

Background and history to DCP 160 - Non-Half Hourly (NHH) Notional Capacity – November 2014

The purpose of this paper is to document the history behind the submission of DCP 160 to the DCUSA.

Summary of timeline

2010	Implementation of CDCM
2011	<p>MIG sub-group set up to look at the anomalies between the two different cost allocation mechanisms for HH and NHH tariffs in the CDCM. MIG issues 12 & 22.</p> <p>The sub-group also considered whether MIG issue 2 (standing charge factors) and the derivation of them should be considered alongside the MIG 12/22 issues. It was thought that there will be some interaction as the average price will be impacted on by issue 2.</p>
2012	<p>NHH/HH tariff discrepancies discussed and draft DCPs submitted to DCUSA</p> <p>DCP 130 (unmetered supplies) several options discussed and consulted upon and CP was approved by Ofgem late 2012.</p> <p>The group continued to look at the voltage level approach, but also conscious of the other changes P272, P280 and DCP 151 which could have an impact on the final solution.</p>
2013	<p>DCPs submitted to DCUSA.</p> <p>DCP 159 - Volumes data in the CDCM</p> <p>DCP 160 - Non-Half Hourly (NHH) Notional Capacity</p> <p>First meeting 11th held jointly on February 2013.</p> <p>Placed on hold pending other issues still being discussed by the MIG included:</p> <ul style="list-style-type: none"> • "Voltage Level Yardstick Approach to Unit and Capacity Charges in the CDCM" • "Enduring approach to the grouping of LV connected sites for tariffs allocation"
2014	<p>DCP 179 was progressed and approved in October 2014</p> <p>DCP 159 - was withdrawn from DCUSA</p> <p>DCP 165 - was withdrawn from DCUSA</p> <p>DCP 160 – re-started November 2014 – it was agreed to consult on the principles and relevance of the CP and whether or not it is still valid. Working group agreed to re-cap and capture how the process works currently and any options to derive the values that can be explored if the</p>

	CP is taken forward.
2015	Next meeting 22nd January

Following the implementation of the CDCM in 2010, there were several anomalies raised via the DCMF MIG which were captured on the MIG log. The purpose of the MIG is to review any issues raised, and, if it is felt necessary put forward changes to the methodology via a DCP to be then addressed under the open governance process.

2011

Back in 2011 the MIG agreed to set up a separate sub-group to address the anomalies between the two different cost allocation mechanisms for HH and NHH tariffs in the CDCM. MIG issues 12 & 22.

This was first identified in the unmetered supplies tariffs and some work had already been carried out to look into the options for correcting this going forward. NHH costs, based on the coincidence to peak demand, are recovered through the number of units spread out across a flat profile. While the HH costs, based on the coincidence to peak demand, are recovered through the number of units in each time band. This has the effect where a HH tariff group that has less consumption in the peak time band than a flat profile will receive higher total annual charges than the equivalent NHH tariff.

Terms of reference were agreed and the group held their first meeting in October 2011. Extract:

Aim

The overall objective is for the average DUOS bill for a NHH settled customer to be similar to the average bill of an 'equivalent' HH settled customer.

The sub-group should also consider whether the current charging methodology is appropriate for sub-100kW HH metering systems given the licence obligation to install Advanced Metering for Profile Classes 5-8, and the rollout of smart metering.

Scope

The scope of this sub-group is to review the analysis already documented for unmetered supplies tariffs and the information on standing charge factors. The sub group will determine if any of the 10 options developed for unmetered supplies tariff can be either utilised or developed further to address these issues.

The sub-group will then investigate whether any other options might better achieve the aim.

The sub-group will also consider whether MIG issue 2 (standing charge factors) and the derivation of them should be considered alongside the MIG 12/22 issues. It is thought that there will be some interaction as the average price will be impacted on by issue 2.

Stakeholder consultation may be undertaken if there is a range of possible solutions.

The sub-group will only review charge allocation and will not review the appropriateness of tariff structures or settlement arrangements between NHH and HH charges, including de-linking of settlement configurations.

2012

During 2012 the NHH/HH working group met almost monthly and it became clear that the scope of the work initially agreed was far bigger than had at first been thought.

Meeting Notes – 6th November 2012 – Institute of Physics, London

This was the eighteenth meeting of the group.

Update on DCP 130

Currently with Ofgem pending a decision, Ofgem have been asked to consider an early decision to facilitate inclusion in DNOs indicative charges in December.

Update on DCP 151

On hold pending decision on P280. Post meeting: this proposal has been withdrawn

Update on P272

No further update. It is expected that Elexon will be submitting a report to the November BSC panel.

Update on P280

P280 is still with the Authority for a decision. Post meeting: Ofgem decided to veto proposal.

Review of Models/Principles

The group continue to look at the voltage level approach, but are conscious of the other changes P272, P280 and DCP 151 which could have an impact on the final solution.

The group agreed that we should start to breakdown some of the principles below and draft DCPs where appropriate.

Principle 1 – Introduction of a new tariff structure

We agreed that we should come back to this once we have addressed some of the other issues as it was felt that we are not quite ready to fully define the tariff structures yet.

Principle 2 – To ensure consistency between the new tariffs

Initial assumptions are that CT metered to be HH and WC to be NHH until metering details are received to confirm status. To implement this, a BSC change would be required. Alternatively we could put a DCUSA change in to establish where all meters with HH capability as identified by the MTC are treated as HH and billed site specifically.

We discussed the WC/CT boundary option, but need to understand what is happening with P280 before we progress this any further. Action 18/1

Principle 3 – To ensure consistency between the existing and new tariffs

This was the main focus of the meeting and resulted in agreement to draft 3 DCPs.

- Capacity allocation – to ensure that there is consistency between HH and NHH calculations by calculating NHH on the same proportion of capacity required as is used for HH sites ;
- Voltage level yardstick and RAG allocation – we believe that this should reduce volatility and recognise that as this is a significant change we will need a solid justification against the DCUSA objectives. This change will put more emphasis on RAG allocation of costs rather than the single system peak and will reduced the coincidence factors to voltage level rather than by customer groups; and
- Changes to CDCM model to include separate consumption/forecast data for calculation and scaling.

Standing charge factors are currently used to apply a capacity element into the fixed charge of NHH tariffs. The group feel that it may be better to move this into the unit rates as a better proxy for capacity and it may be better to put it onto the red rate only. This would mean that the fixed charge would be much lower and would reflect the O & M on the service cable. It was highlighted that this would impact DNO income recovery and would introduce more volatility. However this could be counter balanced if CT metered customers move to HH tariffs and pay fixed capacity charges.

Principle 4 – Customers to gradually migrate to the new tariffs

We agreed that we should come back to this once we have addressed some of the other issues. It was noted that the MIG billing group were intending to look at de-linking in the near future, which would negate the need for having old and new tariffs running in parallel.

2013

In January 2013 draft DCPs were submitted to DCUSA.

- DCP 159 - Volumes data in the CDCM
- DCP 160 - Non-Half Hourly (NHH) Notional Capacity

The first working group meeting planned for 11th February 2013.

Other issues still being discussed by the MIG included:

- “Voltage Level Yardstick Approach to Unit and Capacity Charges in the CDCM”
- “Enduring approach to the grouping of LV connected sites for tariffs allocation”

2014

DCP 159 - Volumes data in the CDCM was withdrawn from DCUSA in March 2014

DCP 165 - Voltage level approach was withdrawn from DCUSA in August 2014

DCP 160 - it was agreed by the working group that the scope of this CP is should be included in DCP 179, therefore placed on hold in January 2014 pending outcome of DCP 179, P300 and P272

Progression of DCP 179, did not include the notional capacity element, therefore DCP 160 was restarted in November 2014 following approval of DCP 179 by Ofgem.

Questions we need to ask in a consultation include:

- Should NHH customers be treated differently to HH customers?
- Is the CP still relevant?
- If it is, how would a value be derived?
- How does the CDCM allocate capacity for NHH and HH tariffs - GM to document in more detail?
- If the engineering principles behind network design take account of HH capacities, but use diversified maximum demand for NHH, why do we need to change?