



DCUSA CONSULTATION ONE

DCP 160 - Non-Half Hourly (NHH) Notional Capacity

DCP 160 was raised by UK Power Networks and seeks to revise Schedule 16 (along with appropriate CDCM and ARP Modelling changes) to introduce a notional spare capacity requirement to be applied to the average maximum demand when calculating NHH tariffs. The notional spare capacity should align with the same proportions which are calculated and allocated to Half Hourly (HH) tariffs.

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. Parties to the DCUSA can raise Change Proposals (CPs) to amend the Agreement with the consent of other Parties and (where applicable) the Authority.
- 1.2 This document is a consultation issued to Distribution Network Operators (DNO), Independent Distribution Network Operators (IDNO), Suppliers, Consumer Futures, ELEXON, Genserv, any other interested Parties and the Authority in accordance with Clause 11.14 of the DCUSA, seeking industry views on DCP 160 'Non-Half Hourly (NHH) Notional Capacity' (Attachment 2).
- 1.3 Parties are invited to consider the questions set out in Section 4 below and submit comments using the form attached as Attachment 1 to dcusa@electralink.co.uk by **FriMonday, 127 AprilMarch 2015**.

2 BACKGROUND TO THE DCP 160 – NON-HALF HOURLY (NHH) NOTIONAL CAPACITY CP

- 2.1 This change was initially derived from discussions at the Methodology Issues Group (MIG) sub-group that were set up to consider the anomalies between the two different cost allocation mechanisms for HH and NHH tariffs in the CDCM in 2011.

~~2.1.2~~ One of the potential issues identified by the Working Group was that the capacity is treated differently in the CDCM for HH customers and non-HH customers

~~2.2~~ NHH costs are based on the coincidence to peak demand and are recovered through the number of units spread out across a flat profile. While the HH costs are based on the coincidence to peak demand and 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. The overall objective of this CP was for the average DUOS bill for a NHH settled customer to be similar to the average bill of an 'equivalent' HH settled customer.

~~2.3~~ In reviewing the two different cost allocation mechanisms for HH and NHH tariffs, the

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~~DCMF MIG sub-group agreed to work in accordance with a set of agreed principles:~~

- ~~• “Principle 1 – Introduction of a new tariff structure;~~
- ~~• Principle 2 – To ensure consistency between the new tariffs;~~
- ~~• Principle 3 – To ensure consistency between the existing and new tariffs; and~~
- ~~• Principle 4 – Customers to gradually migrate to the new tariffs”.~~

~~2.4 The DCP 160 change was raised in accordance with Principle 3 ‘To ensure consistency between the existing and new tariffs’.~~

3 ~~INTENT OF~~ DCP 160 – NON-HALF HOURLY (NHH) NOTIONAL CAPACITY

Comment [CH1]: Add paragraph explaining the capacity of the CDCM following the introduction of 3.1 and 3.2.GM

- 3.1 DCP 160 was raised by UK Power Networks and seeks to revise Schedule 16 (along with appropriate CDCM and ARP Modelling changes) to introduce a notional spare capacity requirement to be applied to the average maximum demand when calculating NHH tariffs. The notional spare capacity should align with the same proportions which are calculated and allocated to Half Hourly (HH) tariffs.
- 3.2 The solution to this change recommends that for each NHH tariff group the average maximum demand used in the calculation of charges should be increased by a factor to allow for spare capacity. The factor proposed is the ratio between the average maximum demand and capacity from a similar HH tariff.

4 WORKING GROUP ANALYSIS OF DCP 160 – NON-HALF HOURLY (NHH) NOTIONAL CAPACITY

- 4.1 The DCUSA Panel has established a DCP 160 Working Group which consists of Supplier, DNO and Ofgem representatives to consider the Change Proposal.
- 4.2 The Working Group defined the concept of ~~notional~~ Half Hourly spare capacity as:
- where the sum of the aggregated agreed capacity is x; and*
- the sum of the aggregated ~~maximum~~ demand ~~capacity~~ is y;*
- then the Spare Capacity is x/y.*

~~4.3 The Working Group defined the concept of notional spare capacity for Non- Half Hourly as:~~

X/Y – 1 multiplied by NHH maximum demand

DCP 160 Working Group Considerations

Comment [CH2]: •Add summary paragraphs on how capacity is treated in the CDCM which should also cover standing charge factors– GM
•Capture the Network Planning approach
•Each question to have a paragraph that it refers to in the consultation.

4.34.4 The Working Group agreed that the business justification for this change is that all tariffs need to be applied on a consistent cost relative basis for both existing and new tariffs. In order to ensure the consistency of tariffs, the Working Group considered the treatment of capacity in the CDCM and tracked the calculation used in the model for NHH customers and concluded that there was some capacity elements hidden in a NHH customers fixed charge.

4.44.5 The Working Group is interested in respondent's views on whether the elements of capacity in the Standing Charge Factors is sufficient and whether a change is justified for NHH calculations in order to bring them in line with the treatment of HH calculations.

4.54.6 DNO network planning uses the agreed capacities for HH customers but for NHH customers DNO's use maximum demand assumptions. Where HH customers have contracted for a specific level of capacity to be available for their use on the DNO network at any one time, any spare capacity will be subject to fluctuations in these HH customers use and could not be used for network design purposes to meet the needs of NHH customers.

4.64.7 The Working Group is seeking Parties opinions on whether the NHH customer should be paying through their tariff for notional spare capacity when the DNO NHH network has not been designed for NHH customer use.

5 DCP 160 – Consultation One Questions

5.1 The following table provides a list of the consultation questions that the Working Group is seeking responses to.

Question Number	General Questions
1.	<u>Statement: All tariffs need to be applied on a consistent cost relative basis.</u>

Comment [CH3]: Discussion point: Consideration of network planning different for HH and NHH customers and the treatment of capacity or should all tariffs be applied on a consistent basis.

	for both existing and new tariffs. Do you agree with this statement?
2.	Do you understand the Standing Charge Factors?
3.	The planning process for NHH customers is based on Maximum Demand assumption which for HH customers is agreed capacity, do you consider the current process correct for applying tariffs as set out under the CDCM?
4.	There is a perception that there is notional spare capacity created by HH customers. Is this correct?
5.	If you think that NHH customers should be picking up some proportion of this notional spare capacity, is the proportion ¹ suggested in this CP appropriate?
6.	Are customers happy paying for spare capacity or are they paying for reserved non-used capacity?
7.	Do you agree that HH customers are paying for spare capacity whereas NHH customers are not?
8.	If you consider that NHH customers are not using the reserved non-used agreed capacity, is there another factor that should be used?
9.	Given the approach to network design set out in para ---, is it appropriate to treat NHH and HH tariffs differently?

Comment [CH4]: Brief summary of capacity in the CDCM in Section 4. Once explained this question does not need to be answered.

Comment [CH5]: Reconsider the drafting of questions 4, 5, 6 and 7 once Section 4 is more fully developed.

Comment [CH6]: Reference network design paragraph.

5.2 Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk no later than ~~FriMonday, 127 April~~ **March 2015**.

5.3 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.

6 NEXT STEPS

6.1 Responses to the Consultation will be reviewed by the DCP 160 Working Group. The Working Group will then determine the progression route for the CP.

¹ The factor proposed is the ratio between the average maximum demand and capacity from a similar HH tariff.

6.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA helpdesk by email to dcusa@electralink.co.uk or telephone 020 7432 3017.

ATTACHMENTS

- Attachment 1 – DCP 160 Response Form
- Attachment 2 – DCP 160 Change Proposal