

**DCP 160 Consultation Responses – Collated Comments**

<b>Company</b>	<b>Confidential/ Anonymous</b>	<b>1. Do you understand the intent of the DCP 160?</b>
British Gas	Non-confidential	Yes
Anonymous	Anonymous	Yes, to align capacity for NHH customers using the same proportions as applies to HH customers, thereby aligning capacity costs.
ENWL	Non-confidential	Yes we understand the intent of DCP160.
Northern Powergrid on behalf of Northern Powergrid (Yorkshire) Plc and Northern Powergrid (Northeast) Ltd	Non-confidential	Yes
Power Data Associates Ltd	Non-confidential	Yes
Smartest Energy	Non-confidential	Yes. DCP 160 seeks to include a 'notional spare capacity' requirement to be added to the average maximum demand when calculating NHH tariffs.
SSEPD	Non-confidential	Yes
SSE Supply	Non-confidential	Yes
The Electricity Network Company	Non-confidential	Yes

Limited, Independent Power Networks Limited		
UK Power Networks	Non-confidential	Yes.

Company	Confidential/ Anonymous	2. Are you supportive of the principles of the DCP 160? Please provide reasons.
British Gas	Non-confidential	<p>We are not supportive of the principles of DCP 160.</p> <p>As set out in the consultation, the implementation of DCP 130 and DCP 179 produced a charging methodology which should have significantly reduced any differences in the cost allocation mechanisms that are applied to any individual customer, regardless of whether that customer is settled on a HH or NHH basis i.e. the methodology should result (on average) in the same level of charges for the <b>same</b> customer regardless of whether that customer is settled HH or NHH. We are supportive of this principle.</p> <p>However, DCP 160 seeks to go further by removing the differences in cost allocation mechanisms between HH and NHH charges for <b>different</b> customers with respect to the treatment of capacity. We are not supportive of this principle. This is because it is clear that the network planning process is different for HH and NHH customers (or large and small customers) and therefore it is appropriate that the CDCM tariffs are derived in different ways, reflecting the different treatment of customers in that planning process.</p> <p>Each individual HH customer has an agreed capacity. The network will have been designed (and reinforced if required) to provide that agreed capacity and the DNO is obliged to make that agreed capacity available to that customer. If a HH customer's maximum demand is lower than the agreed capacity and the extra capacity is not required, the customer is free to reduce the agreed capacity accordingly – but until such time as they do, this capacity remains reserved for that customer. It is therefore appropriate and cost reflective that capacity reserved by HH customers is paid for by HH customers.</p>

		<p>NHH customers are paying for capacity on a diversified basis in the CDCM. Whilst this means that the true amount of capacity used by any individual NHH customer may or may not be higher than the capacity assumed for the purposes of calculating CDCM tariffs, this appears to be consistent with the way that networks are designed and reinforced for such small customers (on the basis of assumed diversified maximum demands). It is therefore appropriate and cost reflective that NHH customers pay for capacity on a diversified basis. We do not therefore consider that NHH customers should be picking up any notional spare capacity.</p> <p>Also, under Schedule 2B of the National Terms of Connection, the DNOs are obligated to use reasonable endeavours to ensure that the Maximum Import Capacity is made available to the customer at all times. This implies that, in addition to the capacity required to satisfy the Import Capacities of HH customers under intact running conditions, networks necessarily contain spare capacity (redundancy) so that supply can be maintained during outages.</p> <p>However, even if any adjustment were justified, we do not believe that the proportion suggested by the CP is appropriate for the following reasons:</p> <ul style="list-style-type: none"> <li>i) The factor proposed is the ratio between the average maximum demand and capacity from a <b>similar</b> HH tariff. There is no HH tariff (with a capacity charge) which could reasonably claim to be 'similar' to the domestic or small non-domestic tariffs.</li> <li>ii) The difference between HH agreed capacity and HH maximum demand is driven primarily by HH customers choosing to reserve more capacity than they currently require. This is not relevant to NHH customers. The proportion would be inappropriate to apply to NHH customers because:             <ul style="list-style-type: none"> <li>(1) NHH customers would not be able to '<b>choose</b>' to reduce their capacity requirements to remove any notional reserved capacity (unlike HH customers) since it would be converted to a fixed p/mpan/day; and,</li> </ul> </li> </ul> <p>NHH customers are not able to '<b>reserve</b>' the additional capacity they would be being charged for.</p>
Anonymous	Anonymous	<p>No, but we do understand the desire to remove the step change in costs that exists in moving from NHH to HH as it promotes the industry transition from HH to NHH. However, NHH customers are potentially being burdened with costs that they won't have any control over since they won't have</p>

		any mechanism for reducing their capacity costs via their standing charge and only limited control through their units consumed.
ENWL	Non-confidential	Yes, DCP160 will lead to a more consistent and cost reflective calculation of tariffs.
Northern Powergrid on behalf of Northern Powergrid (Yorkshire) Plc and Northern Powergrid (Northeast) Ltd	Non-confidential	<p>No - we believe that the CDCM currently reflects reasonably well the differences in the planning process between HH and NHH customers and the capacity requested by HH customers is reserved and not spare capacity, as the customer reserves the right to utilise it at any point.</p> <p>We are not convinced that there is a notional spare capacity created by HH customers as there will always be an element of spare capacity on the networks, as this is how they are designed to provide security of supply for customers. The CDCM is an average methodology and whilst it is very complicated the working group have demonstrated that there is some justification for treating NHH and HH customers differently.</p>
Power Data Associates Ltd	Non-confidential	Yes. Tariffs should be derived on a common basis
Smartest Energy	Non-confidential	Yes. Currently LV CT Metered and HV customers pay slightly higher DUoS costs because they have an explicit capacity charge, whereas a typical NHH or LV WC customer capacity charge only uses a proxy of peak demand in their unit rates, so they are in practice buying less capacity. This means LV CT Metered and HV customers are paying slightly more than their fair proportion. DCP 160 will address this issue. We also agree that tariffs should be calculated on a consistent cost-reflective basis provided that the methodology chosen does not inherently favour one customer group over another.
SSEPD	Non-confidential	<p>No, for the reasons specified below:</p> <p>We do not agree with the concept that HH customers create 'Spare Capacity' and they pay for it, where NHH customers do not. HH customers, through contractual arrangements, reserve capacity. All of this reserved capacity may not be fully utilised by the customers but, by paying for it, they reserve the right to have it available for their use should/when they require it.</p>

		<p>If the term 'spare capacity' is accepted in the context of NHH customers, arguably it is paid for through the revenue matching mechanism. We feel the current methodology accurately reflects the planning process for these customers and it seems reasonable that the calculations do not align.</p> <p>We do not fundamentally disagree with the concept of capacity-based charging at all voltage levels. However, in this instance, we do not believe the application of a notional value is any more cost reflective than the current process and the proposed calculation method is flawed on the basis that similar HH tariffs do not exist. Additionally, there is also the potential to overstate the allocated costs to NHH customers.</p>
SSE Supply	Non-confidential	No. The increase in domestic tariffs cannot be justified by the reasoning put forward in the Change Proposal. The proposed methodology is a viable alternative to that already in place, but there is no convincing argument to say that it is better.
The Electricity Network Company Limited, Independent Power Networks Limited	Non-confidential	<p>No, we are unable to support the principles of DCP160. Assigning a notional capacity to a NHH settled customer will mean that those customers are being charged on a notional capacity that has no legal or enforceable basis.</p> <p>It is unfair to NHH domestic customers to increase the fixed charge for their MPANs by adding a capacity element to that charge when they have no guarantee, through a connection agreement, that the capacity for which they are being charged is available. Customers may also not wish to use this capacity or</p> <p>Furthermore it may be the case that some NHH customers have an agreed capacity in the form of a connection agreement which differs from that which has been assigned to them for charging purposes. To allocate charges to a customer on the basis of a capacity which is not reflective of their agreed capacity appears to be inherently at odds with DCUSA Charging Objective Three.</p>
UK Power Networks	Non-confidential	Yes, as we believe that it is important that the differences in the calculation of charges between NHH and HH are, where practical, reduced in order to remove any step change in 'like for like' charges which a customer might face when moving between the two arrangements.

Company	Confidential/ Anonymous	3. Do you have any comments on the proposed legal text?
British Gas	Non-confidential	The factor proposed is the ratio between the average maximum demand and capacity from a <b>similar</b> HH tariff. There is no HH tariff (with a capacity charge) which could reasonably claim to be 'similar' to the domestic or small non-domestic tariffs.
Anonymous	Anonymous	None
ENWL	Non-confidential	We are not certain that the legal text expresses the uplifting of the NHH tariffs clearly (para. 84). The terms "uplifted", and "ratio as determined from" are mathematically imprecise, and could lead to differing interpretations. Clearer language might be "multiplied by" and "the ratio of x to y", for example.
Northern Powergrid on behalf of Northern Powergrid (Yorkshire) Plc and Northern Powergrid (Northeast) Ltd	Non-confidential	No
Power Data Associates Ltd	Non-confidential	Use of the text "...from a similar HH tariff..." is not very clear.
Smartest Energy	Non-confidential	No
SSEPD	Non-confidential	No
SSE Supply	Non-confidential	No

The Electricity Network Company Limited, Independent Power Networks Limited	Non-confidential	No
UK Power Networks	Non-confidential	No.

<b>Company</b>	<b>Confidential/ Anonymous</b>	<b>4. Do you have any comments on the updated model or impact analysis? Please provide supporting comments</b>
British Gas	Non-confidential	<p>We consider that the additional capacity being allocated to domestic tariffs in particular cannot be justified as cost reflective. The diversified domestic maximum demand averages over 3.5kVA which we believe is significantly in excess of network planning standards. Also, while it seems to be an existing feature of the methodology, it not clear why domestic and small non-domestic customers are allocated the same capacity.</p> <p>The impact assessment shows that LV HH capacity charges would reduce significantly despite these costs reflecting the capacity that these customers are reserving on the network. This is inappropriate.</p> <p>This change would also seem to create the perverse situation whereby the more that LV HH customers reserve on the network, over and above what they actually require, the more that NHH customers will be charged – which in turn will reduce the charges for the LV HH customer group which reserving the unnecessary capacity.</p>
British Gas	Non-confidential	The first DCP 160 consultation set out the approach taken by DNOs in designing their networks. On the basis of the approach set out by the DNOs in the first consultation, we consider that the current process for deriving NHH and HH tariffs in the CDCM is appropriate.

		Since the planning process does not seem to differentiate on the basis on NHH/HH settlement, but rather on the basis of customer size (large, medium, small), the proposal could <i>possibly</i> have been justified for those PC5-8 customers who are CT metered and who should have an agreed capacity with the DNO. However since those customers will become HH settled and be billed on a site specific basis (incl. capacity charge) following the implementation of DCP 179 and P272, the solution proposed by DCP 160 would appear to be unnecessary for any remaining NHH customer group.
Anonymous	Anonymous	The analysis highlights the shift in costs from HH to NHH customers, a shift which won't be welcomed by NHH consumers and creates friction for suppliers with DUoS costs already fixed in contracts for the period.
ENWL	Non-confidential	The model and impact analysis are in line with our expectations. We have verified that the model produces the results seen in the impact analysis for our area.
Northern Powergrid on behalf of Northern Powergrid (Yorkshire) Plc and Northern Powergrid (Northeast) Ltd	Non-confidential	<p>The swing in revenue is a reduction for HH capacity charges and an increase for NHH fixed charges. DCP 179 reduced some of the differences between NHH and HH so it could be argued that this change is no longer as significant as it was seen to be when it was raised.</p> <p>We feel that this change may no longer be necessary, as events have overtaken it, and with the move towards smart metering we expect in one way or another HH data will be available for most customer groups in the not too distant future.</p>
Power Data Associates Ltd	Non-confidential	<p>Slightly puzzled how the existing HH metered tariffs and the NHH equivalents have been determined. The NHH unmetered tariffs are derived from the HH unmetered tariff, such that a customer with identical load pattern will incur the same charges. The implication of this change is that that is not the case with the metered tariffs, as there will be a difference between the assumed demands.</p> <p>If DCP268 – charging using HH settlement data, progresses, then will this change become redundant or negated? Is it an impact that will need to be considered in DCP268?</p>

Smartest Energy	Non-confidential	No
SSEPD	Non-confidential	The impacts are larger than expected for the affected tariffs.
SSE Supply	Non-confidential	No.
The Electricity Network Company Limited, Independent Power Networks Limited	Non-confidential	No
UK Power Networks	Non-confidential	We are comfortable that the impact seen in the revised CDCM model is appropriate for the change which is being proposed, with the difference in charge for a 'like for like' customer moving between NHH and HH metered being reduced.

<b>Company</b>	<b>Confidential/ Anonymous</b>	<b>5. Which DCUSA General Objectives does the CP better facilitate? Please provide supporting comments.</b> <ol style="list-style-type: none"> <li><b>1. The development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System.</b></li> <li><b>2. The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity.</b></li> <li><b>3. The efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences.</b></li> <li><b>4. The promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it.</b></li> <li><b>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.</b></li> </ol>
British Gas	Non-confidential	We do not consider that DCP 160 better facilitates any of the DCUSA objectives.
Anonymous	Anonymous	No comment
ENWL	Non-confidential	This change proposal supports DCUSA General Objective 3. It is a condition of our licence that all tariffs are derived on a consistent basis, and it is our view that DCP160 strengthens the consistency of tariff calculations.
Northern Powergrid on behalf of Northern Powergrid (Yorkshire) Plc and Northern Powergrid (Northeast) Ltd	Non-confidential	As stated above we feel that this change may no longer be necessary, as events have overtaken it, and with the move towards smart metering we expect in one way or another HH data will be available for most customer groups in the not too distant future. We therefore do not believe that this change better facilitates any of the above objectives.

Northern Powergrid on behalf of Northern Powergrid (Yorkshire) Plc and Northern Powergrid (Northeast) Ltd	Non-confidential	As stated above we feel that this change may no longer be necessary, as events have overtaken it, and with the move towards smart metering we expect in one way or another HH data will be available for most customer groups in the not too distant future. We therefore do not believe that this change better facilitates any of the above objectives.
Power Data Associates Ltd	Non-confidential	n/a
Smartest Energy	Non-confidential	This DCP better facilitates DCUSA General Objectives: 1,3
SSEPD	Non-confidential	We do not think that this CP better facilitates any of the above Objectives
SSE Supply	Non-confidential	n/a – we don't support the change.
The Electricity Network Company Limited, Independent Power Networks Limited	Non-confidential	We do not believe that this CP better facilitates any of the DCUSA General Objectives
UK Power Networks	Non-confidential	We believe that General Objective one and three are better facilitated in that a fundamental difference in the calculation of NHH and HH charges will be reduced as a result of this change. This change will ensure that the charges for the network are more efficient and economical for all customers, which is also a key requirement of the obligations on DNOs as part of the distribution licence.

Company	Confidential/ Anonymous	<p><b>6. Which DCUSA Charging Objectives does the CP better facilitate? Please provide supporting comments.</b></p> <ol style="list-style-type: none"> <li><b>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</b></li> <li><b>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)</b></li> <li><b>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</b></li> <li><b>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</b></li> <li><b>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.</b></li> </ol>
British Gas	Non-confidential	We do not consider that DCP 160 better facilitates any of the DCUSA objectives.
Anonymous	Anonymous	No comment
ENWL	Non-confidential	This change proposal supports DCUSA Charging Objective 3. DCP160 would result in tariffs that are more cost reflective.
Northern Powergrid on behalf of Northern Powergrid (Yorkshire) Plc and Northern	Non-confidential	As stated above we feel that this change may no longer be necessary, as events have overtaken it, and with the move towards smart metering we expect in one way or another HH data will be available for most customer groups in the not too distant future. We therefore do not believe that this change better facilitates any of the above objectives.

Powergrid (Northeast) Ltd		
Power Data Associates Ltd	Non-confidential	n/a
Smartest Energy	Non-confidential	This DCP better facilitates DCUSA charging objectives: 1, 3
SSEPD	Non-confidential	We do not think that this CP better facilitates any of the above Objectives.
SSE Supply	Non-confidential	n/a – we don't support the change.
The Electricity Network Company Limited, Independent Power Networks Limited	Non-confidential	We do not believe that this change proposal better facilitates any of the DCUSA Charging Objectives. Please see our response to Question 2.
UK Power Networks	Non-confidential	We believe that Charging Objective one and three are better facilitated in that a fundamental difference in the calculation of NHH and HH charges will be reduced as a result of this change. This change will ensure that the charges for NHH metered customers more accurately reflects the actual capacity that is used by those customers. This will have the effect of reducing the differential between NHH metered charges and HH metered charges. This change will therefore reduce a barrier that exists towards the increased use of HH metering which will add to the application of improved cost reflectivity not just in the application of network tariffs but also in the application of energy settlement.

<b>Company</b>	<b>Confidential/ Anonymous</b>	<b>7. Are you aware of any wider industry developments that may impact upon or be impacted by this CP?</b>
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British Gas	Non-confidential	<p>The first DCP 160 consultation set out the approach taken by DNOs in designing their networks. On the basis of the approach set out by the DNOs in the first consultation, we consider that the current process for deriving NHH and HH tariffs in the CDCM is appropriate.</p> <p>Since the planning process does not seem to differentiate on the basis on NHH/HH settlement, but rather on the basis of customer size (large, medium, small), the proposal could <i>possibly</i> have been justified for those PC5-8 customers who are CT metered and who should have an agreed capacity with the DNO. However since those customers will become HH settled and be billed on a site specific basis (incl. capacity charge) following the implementation of DCP 179 and P272, the solution proposed by DCP 160 would appear to be unnecessary for any remaining NHH customer group.</p>
Anonymous	Anonymous	The transition of customers to HH settlement through P272 means that the need for this type of change is already being reduced.
ENWL	Non-confidential	None that we are aware of.
Northern Powergrid on behalf of Northern Powergrid (Yorkshire) Plc and Northern Powergrid (Northeast) Ltd	Non-confidential	We think it may be better to review this as part of a more significant review of the CDCM taking into account, Ofgem's proposed consultation and the potential move to HH settlement for all.
Power Data Associates Ltd	Non-confidential	DCP268 – charging using HH settlement data
Smartest Energy	Non-confidential	No Comment
SSEPD	Non-confidential	Not at this time.

SSE Supply	Non-confidential	No
The Electricity Network Company Limited, Independent Power Networks Limited	Non-confidential	No
UK Power Networks	Non-confidential	No, not that we are aware of at this time.

<b>Company</b>	<b>Confidential/ Anonymous</b>	<b>8. Do you agree with the proposed implementation date of 1 April 2018?</b>
British Gas	Non-confidential	We do not support the proposal.
Anonymous	Anonymous	No. Some suppliers may already have fixed DUoS costs in contracts for this period and this implementation date overlaps and causes contract friction.
ENWL	Non-confidential	We agree this change should apply to tariffs issued from 1 April 2018.
Northern Powergrid on behalf of Northern Powergrid (Yorkshire) Plc and Northern Powergrid (Northeast) Ltd	Non-confidential	We agree that if approved this could be implemented for April 2018

Power Data Associates Ltd	Non-confidential	Yes
Smartest Energy	Non-confidential	Yes
SSEPD	Non-confidential	No, on the basis that we are not supportive of the principles of this CP.
SSE Supply	Non-confidential	No
The Electricity Network Company Limited, Independent Power Networks Limited	Non-confidential	Notwithstanding our concerns regarding the principles of this change we believe that the proposed implementation date to be agreeable.
UK Power Networks	Non-confidential	Yes we believe that this change, if approved, should be introduced as soon as possible, as a result April 2018 is possible at this time.

<b>Company</b>	<b>Confidential/ Anonymous</b>	<b>9. Are there any alternative solutions or matters that should be considered by the Working Group?</b>
British Gas	Non-confidential	No.
Anonymous	Anonymous	The Working Group should consider leaving the derivation of the NHH and HH tariffs as is if an approach that isn't balanced for all can't be found.
ENWL	Non-confidential	Not that we are aware of at this time.

Northern Powergrid on behalf of Northern Powergrid (Yorkshire) Plc and Northern Powergrid (Northeast) Ltd	Non-confidential	<p>We believe the capacity requested by HH customers is reserved and not spare capacity, as the customer reserves the right to utilise it at any point. However, we are aware of the proposed legal drafting for DCP 115 - NTC Amendments - Capacity Management (Under Utilisation), which:</p> <ul style="list-style-type: none"> <li>• for energised sites, where import or export is consistently much lower than MIC or MEC, the proposed solution entitles the distributor to make a proposal for a reduction in MIC or MEC. That proposal has no effect unless the customer accepts it.</li> <li>• the proposed solution for energised sites protects the rights of customers to retain MIC or MEC at sites where it is temporarily not being used, e.g. during build-up, re-development or for capacity used to provide back-up supplies. No reduction in MIC or MEC would come into force, and no rights to capacity would be lost, without the customer's explicit agreement</li> </ul> <p>So only if the customer agrees to reduce their capacity, does it become spare.</p>
Power Data Associates Ltd	Non-confidential	n/a
Smartest Energy	Non-confidential	No Comment
SSEPD	Non-confidential	N/A
SSE Supply	Non-confidential	No
The Electricity Network Company Limited, Independent Power Networks Limited	Non-confidential	n/a
UK Power Networks	Non-confidential	No, not that we are aware of at this time.

