

AREAS PREVIOUSLY CONSULTED UPON FOR DCP 160

1 SPARE CAPACITY vs RESERVED CAPACITY

- 1.1 The Working Group considered the concept of 'spare capacity' for HH customers as being implicitly defined by the proposal as:

*where the sum of HH agreed capacity is x ; and
the sum of the HH maximum demand capacity is y ;
then the HH Spare Capacity is x/y .*

- 1.2 The intent of DCP 160 is to uplift the capacity allocated to NHH customers in the CDCM by this 'spare capacity' factor.
- 1.3 The Working Group queried whether the concept of spare capacity described above for HH customers was appropriate. A HH customer will request an agreed capacity from the DNO and the DNO will consider whether the network requires any reinforcement on the basis of this agreed capacity. The connection agreement will then formalise this agreed capacity and oblige the DNO to make it available to the customer. To the extent that a HH customer may not utilise the full amount of their agreed capacity, there is a question as to whether this unused element of agreed capacity is 'spare' capacity or whether it might be better described as 'reserved' capacity.
- 1.4 Currently for NHH tariffs a value for such 'spare' or 'reserved' capacity is not calculated as part of the charges, whereas HH tariffs are calculated based on the average capacity required. The CP states that this means that HH users are paying for spare network capacity while NHH users are not. As part of its March 2015 consultation the Working Group received industry views on whether the capacity requested by HH customers but not being utilised should be classified as spare capacity or reserved capacity, and whether or not HH customers were paying for any such spare capacity whilst NHH customers were not.

2 CONSISTENCY VS COST REFLECTIVITY

- 2.1 Part of the justification provided by the proposer of DCP 160 included the statement that *"all tariffs need to be derived on a consistent cost reflective basis for both existing as well*

as new tariffs”.

- 2.2 The Working Group agrees that tariffs should be cost reflective, and also agrees that tariffs should ideally be derived on a consistent basis. However there may be instances where cost reflectivity may require that different approaches be used to derive tariffs. In such circumstances the question arises whether the tariffs should be derived in a manner that maintains cost reflectivity where there is a known inconsistency in the derivation of tariffs, or whether they should be derived on a basis which aligns the approach, but may result in a reduction in overall cost reflectivity of the end tariff. As part of its March 2015 consultation the Working Group received industry views on whether Parties agreed that tariffs needed to be derived on a consistent cost reflective basis.

3 CONSISTENCY WITH NETWORK PLANNING

- 3.1 The Working Group considered the treatment of capacity in the CDCM and concluded that NHH customers were paying for capacity within a NHH customers fixed charge.
- 3.2 The Working Group considered whether the elements of capacity allocated to HH and NHH customers through the application of 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.
- 3.3 The Working Group sought information from the DNO members on the planning processes of DNOs. DNOs confirmed that in general:
- For Domestic housing schemes – designers would use a diversified maximum demand assumption to determine if the capacity can be accommodated on the network;
 - A similar approach would apply for small non-domestic requests;
 - For med-large connections designers will base their design on the capacity requested in conjunction with looking at the HH demand history on the sub-station, this ensures they do not overload the network.
- 3.4 The Working Group noted the above network design process and considered it alongside the approach utilised in the CDCM – where for NHH customer’s aggregate capacity was

derived on the basis of diversified maximum demand whereas for HH customers aggregate demand was derived on the basis of agreed capacities.

- 3.5 The Working Group considers that it appears that the cost allocation approach in the CDCM reflects reasonably well the differences in the planning process between HH and NHH customers. The possible exception to this would be PC5-8 (medium sized connections) where the DNO may base their design on the capacity requested. However, for this group of customers the Working Group notes that following the implementation of DCP 179, P272 and P300, those customers who are CT metered will become HH and billed on a site specific basis with a capacity charge consistent with other HH customers. As part of its March 2015 consultation the Working Group received industry views on whether the current process was correct for deriving NHH and HH tariffs as set out under the CDCM.

4 IF NHH CUSTOMERS SHOULD BE PICKING UP SOME PROPORTION OF ANY NOTIONAL SPARE CAPACITY IS THE PROPORTION SUGGESTED BY THIS CP APPROPRIATE?

- 4.1 The CP suggests that there is spare capacity created by HH customers.
- 4.2 The CP suggests that the notional spare capacity that should apply to NHH tariffs should align with the same proportions which are calculated and allocated to HH tariffs. As part of its March 2015 consultation the Working Group received industry views on whether NHH customers should be picking up some proportion of this notional spare capacity, and if so, whether the proportion suggested in this CP was appropriate.