



## **DCUSA CONSULTATION**

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**DCP 168 – The Administration of Use of System Charges  
Relating to Connections from Embedded Distribution Network  
Operator (EDNO) Systems to Unmetered Supplies (UMS) for  
LA Customers.**

## 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.
- 1.2 Parties to the DCUSA can raise a DCUSA Change Proposal (“DCP”) to amend the Agreement. DCPs should better facilitate the DCUSA General Objectives and/or Charging Objectives of the DCUSA document.
- 1.3 Amendments to DCUSA may only be made with the consent of a majority proportion of Parties to the DCUSA, through a voting process, or (where applicable) the Gas and Electricity Markets Authority.<sup>1</sup>
- 1.4 When a DCP is raised, a Working Group is established to assess and develop the proposal in consultation with industry parties and other interested parties.
- 1.5 This document is a consultation issued in accordance with Clause 11.14 of the DCUSA and seeks industry views on Change Proposal DCP 168 – The Administration of Use of System Charges relating to Connections from Embedded Distribution Network Operator (EDNO) Systems to Unmetered Supplies (UMS) for LA Customers.
- 1.6 The Consultation has been issued to DCUSA Parties, the Distribution Charging Methodologies Forum (DCMF) Distribution List, Ofgem and other Interested Parties.
- 1.7 Parties are invited to consider the Change Proposal detailed in this consultation and submit comments using the form attached as Attachment E to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) by **20 September 2013**.

## 2 INTENT OF DCP 168 – THE ADMINISTRATION OF USE OF SYSTEM CHARGES RELATING TO CONNECTIONS FROM EMBEDDED DISTRIBUTION NETWORK OPERATOR (EDNO) SYSTEMS TO UNMETERED SUPPLIES (UMS) FOR LA CUSTOMERS

- 2.1 DCP 168 has been raised by ESP Electricity Limited and the intent of this proposal is to make the required amendments to the DCUSA that will enable Local Authority (LA) customer’s to trade their unmetered supply connections from licensed embedded networks under the host DNO’s MPAN by creating a single EDNO discount factor for

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

UMS connections regardless of the DNO/EDNO boundary network level.

- 2.2 It is anticipated that changes will be required to the method of calculation of the EDNO discount percentages outlined in Paragraphs 118 to 123 within Schedule 16 of the DCUSA. It may also be necessary to create a new schedule to implement the billing arrangements between the EDNO and DNO for unmetered connections and to modify the National Terms of Connection for unmetered connections (Schedule 2B, section 4) to add a definition for EDNO and change some of the User responsibilities. The Proposer does not envisage that any changes will be required elsewhere in the DCUSA to meet the intent of the change proposal; draft legal text is included in this consultation for each of the options considered to date by the Working Group, however subsequent to the Working Group reviewing the responses to the consultation and depending upon which option is chosen to progress the CP the Working Group will fully develop the legal drafting accordingly.
- 2.3 The proposed changes are expected to deliver improved service to LA customers by simplifying the current administration process for unmetered connections. It is anticipated that the simplification of this process will allow developers to award contracts to EDNOs without the fear of highway adoption issues; this in turn will benefit competition in provision of connections and distribution services to Distribution networks.
- 2.4 The Proposer explains that under the current arrangements Schedule 19 of the DCUSA, entitled Portfolio Billing, sets out the rules for inter-distributor Use of System (UoS) billing where an Embedded Distribution Network Operator (EDNO) is connected to the host DNO and subsequently connects end users to that EDNO's distribution system.
- 2.5 This process requires that end user's MPANs be linked to a Line Loss Factor Class (LLFC) identifier. The LLFC identifier shows the voltage of connection of the EDNO's distribution system to the DNO network (i.e. DNO/EDNO boundary network level) and the network voltage of the EDNO's end user customer. This information is used by the host DNO to determine the relevant discount to the "all the way" UoS tariff that will be applied to the EDNO when the DNO bills the EDNO for the use of its distribution system.
- 2.6 This process works effectively for metered customers as such customers tend to have

a single, or a small number of exit points per MPAN typically confined to a single EDNO network. In the case of UMS connections provided to LAs, exit points are often distributed amongst a wide geographic area containing a number of different EDNO distribution systems. Such a scenario requires that each LA must trade an additional separate MPAN for each EDNO operating in its area. Furthermore, to accommodate inter-distributor billing, the EDNO must also ensure that a separate MPAN is raised for each different DNO/EDNO boundary connection arrangement it has with the DNO that provides UMS connections to the LA. This means that each LA could potentially be required to trade 36 separate MPANS against its portfolio of UMS connections.

- 2.7 The Change Proposer also believes that some Suppliers are levying additional administration charges to LA customers on a per MPAN basis. Furthermore, there is evidence that additional administration charges are levied against LA customers by their nominated Meter Administrators (MA) in respect of each additional MPAN that the meter administrator processes for the LA. This practice has led to LAs refusing to complete highway adoption agreements with developers who opt to make connections to an EDNO network on the grounds of the increased administration costs that the LA could be exposed to due to the unmetered supply administration issues. This distorts competition as developers face additional obstacles in achieving highway adoption when connecting to an EDNO rather than a DNO network.

### **3 DCP 168 – WORKING GROUP CONSIDERATIONS**

- 3.1 The Working Group is comprised of Distributor, IDNO and other interested Parties, as well as Ofgem representation; it is noted that all DCUSA Parties were invited to attend the Working Group.
- 3.2 The Working Group reviewed the proposed options for progression associated with DCP 168, as set out in Attachment C, and agreed that it should be issued for Industry consultation.
- 3.3 The majority of Working Group members are supportive of the general principles of DCP 168.
- 3.4 The Working Group reviewed the CP against the DCUSA General and Charging Objectives and the majority of members agreed that the following objective is better facilitated by the CP:

- **General Objective 1<sup>2</sup>** – Better facilitated – The Working Group agrees that DCP 168 will simplify the process of administration of unmetered supply connections to EDNO network thus better facilitating DCUSA General Objective 1.
- **General Objective 2<sup>3</sup> – Better facilitated** – The Working Group agrees that this change proposal will remove the requirement for LAs to trade multiple MPANs to enable inter-distributor billing. This requirement is often cited by a number of LAs as justification for delaying or refusing to adopt highways that contain connections to street furniture from EDNO networks. This action has the potential to impact on competition in connections and distribution services as developers may be unwilling to jeopardise the completion of their Section 38 adoption agreements with the LA. This could lead to developers awarding new network extension contracts for the host DNO that might otherwise have be awarded to an EDNO. The removal of this increased administration burden on the LA therefore has the potential to facilitate effective competition in connections and distribution services thus better facilitating DCUSA General Objective 2.
- **Charging Objective 2<sup>4</sup>** – Better facilitated – The Working Group agrees that this change proposal will remove the requirement for LAs to trade multiple MPANs to enable inter-distributor billing. This requirement is often cited by a number of LAs as justification for delaying or refusing to adopt highways that contain connections to street furniture from EDNO networks. This action has the potential to impact on competition in connections and distribution services as developers may be unwilling to jeopardise the completion of their Section 38 adoption agreements with the LA. This could lead to developers awarding new network extension contracts for the host DNO that might otherwise have be awarded to an EDNO. The removal of this increased administration burden on the LA therefore has the potential to facilitate effective competition in connections and distribution services thus better facilitating DCUSA Charging Objective number 2.

#### 4 DCP 168 OPTIONS FOR PROGRESSION

4.1 The DCP 168 Working Group have developed different options for consideration in order to progress the DCP 168. The Working Group has reviewed and discussed all of the options and would now like Industry views on how best to proceed.

4.2 List of the options:

- **Option 1 - DNO Combines** - Customer submits inventories to respective DNO & IDNOs. DNO/IDNO validates respective inventories. IDNO passes to DNO who combines validated detailed inventories into single set of data for MPAN

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<sup>2</sup> The development, maintenance and operation by the DNO Parties and EDNO Parties of efficient, co-ordinated, and economical Distribution Networks

<sup>3</sup> 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

<sup>4</sup> 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)

- **Option 2 - MA Combines** - Customer submits inventories to respective DNO & IDNOs. DNO/IDNO validates respective inventories. IDNO & DNO pass to MA who combines summary inventories (and control files) and treats as single MPAN
- **Option 3 - Customer Combines** - Customer submits single detailed inventory to DNO covering all DNO and IDNO connections within the DNO geographic area (equivalent to GSP Group). DNO validates and provides single set of data for MPAN

4.3 The Working Group has prepared a table listing the potential advantages and disadvantages, along with the impact analysis, to the three options and is attached as Appendices C and D.

## 5 PROPOSED LEGAL TEXT

5.1 The DCP 168 proposed legal text for Options 1, 2 and 3 is set out in Attachment B.

5.2 The Working Group has considered changes to the Price Control Disaggregation Model (PCDM) whilst developing the proposed legal text. It is acknowledged that drafting for Schedules 17 and 18 may require modification which will mirror the changes required to Schedule 16.

5.3 Following a review of the proposed legal text by the Working Group after feedback gained from the consultation, it will be issued to the DCUSA legal representative for review.

## 6 PROPOSED IMPLEMENTATION DATE

6.1 The proposed implementation date for DCP 168 is the first release following Authority consent, which for the purposes of this CP will be reflected in the April 2014 charges.

## 7 CONSULTATION

7.1 Parties are asked to consider the intent and impact of DCP 168 and answer the following consultation questions:

1. Do you agree with the intent of DCP 168?
2. Do you agree with the principles of DCP 168?
3. Does the CP better facilitate the DCUSA General Objective 1 and 2? Please provide supporting comments about this and any other DCUSA General Objective you feel that this CP will impact.

4. Does the CP better facilitate the DCUSA Charging Objective 2? Please provide supporting comments about this and any other DCUSA Charging Objective you feel that this CP will impact.
5. The existing Schedule 16 clauses relating to the data collection for the HV split do not specify a time of year when this data should be collected. This CP proposes to introduce a similar obligation on DNO Parties to appoint a nominated collection agent to collect data on an annual basis to determine the weighted LDNO Discount for UMS connections. Do you believe it is necessary to specify a date for the provision of this data each year and if so which date would be your preference?
6. Do you agree with the approach as set out for Option 1? Provide supporting comments.
7. Do you agree with the approach as set out for Option 2? Provide supporting comments.
8. Do you agree with the approach as set out for Option 3? Provide supporting comments.
9. Do you have any comments on the proposed legal drafting of DCP 168?
10. Do you agree that the analysis carried out by the Working Group to test the sensitivity of ignoring the CMS data when splitting any DUoS recovered by the DNO from EDNO customers shows that the errors created are negligible when compared against the value of inter-distributor DUoS monthly transactions; and therefore would not merit the additional costs that would be incurred in trying to disaggregate the CMS data files between the DNO and EDNO connections. This analysis can be seen in Attachment D of the consultation.
11. Do you agree with the implementation date of the first release following Authority consent which for the purposes of DCP 168 will be reflected in April 2014 charges?
12. Do you have any comments on the impact of the proposal on settlement volumes for EDNO UMS being introduced to and included in DNO DUoS Billing, and how these will be accounted for and corrected within DNO Revenue calculations and reporting mechanisms?
13. Are you aware of any wider industry developments that may impact upon or be impacted by this CP? If so, please give details, and comment on whether the benefit of the change may outweigh the potential impact and whether the duration of the change is likely to be limited.

14. Are there any alternative solutions or matters that should be considered by the Working Group?

7.2 The Consultation response form (Attachment E) should be submitted to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than **20 September 2013**. Parties are asked to provide as much relevant detail as possible to enable the Working Group to understand the comments and the reasons behind them.

7.3 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.

## **8 NEXT STEPS**

8.1 Following the end of the consultation period the Working Group will meet to review and consider the responses. The DCP 168 Working Group will submit its final report setting out the proposed variations to DCUSA Panel before the CP is issued to all DCUSA Parties for voting.

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

## **9 APPENDICES**

- Attachment A – DCP 168 ‘The Administration of Use of System charges Relating to Connections from Embedded Distribution Network Operator (EDNO) Systems to Unmetered Supplies (UMS) for LA Customers’
- Attachment B – DCP 168 Proposed Legal Text
- Attachment C – DCP 168 Options for Progression
- Attachment D – DCP 168 Impact Analysis
- Attachment E – Response Form