

## DCUSA Change Proposal Form

This form is issued in accordance with Clause 10.5 of the DCUSA.

Completed forms should be returned to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) for assessment by the DCUSA Panel. Failure to complete all parts of the form may result in it being rejected by the DCUSA Panel.

- PART A – Mandatory for all Change Proposals
- PART B – Mandatory for Non Charging Methodologies Proposals
- PART C – Mandatory for Charging Methodologies Proposals
- PART D – Guidance Notes

### PART A - MANDATORY FOR ALL CHANGE PROPOSALS

Document Control	
CP Status	Standard
CP Number	[Assigned by the Panel Secretary]
Date of submission	6 Feb 2013
Attachments	
Originator Details	
Company Name	Electricity North West
Originator Name	Andrew Pace
Category	DG / DNO / IDNO / OTSO / SUPPLIER / OTHER
Email Address	<a href="mailto:Andrew.pace@enwl.co.uk">Andrew.pace@enwl.co.uk</a>
Phone Number	+44 (0) 1925 846855
Change Proposal Details	
CP Title	Excess Capacity Charges
Impacted parties	Suppliers, DNOs and IDNOs
Impacted Clause(s)	Schedule 16, 17 and 18
Part 1 / Part 2 Matter	Part 1
Related Change Proposals	
Change Proposal Intent	
<p>To improve the cost reflectivity of the excess capacity charge calculation within the CDCM and EDCM by removing the customer contributions and adding in any additional costs that should be attributed to this charge. Also, to consider applying the excess capacity charge on either a monthly, seasonal or time of day basis.</p>	
Business Justification and Market Benefits	
<p>Within the CDCM and EDCM, excess capacity is currently charged at the same rate as the agreed Maximum Import Capacity (MIC) specified within the connection agreement. In addition, when a customer breaches their MIC, they are only charged for the month within which the breach occurs. This is not cost reflective for the following reasons:</p> <ul style="list-style-type: none"> <li>The existing capacity charge is discounted to allow for the amount that customers have paid towards the cost of reinforcing the network at the time of connection. Using the existing capacity charge for excess capacity means that this discount is also applied to the excess capacity charge when no customer contributions have been made.</li> <li>The excess capacity charge is applied to the month in which the breach occurs. The existing</li> </ul>	

capacity rate is intended to be charged and recovered equally for the full year, so the effective excess capacity rate across a full charging year will be less than the rate paid for the existing capacity (except where the MIC is breached by the same amount in every month of the year).

Changing the CDCM/EDCM to calculate a cost reflective excess capacity charge will align the incentives on customers to manage their capacity with the costs incurred by Distributors. This will remove the incentive upon customers to avoid contracting for the capacity they require and place a stronger incentive on customers to manage their capacity more effectively where they wish to avoid elevated capacity charges and should generally cause a reduction in the need for reinforcement to the benefit of all customers.

### **Proposed Solution and Draft Legal Text**

To calculate the excess capacity charge based upon the current capacity charge excluding customer contributions, along with any other elements as deemed appropriate.

Consideration needs to be given as to whether a single or a two tier rate for excess capacity is deemed to be more cost reflective. A two rate charge could either be seasonal (eg the additional costs of excluding customer contributions along with any other elements is only applied to Nov-Feb) or time of day (eg the additional costs of excluding customer contributions along with any other elements is only applied during the red time band). If a single rate is chosen then this would apply at all times where the declared capacity is exceeded, in line with the current arrangements.

It should be noted that the calculation of the excess capacity charge may need to be adjusted to take account of its application over a smaller time period. The intent is that the capacity charge recovered over the period should in aggregate at least equal the capacity charges applied in respect of a customer contracting for the same level of capacity requirement.

The legal text will be proposed by the working group once a solution has been agreed.

### **Proposed Implementation Date**

1 April 2014

### **Impact on Other Codes**

Please tick the relevant boxes and provide any supporting information.

BSC	<input type="checkbox"/>
CUSC	<input type="checkbox"/>
Grid Code	<input type="checkbox"/>
MRA	<input type="checkbox"/>
Other	<input type="checkbox"/>
None	<input type="checkbox"/>

If other please specify

### **Consideration of Wider Industry Impacts**

This modification will complement other initiatives trying to apply demand side response to reduce the need for conventional network reinforcement due to increased demand for electricity as low carbon

technologies are deployed.

### **Environmental Impact**

The reduction in the need for conventional network reinforcement will have consequential environmental benefits as the need to build new lines, cables and substations will be reduced.

### **Confidentiality**

## **PART B – MANDATORY FOR NON CHARGING METHODOLOGIES CHANGE PROPOSALS**

### **DCUSA Objectives**

#### General Objectives:

Please tick the relevant boxes.

- 1 The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks
- 2 The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity
- 3 The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences
- 4 The promotion of efficiency in the implementation and administration of this Agreement
- 5 Compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

### **Rationale for better facilitation of the DCUSA Objectives identified above**

## **PART C – MANDATORY FOR CHARGING METHODOLOGIES PROPOSALS**

### **DCUSA Charging Objectives**

Please tick the relevant boxes.

Charging Objectives:

- 1 that compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence
- 2 that compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences)
- 3 that compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business
- 4 that, so far as is consistent with Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business
- 5 that compliance by each DNO Party with the Charging Methodologies facilitates compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

General Objectives:

- 1 The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks
- 2 The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity
- 3 The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences
- 4 The promotion of efficiency in the implementation and administration of this Agreement
- 5 Compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

**Rationale for better facilitation of the DCUSA Objectives identified above**

Charging Objectives:

- 3 - When a customer exceeds their Maximum Capacity they should request an increase. Under the Connection Charging Methodologies a proportion of the cost of reinforcing the network will be funded through a customer contribution. These contributions are reflected as discounts in the calculation of the capacity charge. Where customers exceed their capacity they will not have paid customer contributions in respect of the exceeded amount. This proposal seeks to align the charges applied for excess capacity with the costs incurred by DNOs when a customer exceeds their capacity and to remove the subsidy these customers currently receive. This change proposal will therefore amend charges to more closely reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business.
- 4 - DNOs are trying to reduce reinforcement costs to the benefit of all customers and operate in an efficient and low carbon manner. Applying a more cost reflective excess capacity charge will incentivise customers to use their existing capacity more effectively to the benefit of all customers. The existing arrangements undermine DNO initiatives trying to encourage greater

demand side response.

General Objectives:

- 1 - Applying a more cost reflective excess capacity charge will incentivise customers to not exceed their contracted capacity and reduce reinforcement and therefore promote the development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks.
- 3 - DNO parties have an obligation to review their methodologies and bring forward changes where appropriate.

**Has this issue been discussed at any other industry forums? If so please specify and provide supporting documentation**

Discussed at the MIG Group

**PART D – GUIDANCE NOTES FOR COMPLETING THE FORM**

<b>Data Field</b>	<b>Guidance</b>
<b>Attachments</b>	Append any proposed legal text or supporting documentation in order to better support / explain the CP.
<b>Change Proposal Intent</b>	Outline the issue the CP is seeking to address. Please note that the intent of the CP cannot be altered once submitted.
<b>Confidentiality</b>	Clearly indicate if any parts of this Change Proposal Form are to remain confidential to DCUSA Panel (and any subsequent DCUSA Working Group) and Ofgem
<b>CP Status</b>	A CP may be deemed 'urgent' in accordance with Clause 10.4.8 of the DCUSA. The proposer should give supporting reasons.
<b>DCUSA General Objectives</b>	Indicate which of the DCUSA Objectives will be better facilitated by the Change Proposal.
<b>DCUSA Charging Objectives</b>	Indicate which of the DCUSA Charging Objectives will be better facilitated by the Change Proposal. Please note that a CDCM or EDCM change may also facilitate the DCUSA General objectives.
<b>Draft Legal Text</b>	Insert proposed legal drafting (change marked against any existing DCUSA drafting). The Change Proposal Intent will take precedence in the event of any inconsistency.
<b>Environmental Impact</b>	Indicate whether it is likely that there would be a material impact on greenhouse gas emissions as a result of the proposed variation being made. Please see <a href="#">Ofgem Guidance</a> .
<b>Impact of Wider Industry Change</b>	Indicate whether this Change Proposal will be impacted by or have an impact upon wider industry developments. If an impact is identified, explain why the benefit of the Change Proposal may

	outweigh the potential impact and indicate the likely duration of the Change.
<b>Part 1 / Part 2 Matter</b>	A CP must be categorised as a Part 1 or Part 2 matter in accordance with Clause 10.4.7 of the DCUSA. All Part 1 matters require Authority Consent.
<b>Proposed Implementation Date</b>	The Change can be implemented in February, June, and November of each year.
<b>Proposed Solution</b>	Outline the proposed solution for addressing the stated intent of the CP. The Change Proposal Intent will take precedence in the event of any inconsistency. A DCUSA Working Group may develop alternative solutions.
<b>Rationale for DCUSA Objectives</b>	Provide supporting reasons and information (including any initial analysis that supports your views) to demonstrate why the CP will better facilitate each of the DCUSA Objectives identified.
<b>Related Change Proposals</b>	Indicate if the CP is related to or impacts any CP already in the DCUSA or other industry change process.