

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 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

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CP Status	Standard / Urgent
CP Number	DCP 152
Date of submission	08/08/2012
Attachments	Appendix 1: Changes to Schedules 17 and 18 Appendix 2: Explanation of changes to the import methodology Appendix 3: Blank Excel models (L201 and F201) implementing the proposed methodology
Originator Details	
Company Name	Northern Powergrid
Originator Name	Pat Wormald
Category	DG / DNO / IDNO / OTSO / SUPPLIER / OTHER
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Change Proposal Details	
CP Title	Implementation of the combined EDCM for import and export charges
Impacted parties	All parties
Impacted Clause(s)	Schedule 17 – EHV Distribution Charging Methodology A Schedule 18 – EHV Distribution Charging Methodology B
Part 1 / Part 2 Matter	Part 1
Related Change Proposals	n/a
Change proposal intent	
<p>The Distribution Networks Operators' (DNOs') original proposals for the Extra-high-voltage Distribution Charging Methodology (EDCM) were submitted to Ofgem on 1 April 2011. That submission included methodologies to calculate import and export charges for EHV Designated Properties.</p> <p>On 6 September 2011, Ofgem published its decision to approve the DNOs' proposals for import charges only, subject to several conditions.¹ On 30 November 2011, the DNOs submitted revised</p>	

¹ Ofgem (2011) Electricity distribution charging: decision on the methodology for higher voltage import charges, ref 116/11

proposals for import charges that were designed to meet Ofgem's conditions. On 20 December 2011, Ofgem published its decision to approve the revised proposals for import charges only.²

DCP109 was proposed on behalf of the DNOs with the intention of incorporating the EDCM for import charges into DCUSA. Following its approval by Ofgem, DCUSA was formally amended to include the EDCM for import charges. Import charges under the new EDCM came into force on 1 April 2012.

In its 6 September 2011 document, Ofgem announced its decision to delay the implementation of the EDCM for export charges, then on 21 October 2011, they published a consultation document setting out a number of options for the EDCM for export charges.³ Following the consultation, Ofgem published a document providing guidance to the DNOs on the issue of generation (export) charging.⁴ The document also set a deadline of 1 June 2012 for the DNOs to submit their revised proposals for the EDCM for export charges.

The DNOs, through the Common Methodology Group (CMG), have developed revised proposals for the EDCM for export charges and submitted these to Ofgem on 1 June 2012.

Licence Condition 22A.12 (along with 22.A.2) requires the DNOs to incorporate the EDCM for export charges into the DCUSA by 1 April 2013.

The intended purpose of this change proposal is to:

1. Enable the DNOs to meet their obligation under Licence Condition 22A.12 by amending the current text of Schedules 17 and 18.
2. Make consequential changes to the text relating to the calculation of import charges.
3. Add clarity and remove inconsistencies in the current text.

Business Justification and Market Benefits

DNOs have licence obligations to incorporate the EDCM for export charges in the DCUSA and implement it from 01 April 2013.

The market benefits of the EDCM are set out in Ofgem's decision document 'Distribution use of system charging – decision and further guidance on higher voltage generation charging'

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=832&refer=NETWORKS/ELECDIST/POLICY/DISTCHRGs>

Changes that add clarity and remove inconsistencies in the current text (item 3 in the previous box) are not strictly necessary to meet Licence Condition 22A.12. However, the DNOs are under a general and standing obligation through Licence Condition 22.1 to ensure that the DCUSA continues to meet the Applicable DCUSA Objectives set out in Condition 22.2.

² Ofgem letter dated 20 December 2011. Available from <http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgs/Pages/DistChrgs.aspx>

³ Ofgem (2011) Distribution use of system charging: way forward on higher voltage generation charging, ref 134/11.

⁴ Ofgem letter dated 2 February 2012. Available from <http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgs/Pages/DistChrgs.aspx>

Some opportunities to improve the text for import charges were identified as part of the development of the export charging methodology. The DNOs believe that it is efficient and appropriate to propose changes that address these issues at the same time as the incorporation of EDCM for export.

Proposed Solution and Draft Legal Text

The proposed solution is to make amendments to the current text of Schedules 17 and 18 of DCUSA. The proposed amendments to the Schedules are detailed in the attached Word documents in "track change" format.

These amendments fall into three categories:

1. Insertion of new text describing the calculation of EDCM export charges.
2. Consequential deletions or additions to the text describing the calculation of import charges.
3. Changes that add clarity and remove inconsistencies.

An explanation of the amendments that fall into categories 2 and 3 is attached to this proposal.

Proposed Implementation Date

1 April 2013

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 checked="" type="checkbox"/>

If other please specify

Environmental Impact

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

Rationale for better facilitation of the DCUSA Objectives identified above

Objective 1: The benefits of the EDCM in terms of encouraging efficient use of distribution network assets by customers, and efficient investment by DNO Parties are set out in Ofgem's decision document 'Distribution use of system charging – decision and further guidance on higher voltage generation charging'

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=832&refer=NETWORKS/ELECDIST/POLICY/DISTCHRG>

Objective 2: The introduction of a common, cost-reflective use of system charging methodology for export charges and credits (the EDCM for export) would facilitate effective competition in the generation of electricity.

Objective 3: This proposal would help the DNO parties meet their obligations under Licence Condition 22A.12 which, along with 22.A.2, requires the DNOs to incorporate the EDCM for export charges into the DCUSA by 1 April 2013.

Objective 4: This proposal seeks to introduce the EDCM for export into DCUSA, thereby bringing the methodology for export charges into the scope of this agreement. It also seeks to make changes to the import section to add clarity and remove ambiguities.

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 Exchanges 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

Rationale for better facilitation of the DCUSA Objectives identified above

Charging objectives

Objective 1: This proposal would help the DNO parties meet their obligations under Licence Condition 22A.12 which, along with 22.A.2, requires the DNOs to incorporate the EDCM for export charges into the DCUSA by 1 April 2013.

Objective 2: The methodology facilitates new entry into distributed generation (and the associated energy trading or aggregation services) by providing for the payment of credits to reflect the benefits to distribution networks of distributed generation, and by ensuring simplicity and commonality in the application of these credits. The methodology facilitates new entry into supply by introducing a common charging methodology across all 14 licensees, and by standardising charge application. The

methodology addresses a potential risk of distortion to competition in the distribution of electricity by introducing portfolio charges for generators connected to distribution systems operated by independent LDNOs.

Objective 3: The EDCM is designed to produce cost reflective use of system charges to encourage existing and new users of the electricity distribution networks in Great Britain to:

1. use existing network capacity more efficiently; and
2. avoid prompting inefficient network reinforcement.

Where the EDCM leads to lower investment in the distribution network, this will result in lower use of system charges for all customers over time. Within the context of the proposed EDCM for export charges, the DNOs expect this to be achieved by including locational credits based on LRIC and FCP for distributed generation that are deemed to offset the need for demand-led network investment.

The proposed EDCM for export charges includes an export capacity charge that will apply to all eligible EDCM generators. This charge is designed to be applied at a uniform rate within a DNO area, and aims to recover an EDCM generation revenue target. The EDCM generation revenue target in a charging year includes the following elements:

1. an allowance for qualifying capital expenditure incurred on or after 1 April 2010 to facilitate the connection of new distributed generation ;
2. the revenue allowance determined by Ofgem associated with the DG incentive revenue scheme pertaining to the fourth Distribution Price Control Period (DPCR4) carried forward; and
3. an allowance for operating and maintenance expenditure in respect of assets associated with pre-2005 DG and post-2010 DG. DG that connected between 2005 and 2010 are excluded from this because the DPCR4 carry-forward amount already reflects this.

The proposed EDCM for export includes a fixed charge that reflects the direct costs and network rates associated with assets that are for the sole use of a generator. These charges are calculated on the same basis as the charges for the sole use assets of a demand user.

Objective 4: The methodology is designed to take into account any changes to the licensee's network and changes in customer characteristics. It includes locational credits based on LRIC and FCP for distributed generation that reflect the extent to which demand-led reinforcement is deemed necessary. As the forecast need for demand-led reinforcement changes, these locational credits will change to account for this.

General objectives

Objective 1: The benefits of the EDCM in terms of encouraging efficient use of distribution network assets by customers, and efficient investment by DNO Parties are set out in Ofgem's decision document 'Distribution use of system charging – decision and further guidance on higher voltage generation charging'

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=832&refer=NETWORKS/ELECDIST/POLICY/DISTCHRGs>

Objective 2: See Charging objective 2 above.

Objective 3: See Charging objective 1 above.

Objective 4: This proposal seeks to introduce the EDCM for export into DCUSA, thereby bringing the methodology for export charges into the scope of this agreement. It also seeks to make changes to the import section to add clarity and remove ambiguities.

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

PART D – GUIDANCE NOTES FOR COMPLETING THE FORM

Data Field	Guidance
Attachments	Append any proposed legal text or supporting documentation in order to better support / explain the CP.
Change Proposal Intent	Outline the issue the CP is seeking to address. Please note that the intent of the CP cannot be altered once submitted.
Confidentiality	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
CP Status	A CP may be deemed 'urgent' in accordance with Clause 10.4.8 of the DCUSA. The proposer should give supporting reasons.
DCUSA General Objectives	Indicate which of the DCUSA Objectives will be better facilitated by the Change Proposal.
DCUSA CDCM Objectives	Indicate which of the DCUSA CDCM Objectives will be better facilitated by the Change Proposal. Please note that a CDCM change may also facilitate the DCUSA General objectives.
Draft Legal Text	Insert proposed legal drafting (change marked against any existing DCUSA drafting). The Change Proposal Intent will take precedence in the event of any inconsistency.
Environmental Impact	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 Ofgem Guidance .
Part 1 / Part 2 Matter	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.
Proposed Implementation Date	The Change can be implemented in February, June, and November of each year.
Proposed Solution	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.
Rationale for DCUSA Objectives	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.
Related Change Proposals	Indicate if the CP is related to or impacts any CP already in the DCUSA or other industry change process.