



Making a positive difference
for energy consumers

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Dear Kevin,

Consultation regarding proposal to defer implementation of DCP161

The Common Distribution Charging Methodology currently allows discounts for customer contributions towards reinforcement work that are made at the time of connection. These discounts are applied to both capacity charges (charges for contracted capacity levels) and excess capacity charges (charges for using more than contracted capacity). This means that the discount is currently applied in circumstances in which customers have not made a capital contribution towards reinforcement costs beyond their contracted capacities. We consider that the removal of this excess capacity charge discount results in charges that are more cost reflective and, on 15 October 2014, approved DCP161. The modification to remove the discount for customer contributions from excess capacity charges is to be implemented from 1 April 2016.

We have since approved a number of other industry code modifications, which may be impacted by the DCP161 modification. In particular, an amendment to the Balancing and Settlement Code (P272) requires all 'current transformer' (CT) metered customers in profile classes 5-8 to move to half hourly (HH) settlement. These customers will also move to HH distribution use of system charges, which include separate capacity charges based on the customer's agreed maximum import capacity (MIC).

Not all customers affected by P272 have agreed MICs. While DNOs are using a range of sources, including maximum demand data, to identify MIC values, they may not be able to do so for all customers. Where no agreed MIC exists, the DNOs propose to use default values. DCUSA parties have expressed concern that, if DCP161 is implemented from 1 April 2016, these customers could also incur excess capacity charges for exceeding their assigned MIC, which may be a default value and could be very different from their actual capacity requirements.

Western Power Distribution (WPD) has written to us under Clause 14.8 of DCUSA, asking that we amend the implementation date of DCP161 to 1 April 2018. WPD believes that deferring implementation will give parties access to more accurate HH consumption data to determine correct MIC values.

We have considered the issues raised by WPD and which have also been raised by other industry parties. We recognise that amending the implementation date for DCP161 will also delay the impact of the change on other customers who may exceed their agreed MIC values. However, we consider that on balance it is appropriate to delay implementation to avoid imposing excess capacity charges on those customers who are in the processes of agreeing MICs. We are therefore minded to direct that the implementation date for DCP161 be changed to 1 April 2018.

Clause 14.8 stipulates that ahead of making a change to the implementation date we should consult with the Panel. We welcome the Panel's views on the issues identified above in respect of the current implementation date and whether you support our minded to position. In order to provide the maximum amount of notice to parties, we would be grateful if you could respond by 16 September 2015.

If you have any questions, please contact Keith Burwell on 0141 341 3967 or at Keith.Burwell@ofgem.gov.uk.

Regards,

Iain Morgan
Senior Regulatory Economist and lead, electricity distribution charges