



DCUSA CONSULTATION

DCP 152 - Implementation of the Combined EDCM for Import and Export Charges

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 in accordance with Clause 11.14 of the DCUSA and seeks industry views on Change Proposal DCP 152 – 'Implementation of the combined EDCM for import and export charges'. The Consultation has been issued to DCUSA Parties, DCMF members, Ofgem and other interested Parties.
- 1.3 Parties are invited to consider the proposed amendments attached as Appendix B and submit comments using the form attached as Appendix C to dcusa@electralink.co.uk by **5 October 2012**.

2. BACKGROUND

- 2.1 Distribution Network Operators (DNOs) are required by their licences to have in place methodologies to calculate their charges for use of system (UoS). In 2009 licence modifications requiring the governance of the distribution charging methodologies to be placed in the DCUSA were approved by Ofgem¹.
- 2.2 On 01 January 2010 the DCUSA was modified via DCP 046B² to include the governance arrangements to reflect the requirements of the final licence modification. DCP 046B recognised that the methodologies would be introduced into the Agreement at a later stage (the Common Distribution Charging Methodology (CDCM) in April 2010 and the EHV Distribution Charging Methodology (EDCM) in April 2012) and provided placeholders for the Schedules in the Agreement.
- 2.3 The CDCM, for charging customers at the lower voltage levels, came into effect on 01 April 2010 and was implemented in the DCUSA via DCP 059³.
- 2.4 On 01 April 2011 the DNOs submitted to Ofgem their proposals for charging

¹ [Ofgem Notice - Licence Modifications](#)

² Common Distribution Charging Methodology Governance

³ Implementation of the CDCM

customers at the higher voltage levels (EDCM). In September 2011 Ofgem published its decision on the methodology for higher voltage import charges, approving the methodology for import charges (i.e. demand) subject to three conditions⁴. The EDCM for import charges was subsequently incorporated into DCUSA under DCP 109 'Implementation of the EDCM'.

- 2.5 In its September 2011 decision Ofgem decided to delay the introduction of EDCM export (i.e. generator) charges. In October 2011, Ofgem published a consultation document setting out a number of options for the EDCM for export charges. Following this consultation, Ofgem published a document providing guidance to the DNOs on the issue of generation (export) charging.
- 2.6 The DNOs, through the Common Methodology Group (CMG), subsequently developed revised proposals for the EDCM for export charges and submitted these to Ofgem on 1 June 2012. Ofgem issued a consultation document seeking industry feedback on this revised methodology on 17 August 2012. The Ofgem consultation is scheduled to close on 2 October 2012 and is available [here](#).
- 2.7 Ofgem will use the consultation responses received to aid it in determining whether to approve the proposals for the EDCM for export charges submitted by the DNOs.
- 2.8 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. To meet this deadline, the DNOs raised DCP 152 'Implementation of the combined EDCM for Import and Export Charges' on 8 August 2012 so that, subjective to it being approved by Ofgem, the EDCM for export proposal can be implemented in the DCUSA.
- 2.9 Appendix A details the sequence of events since October 2008.

3. INTENT OF DCP 152 – IMPLEMENTATION OF THE EDCM

- 3.1 The intent of DCP 152 is to enable the DNOs to meet their obligation under Licence Condition 22A.12 by amending the current text of Schedules 17 and 18 to incorporate the proposed legal text for the EDCM for export charges into the DCUSA. The CP also seeks to make consequential changes to the text relating to the calculation of import charges and add clarity and remove

⁴ [Ofgem EDCM Decision Document](#)

inconsistencies in the current text.

- 3.2 The implementation of DCP 152 is subject to approval from Ofgem of the proposed methodology.

4. DCP 152 – WORKING GROUP CONSIDERATIONS

- 4.1 The DCP 152 Working Group was open to Supplier and Distributor Parties, supported by Ofgem and DCUSA Legal Counsel. Meetings are held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.
- 4.2 The DCP 152 Working Group noted that the EDCM for demand was incorporated into the DCUSA under DCP 109. DCP 152 has subsequently been raised to incorporate the EDCM for export into the DCUSA in accordance with Licence Condition 22A.12 and 22.A.2
- 4.3 The Working Group noted that Ofgem is currently consulting on the proposed methodology itself. The group agreed that a DCUSA consultation should be issued seeking feedback on the proposed legal text.
- 4.4 The group also noted that the outcome of this Change Proposal will depend on the decision made by Ofgem with regards to the DNOs proposals for EDCM for export.

5. PROPOSED LEGAL TEXT

- 5.1 The draft legal text has been reviewed by the Working Group and Wragge & Co. The proposed changes to DCUSA Schedule 17 are provided as Appendix B1 and the proposed changes to Schedule 18 are provided as Appendix B2.
- 5.2 The legal text will be reviewed again by the Working Group after feedback is gained from the consultation. If any changes are made to the text it will be re-issued to the DCUSA legal representative for review.
- 5.3 The legal text is consistent with the EDCM proposal submitted to Ofgem on 1 June 2012. The EDCM proposal is subject to Ofgem approval and the placement of approval conditions. Consequently any conditions placed on DNOs by Ofgem may result in the working group making additional changes to the legal text.

6. ASSESSMENT AGAINST THE DCUSA OBJECTIVES

6.1 The Working Group has identified that the Change Proposal better meets DCUSA General Objectives 1 to 4 for the following reasons:

Objective 1⁵: 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' which is available [here](#).

Objective 2⁶: 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 3⁷: This proposal would enable 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 4⁸: 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.

7. IMPLEMENTATION

7.1 Subject to Ofgem approval, the proposed implementation date for DCP 152 is 01 April 2013.

8. CONSULTATION

8.1 Parties are asked to review the legal drafting attached as Appendix B1 and B2 and in particular to consider the following consultation questions:

1. Do you understand the intent of DCP 152?
2. Are you supportive of its principles?

⁵ The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, coordinated, and economical Distribution Networks

⁶ 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

⁷ The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences

⁸ The promotion of efficiency in the implementation and administration of this Agreement

3. Does the proposal better facilitate the DCUSA general and charging methodology objectives⁹ (please specify which)?
 4. Do you consider that the proposed drafting properly reflects the methodology submitted by DNOs to Ofgem for approval on 1 June 2012?
 5. Do you support the Working Group's view that no consequential changes are required to the CDCM in order to implement the EDCM?
 6. Are there any other matters that should be considered by the Working Group?
- 8.2 Consultation responses should be submitted to dcusa@electralink.co.uk no later than **5 October 2012**. Parties are asked to provide as much relevant detail as possible to enable the Working Group to understand the comments and the reasons behind them.
- 8.3 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.

9. NEXT STEPS

- 9.1 Following the end of the consultation period the Working Group will meet to consider the responses and update the drafting accordingly. The Working Group will liaise with the DCUSA Legal Advisors to ensure that the drafting is legally robust and in keeping with the current DCUSA drafting.
- 9.2 The DCP 152 Working Group will submit its final report setting out the proposed variations to DCUSA Panel in November 2012 before the CP is issued to all Parties for voting.
- 9.3 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA Help Desk by email to dcusa@electralink.co.uk or telephone 020 7432 3011.

APPENDICES

⁹ As set out in Appendix C – Consultation response form

- Appendix A – Charging Methodologies Timeline
- Appendix B1 - DCP 152 Schedule 17 Proposed legal drafting
- Appendix B2 – DCP 152 Schedule 18 Proposed legal drafting
- Appendix C – Consultation response form
- Appendix D – DCP 152 Change Proposal Form