boundary suggested that instead the boundary should be by reference to the size of the customer as measured by their demand, with potentially a 100kW threshold as now.
- 7.30 The Working Group noted that the appropriate boundary between site specific and aggregated settlement has been discussed at length within the Working Group and within the MIG sub-group that initiated the change proposal. It is the view of the

Working Group that the following benefits will be achieved by setting the boundary based on the type of metering installed:

- This will be a clear, transparent and unambiguous boundary.
- Customers will not be able to move between aggregated and site specific settlement year on year.
- This boundary enables a different tariff structure to be used for WC and CT metered customers.
- CT Customers will be charged a capacity and exceeded capacity charge. This is only appropriate for CT customers as DNOs are obliged to agree such a capacity of connection with the customer under the national terms of connection.

7.31 The Working Group acknowledged that there may be CT metered customers with very low consumption and capacity requirements. However, these customers will pick up a lower capacity charge as a result and the charge will be cost reflective. These customers will also have the option of increasing their capacity beyond that of a WC metered customer as the CT metering installed will allow greater consumption if the requirements of the site increase in the future. It is recognised that charging a capacity element is a cost reflective way of charging customers, but it is not practical or efficient to maintain capacity values and undertake site specific billing for all customers.

Question 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?

7.32 The Working Group noted that ten of the respondents had no objection to the proposal that WC customers currently on the LV HH metered tariff should automatically migrate to the new LV non-domestic, non-CT tariff. The remaining six respondents did not agree with this proposal.

7.33 One of the respondents that did not agree suggested that it is not just about changing the customer's tariff, there will also be a need to change the Measurement Class which is facilitated through MPRS which in turn updates the Data aggregator and changes are reflected in DUoS. In the view of the respondent this cannot be successfully done automatically and will need to be driven by the supplier and they will have to undertake

the change of Measurement Class process to insure all industry parties/systems are kept in step. The Working Group discussed this comment and noted that P300 would be what facilitates that these customers migrate and it is for that Working Group to manage the process of this migration to allow Suppliers appropriate timescales to complete the process. The Working Group confirmed that Suppliers will drive the change of Measurement Class, not DNOs.

7.34 Another respondent explained that as a Supplier they have contracts with the customer that can be up to three years in duration, therefore they would be opposed to the idea of automatic migration.

7.35 One respondent suggested that customers currently on Measurement Class E have made a conscious decision to be metered HH and implicitly accept the structure of charges currently in place. The migration of customers currently on WC to the new LV non-domestic, non-CT tariff will have an impact which has not been modelled on fact, but rather by illustrative customer types.

7.36 Another respondent explained that they were not in favour of the proposal as there are about 21,000 customers in this category, some of whom will have been classified as HH for up to 20 years. The respondent explained that it is difficult to see why these customers should be subject to a price change when they are not involved in the Smart Meter/AMR process.

7.37 One respondent suggested that there would be merit in maintaining an option for customers who are <100kW to choose whether they want to be billed on a site specific or aggregated basis.

Question 10 - Are there any unintended consequences of this proposal?

7.38 Eight of the sixteen respondents did not identify any unintended consequences.

7.39 One respondent explained that they feel there is a risk that cost reflectivity may unavoidably be sacrificed as a consequence of change. There is also a fear that price signals are incompatible with using a profile based average. The Working Group discussed this comment and acknowledged that there will be some impact on customers, however,

the HH and NHH tariffs have been aligned to try and minimise this impact. Ultimately, the charges that result will be more cost reflective toward customers over time.

- 7.40 Another respondent suggested that there is a potential customer service impact where existing NHH CT customers migrate to a tariff with capacity charges and potentially have no agreed capacity. The Working Group identified that DNOs have an obligation under 12.3 of Schedule 2B of DCUSA to provide a capacity value to all CT customers. A common approach to deeming capacity values has been documented in section 11.16.
- 7.41 One respondent expressed concerns that there will be increased volatility or uncertainty in DUoS costs for Suppliers, as the potential over/under recovery of allowed revenue of DNOs could be significant. The Working Group discussed this comment and it is the view of the group that DCP 179 does not increase volatility. There will be no one-off step change in DUoS tariffs as there will be no customers on the new tariffs initially. The Group noted that DNOs keep the charging methodology under review through the annual review and if volatility becomes an issue this can be raised through this process. It was also observed that through RIIO any under/over recover will be recovered two years later and this will therefore make volatility more predictable.
- 7.42 One respondent noted that it is possible that DCPs 137³, 133⁴, 169⁵, DCP178⁶, and 185⁷ could go live on 1st April 2015. Additionally, it is also possible that DCP123⁸ will go live on 1st April 2016. Individually, each of these will impact on the CDCM tariffs. The respondent highlighted that the impact of these other DCPs on DCP 179 might be expected to have minimal impact but this has not been modelled or proven. The Working Group noted that there may be an interaction with other DCPs but each DCP must be considered on its own merits.
- 7.43 Another respondent explained that there is a risk to Suppliers acquiring customers who have moved on to the new HH aggregate tariff, if a Supplier is not able to support the new

³ DCP 137 - Introduction of locational tariffs for the export from HV generators in areas identified as generation dominated.

⁴ DCP 133 - 500 MW network common model for CDCM input

⁵ DCP 169- Seasonal Time of Day (SToD) HH Metered Tariffs in the CDCM

⁶ DCP 178 - Notification period for change to use of system charges

⁷ DCP 185 - LDNO discount on 20% of residual revenue

⁸ DCP 123 – Revenue Matching Methodology Change

Measurement Class. The Supplier may have to move the customer back to a NHH PC. This has a knock-on impact not only to Suppliers but also to the MOP and DC/DA. The respondent further explained that the Supplier's systems may not be able to support the change of Measurement Class and therefore may need to revert it back. The Working Group discussed the respondent's comments and noted that if BSC Change P300 is approved Suppliers would be expected to be able to comply with the change.

- 7.44 One respondent expressed a concern that, combined with P300 the CP would effectively mandate HH settlement of CT metered customers in profile class 3 and 4, which may not be compatible with current licence conditions (i.e. microbusiness) or customer wishes. The Working Group noted that HH settlement of CT metered customers in profile classes 3 and 4 would not be mandated under DCP 179.
- 7.45 Another respondent highlighted that one of the stated purposes of the CP is that there should not be a material difference in DUoS charges as a result of the choice of HH or NHH settlement, however, the range of impacts on 'average' customers migrating from existing PC5-8 to the new Aggregated LV WC tariff is -31% to +12% across the DNOs. With regards to this point, the Working Group acknowledged that there will be some impact on customers as a consequence of aligning the HH and NHH tariffs. Ultimately, the charges that result will be more cost reflective to customers over time.

Question 11- Do you consider that the proposal better facilitates the DCUSA objectives?

- 7.46 Twelve of the respondents to this question agreed that the proposal better facilitates the DCUSA objectives, and four disagreed. Of the respondents that agreed the following table lists the DCUSA Objectives that they specifically mentioned as being better facilitated.

| DCUSA General Objectives | No. Of Respondents that agree it is better facilitated | DCUSA Charging Objectives | No. Of Respondents that agree it is better facilitated |
|---------------------------------|---|----------------------------------|---|
| Objective 1 | 7 | Objective 1 | 0 |
| Objective 2 | 9 | Objective 2 | 7 |
| Objective 3 | 4 | Objective 3 | 7 |
| Objective 4 | 1 | Objective 4 | 6 |
| Objective 5 | 0 | Objective 5 | 0 |

- 7.47 Of the four respondents that did not agree that the DCUSA Objectives were better facilitated, one suggested that in their view the cost to their company would outweigh the benefits they may receive from the CP thus General Objective One is not better facilitated. The Working Group discussed this comment and noted that the benefit of the CP is that time of day tariffs will be available for all customers. This is a significant benefit in that it will give customers a price incentive to consume at the time of day that will benefit networks and potentially to shift load from times where there is a constraint on the network thereby contributing to a more efficient network.
- 7.48 Another respondent suggested that it is difficult to understand how the CP is justified against the relevant objectives, as the benefits of the proposal are conditional upon the implementation of BSC Modification P300 and to a lesser extent P272. In response to this comment the Working Group noted that Ofgem will be considering DCP 179 alongside P300.
- 7.49 One respondent suggested that the CP could be considered as going against Charging Methodology Objective 2, as it could prevent competition in that there is a risk to suppliers acquiring customers who have moved on to the new HH aggregate tariff, if a Supplier is not able to support the new Measurement Class. The Working Group observed that this relates to the respondent's system concerns. The Working Group noted that under P300 Suppliers would be required to have the systems in place to accommodate the new Measurement Classes. The respondent further clarified that for Profile Classes 1 to 4 it is not mandatory to support HH settlement, therefore, if a HH Profile Class 1 to 4 customer from another Supplier would like to move to the respondent they would not be capable of supplying them as their systems are not ready for this, thus affecting competition. The Working Group discussed this area and noted

that Suppliers can make a decision as to whether or not they wish to update their systems. Customers can also move back to a NHH Measurement Class.

- 7.50 Another respondent suggested that with regards to Charging Objective Two, the DCP 179 consultation document states that the differential between NHH and HH tariffs has been removed, however, the consultation document does not demonstrate this and in fact shows that for PC5-8 customers there is a significant differential between NHH and HH tariffs. The Working Group discussed this comment and acknowledged that there may be some reduction in cost reflectivity for PC 5 to 8 WC metered customers, as their tariff has been set to match the NHH PC 3 and 4 customers' tariff. However, it is recognised that if P272 is implemented all PC 5 to 8 customers will be settled HH. The Working Group noted that the discrepancy between HH and NHH tariffs has been removed for PC 3 and 4 but PC 5 to 8 may experience some reduction in cost reflectivity during the migration period of everyone moving to HH settlement.
- 7.51 With regards to Charging Objective Three, the respondent highlighted that there will be an additional correction factor applied to the HH aggregated tariffs which introduces an inconsistency between NHH and HH. The Working Group noted that this is an interim measure of up to six years and is being monitored by the DCMF MIG.
- 7.52 With regards to Charging Objective Four, the respondent suggested that there is a subset of customers for which greater price barriers could be created by DCP 179. In response the Working Group noted that this is an interim measure of up to six years while SMART metering is installed and in the enduring solution these barriers will be removed.

Question 12 - Are there any alternative solutions or matters that should be considered?

- 7.53 Seven of the respondents to this question did not identify any alternative solutions or matters.
- 7.54 One respondent stated that they considered whether to mandate the use of these tariffs, but felt it prudent to await the outcome of the Ofgem led settlement reform review associated with PC1-4 customers that is currently underway.

- 7.55 Another respondent noted that they are aware that the Working Group has gone to significant effort to look at more wide reaching changes, and we would like to see this work built upon over the coming months to look at more long term changes. In response, the Working Group noted that these areas will be looked at under DCP 165⁹.
- 7.56 One respondent stated that it is questionable how the DCP 179 changes would be reflected in the CDCM Pricing Modelling, in relation to DNO's allowed revenue recoveries per financial year. It was suggested that it may be more difficult to forecast volumes under DCP 179 which may make it more difficult to forecast the under/over recovery positions. In response, the Working Group noted that DNOs keep the charging methodology under review through the annual review and if volatility becomes an issue this can be raised through this process. It was also observed that through RIIO any under/over recover will be recovered two years later and this will therefore make volatility more predictable.
- 7.57 One respondent noted that a P300 working group member has suggested that there should be a separate tariff / Measurement Class for non-domestic CT metered customers for aggregated billing and suggested that DCP 179 Working Group may need to consider the impact of this on the CP. The Working Group noted that the proposed introduction of Measurement Class H is being monitored by the DCMF MIG, and an additional Change Proposal will be raised if needed.
- 7.58 Another respondent explained that DCP179 was instigated to support the implementation of P272 which impacts PC 5-8 customers, extending it to include PC 1-4 causes huge issues for suppliers and other industry parties over a much larger number of customers. Restricting this CP to only PC5-8 customers would mean that the impact to participants and customers would be much smaller and more controlled. In response, the Working Group noted that the CP does not mandate that any customers are moved.
- 7.59 Another respondent noted that DCUSA change DCP 123 (if approved) will change the balance between peak and off peak distribution prices. Peak prices will be reduced, and off peak prices will be increased. This may affect the business case behind the use of

⁹ DCP 165 - Voltage Level Approach to Unit Charges in the CDCM

smart/AMR meters. The Working Group noted that DCP 123 is a separate CP and all DCUSA changes must be assessed on their own merit.

- 7.60 This respondent also stated that they would like to see an analysis of the price impact on PC 5-8 customers with CT meters, as they account for the majority of customers affected by this change. The Working Group observed that the DCP 179 consultation did not include price impact analysis on PC 5 to 8 customers because the tariff for these customers will not change under DCP 179, and thus they will not be impacted by the CP.
- 7.61 One respondent reiterated their view that domestic and non-domestic customer split may be more appropriate for aggregated and site-specific DUoS settlement. In response the Working Group noted that there are data protection issues of access to HH data for WC customers plus DNO's billing system may not be able to cope with the number of site-specific billed customers.
- 7.62 Another respondent reiterated their view that it should remain optional for sites <100kW to have an aggregated HH tariff regardless of whether they are WC or CT metered. The Working Group noted that the current boundary had been discussed at length within the industry.

Question 13 - The proposed implementation is date 1 April 2015, do you agree with this proposed date?

7.63 The following table summarises the responses to this question.

| Respondent Type | Do you agree with the proposed implementation date of April 2015? | | | |
|-------------------------|---|----------|--------------------|-----------|
| | Yes | No | Unsure/ No Comment | Total |
| DNO | 5 | 1 | 0 | 6 |
| Supplier | 3 | 3 | 2 | 8 |
| Other/ Anonymous | 1 | 0 | 1 | 2 |
| Total | 9 | 4 | 3 | 16 |

- 7.64 Of those respondents that disagreed with the proposed implementation date, all suggested that the date should be later.
- 7.65 In response to queries raised by a number of respondents, the Working Group clarified if DCP 179 is implemented on 1 April 2015 the new tariffs will not be available until the new

Measurement Classes are available under the BSC, which at the earliest will be November 2015 but may be April 2016. It was also noted that the Supplier would need to change the customer's Measurement Class for the new tariffs to take effect, thus when they take effect for each customer will be led by the Supplier.

- 7.66 Several respondents also noted the interaction with P300 and suggested that the Working Group consider aligning when these changes are submitted to Ofgem. The Working Group observed that the implementation date for DCP 179 would take into account the planned implementation date of P300.

Question 14 - Please state any other comments or views on the Change Proposal.

- 7.67 Eight consultation respondents responded to this question with comments.
- 7.68 One respondent reiterated that the costs to change their billing system are quite prohibitive as such they will see very little if no benefit as a result of the change.
- 7.69 Another respondent noted that, while DCP 179 may not be implemented until April 2016, they see significant benefit in the DCP 066A (DCUSA Schedule 15) updates between now and implementation regularly showing an indication of the new tariff prices for April 2016. In response, the Working Group It was noted that the DCP066 table (Schedule 15) is being updated within DCUSA as part of DCP 179, as shown in the legal drafting.
- 7.70 One respondent queried how they would distinguish between WC and CT and noted that this could introduce uncertainties depending on the quality of all suppliers' customers' meter technical details. The Working Group noted that this will be addressed through the DCMF MIG by potentially circulating a list of customers.
- 7.71 The respondent also highlighted the need to communicate the change and its impact to existing customers on MD-tariffs whose contracts will need changing. In response, the Working Group observed that it is for Suppliers to manage the contact with their customers, particularly where it relates to a contract change
- 7.72 One respondent suggested that the impact assessment provided in the consultation for existing WC metered customers on the LV HH metered tariff (consultation Attachment 10) is open to misinterpretation as currently presented. It appears to show an average

reduction of 12.8% which is arrived by taking a simple average of a wide range of individual percentage impacts. The respondent also highlighted that the sample of 10 customers would appear to use a relatively small portion of their agreed capacities (58% on average). The respondent suggested that it would be useful to understand how representative this is of the population of Measurement Class E customers as this assumption has an impact on the analysis. The Working Group discussed the respondent's comments and highlighted that the average spare capacity for customers had been derived as part of DCP 160 which showed that on average the MIC is 1.7 times higher than the maximum demand. The Working Group agreed with the respondent that the sample used for the impact analysis looked reasonable in this context.

8 SECOND CONSULTATION

- 8.1 Following the close of the first DCP 179 consultation the Working Group decided to issue a second consultation seeking views on the updates that had been made to the DCP 179 legal text in light of the consultation responses received.
- 8.2 There were 11 responses received to this consultation, each of which were reviewed and discussed by the Working Group. The following section provides an overview of the response received. The full consultation responses, along with the Working Group's comments and the consultation document can be found in Attachment 8.

Question 1 - Do you have any comments on the updated DCP 179 legal text?

- 8.3 Five respondents to this question had no comments on the legal text.
- 8.4 One respondent suggested that the table numbering in the legal text needs to be reviewed. The Working Group discussed this comment and noted that the DCUSA Schedule table numbering needs to be addressed as a housekeeping change, as a number of tables are incorrectly numbered or do not have a number, including tables not amended by DCP 179, and cross references need to be maintained.
- 8.5 Another respondent suggested that clauses 132a and 135a should be amended to reflect that the Supplier as Registrant can register HH sites to Measurement Classes C and E and where this is the case that the tariffs associated with these will be applied from the

DCP179 go live. This would then assist in any transitional period should P272 be approved, so that Suppliers can migrate the majority of NHH PC 5-8 Metering Systems to HH Measurement Class E (or C where this meets the requirements for 100kW) prior to a P272 go live date of 1 April 2016 or later. The Working Group agreed with this suggestion and updated the legal text accordingly.

- 8.6 One respondent suggested that the legal text does not address how a Supplier should charge customers correctly for their DUoS and how Suppliers validate the DUoS bills as we move towards removing the discrepancy between de-linked and not delinked. The Working Group noted that this was a reasonable point based on the legal text as it stood, however, the preferred option under question 2 below would alleviate these concerns.
- 8.7 It was suggested by another respondent that the legal text is potentially confusing with regard to how Domestic customers with a demand greater than 100kW are treated. The Working Group discussed this comment and amended paragraph 132b of the legal text to permit domestic customers to choose from Measurement Classes. This approach will enable customers to opt into Half Hourly settlement, thus addressing concerns around privacy of data as it will be down to customer choice as to whether HH data is utilised.
- 8.8 Another respondent stated that they would have liked to have seen more clarity in the tariff names. The Working Group discussed this comment and it was noted that the majority of Working Group members were comfortable with the tariff names; it was therefore agreed not to make any amendments to them. The group observed that a CP could be raised to amend the tariff names at a future date if desired.

Question 2 - What is your preferred approach for the legal text for paragraph 140c with respect to how the aggregated tariffs should be set up where the DNO utilises a form of de-linking?

- 8.9 The Working Group noted that the majority of respondents to this question supported the alternative approach which had been proposed. Paragraph 140c of the legal text was therefore updated to reflect this approach. The only company that did not support outright this decision indicated that they could support either option.

Question 3 - Are there any unintended consequences of the alternative proposal for paragraph 140c?

8.10 No respondents to this question identified any unintended consequences.

9 WORKING GROUP ASSESSMENT OF DCP 179

9.1 The DCP 179 Working Group discussed the proposal over a number of meetings, taking into account the responses received to the DCP 179 industry consultation. The topics discussed by the Working Group and the group's conclusions are detailed below.

10 BENEFITS OF DCP 179

Summary of benefits

10.1 The Working Group has 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 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"*¹⁰;
- The UK is investing a significant amount of resources to bring about Smart Metering, and DCP 179 will enable Time of Use tariffs to be applied to these meters which will incentivise customer to reduce consumption at times of system peak. It is anticipated that this will result in lower reinforcement costs for DNOs which will benefit all consumers;
- This CP will introduce a stable boundary between site specific and aggregated billing which is asset based and therefore fixed rather than consumption based.
- It will be a simplified tariff structure once all customers have migrated; and

¹⁰ <https://www.ofgem.gov.uk/ofgem-publications/87053/electricitysettlementlaunchstatement.pdf>

- The CP will facilitate BSC modification P272 'Mandatory Half Hourly Settlement for Profile Classes 5-8'.

Removal of Discrepancy between NHH and HH tariffs

- 10.2 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 contain 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.
- 10.3 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.

11 DCP 179 POTENTIAL ISSUES

- 11.1 The Working Group recognises that there are a number of issues with DCP 179. This section provides an overview of the issues identified by the Working Group and the discussions that the group has had in regards to them.

Customer Migration to New Tariffs

- 11.2 An indication of the number of customers on each tariff is provided in Attachment 9 which shows the number of customers that are CT metered and non-CT metered split

down by PC. It should be noted that the figures in this attachment are still being validated by DNOs.

11.3 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.

11.4 The Working Group noted that should P272 be approved Suppliers will be required to migrate some customers to half hourly settlement. The Working Group encourages Suppliers to develop migration strategies in advance of P272 implementation.

Boundary between HH and NHH Settlement

11.5 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 customers with a maximum demand of less than 100kW to elect to be settled either HH or NHH. 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 NHH basis or on an aggregated HH basis. Customers that have CT metering installed will be settled on a site specific HH basis. This is further supported by the fact that an agreed capacity should be agreed between the DNO and the customer for CT metered connections making such connections supportive of HH site specific billing arrangements.

11.6 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

- 11.7 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 16,000 customers (an estimate of customer numbers can be viewed in Attachment 9). 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.
- 11.8 To assist stakeholders assess the impact of this migration, the Working Group undertook an impact analysis which was included within the first consultation. This analysis determined 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 10. This analysis shows that on average WC customers that are migrated will experience an average reduction of 12.8% in their DUoS charge.
- 11.9 One respondent to the first consultation raised a concern that the sample of customers used in the impact analysis was not representative as it only used 10 customers, all of which had a capacity value higher than the maximum demand. The Working Group repeated this analysis with a larger number of customers to determine whether the initial impact analysis was distorted by the small sample size. The second analysis used data from one DNO who extracted data for all their customers on the LV HH metered tariff

with a MIC and MD less than 70kVA to capture a sample that is similar to the WC customers. This equated to 593 customers. This sample of customer was used to determine the impact for each DNO based on their existing tariffs and the tariffs under this change proposal. The result of this analysis is shown in the table below. On average customers received a reduction of 14.6%, which is slightly larger than that reported in the first consultation (12.8% reduction). The full impact analysis is contained within Attachment 11.

| | Average Impact of moving to new tariff | 95% Upper Impact of moving to new tariff | 95% Lower Impact of moving to new tariff |
|---------------|--|--|--|
| ENWL | 6.0% | 38.6% | -68.7% |
| NPG Northeast | 3.4% | 27.0% | -58.2% |
| NPG Yorkshire | -1.0% | 24.0% | -63.0% |
| SPEN - SPD | -18.9% | 9.2% | -75.8% |
| SPEN - SPM | -10.1% | 10.6% | -65.4% |
| SSE-SEPD | -12.3% | 14.4% | -71.3% |
| SSE - SHEPD | -16.2% | 9.0% | -70.1% |
| UKPN - EPN | -30.6% | -1.6% | -81.5% |
| UKPN - LPN | -46.1% | -14.2% | -88.4% |
| UKPN - SPN | -39.8% | -17.1% | -82.7% |
| WPD - EastM | -16.1% | 11.1% | -71.8% |
| WPD - SWales | -3.2% | 19.5% | -61.2% |
| WPD - SWest | 0.7% | 23.4% | -57.9% |
| WPD - WestM | -20.4% | 7.6% | -74.3% |
| Average | -14.6% | 11.5% | -70.7% |

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

11.10 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 HH 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 HH 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.

11.11 The impact analysis is contained in Attachment 12 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 HH 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 Northeast | £1,793 | £2,006 | 11.9% |
| NPG Yorkshire | £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

11.12 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 unit rate and fixed charge would be the same for both tariffs and separating the tariffs could introduce a discrepancy where there currently isn't one.

11.13 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.

LV Sub Generation NHH

11.14 The Working Group recognised that the LV Sub Generation NHH export tariff has not been amended under this CP and remains the only tariff that does not contain an option for aggregated settlement. The Working Group reviewed the customer numbers on this tariff and decided that it was not necessary to amend this tariff due to the low materiality. The number of customers on this tariff across the DNOs is contained in the table below:

| DNO | No. of Customers on LV Sub Generation NHH export tariff |
|----------------------|--|
| ENWL | 0 |
| NPG Northeast | 0 |
| NPG Yorkshire | 0 |
| SPEN - SPD | 3 |
| SPEN - SPM | 23 |
| SSE-SEPD | 733 |
| SSE - SHEPD | 0 |
| UKPN - EPN | 0 |
| UKPN - LPN | 0 |
| UKPN - SPN | 0 |
| WPD - EastM | 0 |
| WPD - SWales | 0 |
| WPD - SWest | 0 |
| WPD - WestM | 0 |

Line Loss Factor Classes for the New Tariffs

11.15 All DNOs have confirmed that, should DCP 179 be implemented, they will use separate Line Loss Factor Classes (LLFCs) for the aggregated tariffs introduced by DCP 179.

Customer Capacity Values

11.16 The Working Group notes that, should DCP 179 be implemented, the current process for updating Suppliers on capacity changes may need to be reviewed as DCP 179 will facilitate P272 which would result in an increase in the number of customers incurring a capacity charge. If P272 is implemented, an additional 70,992 customers will incur a capacity charge across all DNOs (this is the number of CT metered customers currently on PC 5-8 as shown in attachment 9). The DCP 179 Working Group acknowledges this is a potential issue and it has been raised within the DCMF MIG. The conclusion of the MIG was that this was an MRA issue and should be progressed via that route.

11.17 DNOs may not currently hold capacity values for all CT customers, however, under DCP 179 a value will be needed for these customers. DNOs agreed to adopt a common approach in deriving the capacity values where one is not held. This approach is as follows:

- The DNO will set the capacity value to zero initially and the following month will deem the capacity based on the previous month's maximum capacity.
- Until a capacity value is agreed with the customer, the DNO will deem the capacity value to be equal to the year to date maximum capacity (this deemed value will be re-assessed once a month)
- In parallel with the above steps, the DNO will liaise with the customer to establish an agreed Maximum Import Capacity (MIC). (DCUSA Clause 17.10 defines the process for notifying suppliers of a change to the MIC)

11.18 DNOs will undertake this exercise and publish the results via the DCMF MIG subgroup to assist Suppliers and customers in the transitional period while this CP is being implemented.

Cost Reflectivity of Tariffs

11.19 The Working Group discussed the impact that DCP 179 will have on the cost reflectivity of tariffs. One area of concern raised is that there may be a reduction in cost reflectivity for PC 5 to 8 WC metered customers when they move to the new HH tariff. This is because the HH tariff has been set to match the PC 3 and 4 customers' tariff. This issue was debated at length and it was recognised that while there would be some reduction in cost reflectivity due to the HH tariff being derived from the PC 3 and 4 customer group, there would also be an increase in cost reflectivity as the PC 5-8 customers would be moving from a two rate tariff to a three rate tariff.

11.20 The Working Group also noted that over the next 5 years all customers will have HH metering installed and may become settled on a HH basis. Consequently, the concept of PC may become redundant and it is likely that allocating costs to timebands will be the method for setting prices for all customers.

Micro Businesses – Access to Data

11.21 Consultation responses were received by both DCP179 and P300 working groups over the need to consider an aggregated tariff associated with Micro Businesses as a consequence of the new supply licence obligations that came into effect in July 2014. These were discussed in the respective working groups.

11.22 As DCP179 currently stands there is flexibility for the CT metered Micro Business to be settled on a NHH or HH basis. However, if P272 is approved, any customer with an Advanced Meter installed would need to be settled on a HH basis. The issue raised is in relation to CT metered Micro Businesses in PC 3 or 4 moving to a HH site specific tariff with no option to opt out or move to an HH aggregated tariff citing a breach of Supply Licence Condition 47. The Working Group had previously agreed, throughout the progression of this CP, that Domestic customers with CT metering would be billed on an aggregated basis.

11.23 The DCP179 Working Group requested feedback from the Suppliers in the Working Group and Ofgem regarding their interpretation of the Supply Licence regarding this issue.

11.24 The feedback indicated that the legal text within P272, whilst stating that Advanced Meters would be mandated by a defined date, further clarified this by indicating that it

was specific to metering equipment installed in accordance with SLC 12.18 of the Supply Licence. SLC 12.18 requires that an Advanced Meter is installed at relevant premises, defined by SLC 12.17 as a Metering Point that falls within PC 5-8. Since the issue was more to do with PC3-4 Metering Points it is clear that P272 does not mandate HH settlement for this class of customer, and neither does this CP, so site specific billing for Micro Businesses is appropriate in line with other non domestic CT metered customers where the customer decides to be settled on a HH basis.

12 IMPACT OF DCP 179

- 12.1 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 13. It should be noted that there is no revenue impact on existing tariffs.
- 12.2 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 14. Note, this is a hypothetical scenario and is for demonstration purposes only.
- 12.3 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 14.

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

| | |
|---------|-------|
| Minimum | -4.9% |
|---------|-------|

13 TIMELINE

- 13.1 The following is intended to provide a sequence of events assuming that Ofgem approve both P300 and DCP 179.

Current position

| Measurement Class | Definition – the Measurement Class of a metering system e.g. above 100kW, below 100kW or unmetered |
|-------------------|--|
| A | This is selected for all NHH Settled meters |
| B | NHH Unmetered supplies are classified as Measurement Class ‘B’. |
| C | 100kW or above Metering Systems are classified as Measurement Class ‘C’ (unless they are “unmetered” in Class D). |
| D | This is the HH equivalent of Measurement Class ‘B’ |
| E | Measurement Class ‘E’ is for Metering Systems that would fall under the 100kW limit, and therefore would be settled NHH under Measurement Class A, but their Supplier elects to be settled HH. |

- 13.2 The following Measurements Classes apply to all WC and CT metered customers.

| Profile Class | Domestic/ Non-Domestic | M Class NHH settled | M Class Site-specific HH settled | |
|---------------|-------------------------|---------------------|----------------------------------|-----|
| PC1 | Domestic | A | N/A | N/A |
| PC2 | Domestic | A | N/A | N/A |
| PC3 | Non-domestic | A | N/A | N/A |
| PC4 | Non-domestic | A | N/A | N/A |
| PC5 | Non-domestic | A | N/A | N/A |
| PC6 | Non-domestic | A | N/A | N/A |
| PC7 | Non-domestic | A | N/A | N/A |
| PC8 | Non-domestic | A | N/A | N/A |
| PC00 | Domestic / Non-domestic | N/A | C | E |

New position post P300 and DCP 179 approval

- 13.3 Once P300 is approved the new Measurement Classes (F & G) will be available and Suppliers will be able to change the Measurement Class which will drive a change of Line

Loss Factor Class (LLFC) or tariff. This will facilitate the use of aggregate billing for PCs 1-8 that move to HH settlement where whole current metering is installed.

| Measurement Class | Definition – the measurement class of a metering system e.g. above 100kW, below 100kW or unmetered |
|-------------------|---|
| A | This is selected for all NHH Settled meters |
| B | NHH Unmetered supplies are classified as Measurement Class ‘B’. |
| C | 100kW or above Metering Systems are classified as Measurement Class ‘C’ (unless they are “unmetered” in Class D). |
| D | This is the HH equivalent of Measurement Class ‘B’ |
| E | Measurement Class ‘E’ is for Metering Systems that would fall under the 100kW limit, and therefore would be settled NHH under Measurement Class A, but their Supplier elects to be settled HH. This Measurement Class will only apply for CT metered customers following the implementation of DCP179 & P300 |
| F | Half Hourly aggregated metered (domestic) (Note, Measurement Class F will include current transformer (CT) and whole current (WC) metered domestic customers – unless the supplier chooses to settle HH site-specific in which case Measurement Class E or C will apply) |
| G | Half Hourly aggregated metered (non-domestic WC) (Measurement Class E will be used for CT metered non domestic customers under 100kW) |

- 13.4 Once P300 is approved the New Measurement Classes (F & G) will be available and Suppliers will be able to change the Measurement Class which will drive a change of Line Loss Factor Class (LLFC) or tariff.

| Profile Class | Domestic/ Non-Domestic | M Class where NHH settled | M Class where Site-specific HH settled or aggregate HH settled | | | |
|---------------|-------------------------|---------------------------|--|---|-----|-----|
| PC1 | Domestic | A | C | E | F | N/A |
| PC2 | Domestic | A | C | E | F | N/A |
| PC3 | Non-domestic | A | E | G | N/A | N/A |
| PC4 | Non-domestic | A | E | G | N/A | N/A |
| PC5 | Non-domestic | A | C | E | G | N/A |
| PC6 | Non-domestic | A | C | E | G | N/A |
| PC7 | Non-domestic | A | C | E | G | N/A |
| PC8 | Non-domestic | A | C | E | G | N/A |
| PC 00 | Domestic / Non-Domestic | N/A | C | E | F | G |

- 13.5 It has been recognised by the Working Group that there will currently be some legacy situations where either the wrong PC or Measurement Class has been assigned and this will be investigated by DNOs and Suppliers.

New position post P272

- 13.6 It has been recognised that once P300 and DCP 179 are in place most of the migration to new Measurement Classes can be initiated. All NHH CT customers can be moved to Measurement Classes C or E and NHH WC will either remain on NHH (Measurement Class A) or move to aggregated tariffs using Measurement Classes F or G.
- 13.7 If this is done prior to implementation of P272, which will then mandate all PC 5-8 to be settled HH, all that will remain on the NHH PCs 5-8 will be WC customers who have not been moved to either Measurement Classes C or E. These can then be moved to Measurement Class G (only once appropriate metering has been installed).

| Profile Class | Domestic/ Non-Domestic | M Class NHH settled | M Class Site-specific HH settled or aggregate HH settled | | | |
|---------------|----------------------------|---------------------------|---|---|-----|-----|
| PC1 | Domestic | A | C | E | F | N/A |
| PC2 | Domestic | A | C | E | F | N/A |
| PC3 | Non-domestic | A | E | G | N/A | N/A |
| PC4 | Non-domestic | A | E | G | N/A | N/A |
| PC 00 | Domestic / Non-Domestic | N/A | C | E | F | G |

14 TRANSITIONAL INFORMATION

- 14.1 As a transitional arrangement to assist during the implementation of DCP 179, the Working Group recommends that DNOs issue a list of MPANs with CT metering installed to all Suppliers.
- 14.2 The DCMF MIG has also discussed what capacity data could be provided to Suppliers to assist in the transition to the new tariffs. The DCMF MIG has issued a request for information to DNOs to collate data on how many customers have a MIC and to extract the MIC value, there are issues about provision of data and the timing of how this is issued to Suppliers, so more work will need to be carried out to agree the best practice.

- 14.3 There is a requirement under DCUSA 17.10 for DNOs to notify Suppliers of any changes to MIC. One member of the MIG has suggested submitting a change to the MRA, which will investigate options for storing capacity data in MPRS/ECOES once data is available. It is expected that this could take circa 12 months and would be subject to approval by parties.

15 PROPOSED LEGAL TEXT

- 15.1 The draft legal text has been reviewed by the DCUSA Legal Advisor and is provided as Attachment 1.
- 15.2 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.
- 15.3 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.

16 EVALUATION AGAINST THE DCUSA OBJECTIVES

- 16.1 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)

- 16.2 The change proposal better meets Charging Objective Two by reducing the differential between the NHH and HH tariffs and encouraging customers and suppliers to choose the appropriate settlement approach.
- 16.3 One Working Group member does not believe this objective is better facilitated, as they feel that the CP prevents competition in the supply of electricity. The Working Group member feels that system constraints could prevent certain customers from moving between Suppliers.

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

- 16.4 The change proposal better meets Charging Objective Three by ensuring consistency of Use of System charges across NHH and HH 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

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

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

- 16.6 The change proposal better meets General Objective one by removing the differential between NHH and HH 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

- 16.7 The change proposal better meets General Objective two by producing a more transparent pricing structure which enables more efficient and effective settlement.
- 16.8 One Working Group member does not believe this objective is better facilitated, as they feel that the CP prevents competition in the supply of electricity. The Working Group member feels that system constraints could prevent certain customers from moving between Suppliers.

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

- 16.9 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.

17 IMPACT ON GREENHOUSE GAS EMISSIONS

- 17.1 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 179 were implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this Change Proposal.

18 ENGAGEMENT WITH THE AUTHORITY

- 18.1 Ofgem has been fully engaged throughout the development of DCP 179 as a member of the Working Group.

19 IMPLEMENTATION

- 19.1 The proposed implementation date for DCP 179 is 1 April 2015, so that the CP is in place prior to P272 and P300.

- 19.2 The understanding of the DCP 179 Working Group is that the proposed P300 implementation date is November 2015, subject to Ofgem providing a decision in time for 12 months' notice to be provided.
- 19.3 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.
- 19.4 The Working Group has discussed the implementation date and notes that there were two options:
- Implement DCP 179 for 1 April 2015 so that the new tariffs are available before the new Measurement Classes; or
 - Align the implementation dates for DCP 179 and P300, i.e. April 2016
- 19.5 It is the view of the Working Group that implementing the CP for 1 April 2015 is the more logical option as it will provide the new tariffs in advance of the Measurement Classes which will mean that the P300 Working Group is not restricted on when they implement the new Measurement Classes. It also allows P272 to be implemented in a timely manner.

20 PANEL RECOMMENDATION

- 20.1 The Panel approved this Change Report on 20 August 2014. The Panel considered that the Working Group had carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 179.
- 20.2 The timetable for the progression of the Change Proposals is set out below:

| Activity | Target Date |
|---------------------------------------|-------------------|
| Change Report approved by DCUSA Panel | 20 August 2014 |
| Change Report issued for voting | 22 August 2014 |
| Voting closes | 8 September 2014 |
| Change Declaration | 10 September 2014 |
| Authority Decision | 15 October 2014 |
| DCP 179 Implemented | 1 April 2015 |

21 NEXT STEPS

- 21.1 Parties are invited to consider the proposed amendment (Attachment 1) and submit their votes using the Voting form (Attachment 2) to dcusa@electralink.co.uk by **8 September 2014**.
- 21.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA by email to dcusa@electralink.co.uk or telephone 020 7432 2842.

ATTACHMENTS

- Attachment 1– DCP 179 Legal Text
- Attachment 2– Voting Form
- Attachment 3 - DCP 179 CP Form
- Attachment 4 – DCP 179 Specification document
- Attachment 5 – DCP 160 CP Form
- Attachment 6 – DCP 165 CP Form
- Attachment 7 – DCP 179 Consultation One and Collated Responses
- Attachment 8 – DCP 179 Consultation Two and Collated Responses
- Attachment 9 – Number of WC and CT Customers
- Attachment 10 –Impact analysis of migrating customers from LV HH metered tariff to LV non-domestic, not-CT tariff
- Attachment 11 – Further Impact analysis of migrating customers from LV HH metered tariff to LV non-domestic, not-CT tariff
- Attachment 12- Impact analysis of migrating customers from LV medium non-domestic tariff to LV non-domestic, not-CT tariff
- Attachment 13 - DCP 179 Updated CDCM, EDCM and ARP
- Attachment 14 - 50% scenario impact analysis