



DCUSA Change Report

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

1 PURPOSE

- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA and details DCP 152 – Implementation of the combined EDCM for import and export charges.
- 1.2 The voting process for the proposed variation and the timetable of the progression of the Change Proposal (CP) through the DCUSA Change Control Process is set out in this document.
- 1.3 Parties are invited to consider the proposed amendments (Appendix B) and submit their votes using the form attached as Appendix D to dcusa@electralink.co.uk no later than **11 January 2013**.

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 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

¹ [Ofgem Notice - Licence Modifications](#)

² Common Distribution Charging Methodology Governance

³ Implementation of the CDCM

⁴ [Ofgem EDCM Decision Document](#)

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.
- 2.7 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 could be implemented in the DCUSA.
- 2.8 Ofgem approval of the EDCM for export charges methodology was received on 16 November 2012. This was subject to the condition that the provision of credits for intermittent generators is removed from the methodology before implementation⁵.
- 2.9 DNOs subsequently submitted revised EDCM proposals to meet this condition. These revised proposals were approved by Ofgem on 5 December 2012.
- 2.10 Appendix E details the sequence of events since October 2008.

3 DCP 152 – WORKING GROUP CONSIDERATIONS

- 3.1 The DCUSA Panel established a Working Group to assess DCP 152. The group comprised of Supplier, Distributor and Ofgem representatives. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.
- 3.2 The Working Group noted that DCP 152 was raised to incorporate the EDCM

⁵ [Ofgem EDCM for Export Decision Document](#)

for export proposals developed by the Common Methodology Group into the DCUSA. It was agreed that the purpose of the Working Group was not to review the methodology itself. The group noted that industry participants had the opportunity to provide feedback on the methodology through the Ofgem consultation issued on 17 August 2012.

- 3.3 The DCP 152 Working Group agreed to issue a consultation to all DCUSA Parties in September 2012 seeking views on incorporating the methodology into the DCUSA.

4 DCP 152 – CONSULTATION

- 4.1 The Working Group reviewed each of the eight responses received to the consultation and concluded that all of the respondents understood the intent of DCP 152.
- 4.2 The remainder of this section summarises the response to each of the consultation questions.

Are you supportive of the principles of the CP?

- 4.3 All respondents were supportive of the principles of the CP.

Do you consider that the proposal better facilitates the DCUSA General and Charging Objectives? Please provide supporting information.

- 4.4 The Working Group noted that all respondents agreed that the proposal better facilitates the DCUSA Objectives. The following tables outline the respondents' views on which Objectives are facilitated by the CP:

DCUSA General Objective	Number of Respondents who indicated it was facilitated
Objective #1	7
Objective #2	7
Objective #3	7
Objective #4	6
Objective #5	0

DCUSA Charging Objective	Number of Respondents who indicated it was facilitated
Objective #1	3
Objective #2	3
Objective #3	3
Objective #4	3
Objective #5	0

- 4.5 It was noted that one respondent agreed with the Working Group's view that the Change Proposal better facilitates general objectives 1-3 but was less convinced that general objective 4 is better facilitated. The respondent noted that they found the legal text difficult to follow and feel that it would be clearer to separate the methodologies for demand and generation charges into different sections rather than intersperse them as proposed. The Working Group discussed this comment and agreed that the EDCM has been developed to charge sites and as these can be a mixture of demand and generation it is beneficial to have a single methodology.

Do you consider that the proposed drafting properly reflects the methodology submitted by DNOs to Ofgem for approval on 1 June 2012?

- 4.6 All respondents agreed that the proposed legal drafting reflects the methodology submitted by DNOs to Ofgem for approval.
- 4.7 One respondent noted that it would have been useful to understand if any changes had been made to the legal text since the methodology was submitted to Ofgem and the reason for these changes. The Working Group noted that no changes had been made to the legal text prior to the consultation being issued. Following the consultation some minor amendments were made, these are detailed in paragraph 4.13 below.
- 4.8 Further amendments were made to meet the Ofgem condition regarding intermittent generators. These amendments are detailed in paragraph 5.1 below.

Do you support the Working Group's view that no consequential changes are required to the CDCM in order to implement the EDCM?

- 4.9 All respondents agreed that no consequential changes are required to the CDCM in order to implement the EDCM.
- 4.10 One respondent noted that for completeness the HVS import and export tariffs should be removed from the CDCM. The Working Group noted that this had previously been discussed and it had been agreed that this would be addressed as a separate Change Proposal.

Are there any other matters that should be considered by the Working Group?

- 4.11 Two respondents highlighted that the EDCM User Manual would need to be updated should DCP 152 be approved. The Working Group noted that the User Manual sits outside of the DCUSA. It was agreed that the User Manual should be updated as part of Common Methodology Group (CMG) Work Stream B.
- 4.12 One respondent noted that they would welcome an early decision from Ofgem so that the change can be implemented in time for the indicative 2013/2014 tariffs.
- 4.13 Another respondent provided comments on the DCP 152 legal text which was issued with the consultation document. The Working Group reviewed these comments and subsequently made the following updates to the legal text:
- Schedule 17 Paragraph 11.1: the word "would" was replaced with "does".
 - Schedule 17 and 18 Paragraph 20.6: the word "maximum" was replaced with "Maximum Export Capacity".
 - Schedule 17 and 18 Paragraph 20.7: the word "maximum" was replaced with "Maximum Import Capacity" and in the same sentence the word "import" was inserted before "capacity".
 - Schedule 17 Fig 10 on page 88 was updated to remove the Demand (Generation) Analysis.
 - Schedule 17 Paragraph 2: the table references were updated to "14" and "15".
 - Schedule 17 Paragraph 1 and 2: The table references have been changed to the name of the item rather than the number.
- 4.14 A summary of the collated consultation responses and the Working Group's comments to these responses is attached as Appendix C.

5 OFGEM CONDITION

- 5.1 In its approval letter dated 16 November 2012 Ofgem approved the charging methodology for higher voltage distributed generation with the condition that intermittent generators do not receive credits. To meet this

condition the following amendments were subsequently made to the DCP 152 legal text:

- Schedule 17 Paragraph 6.3: the formula for calculating the FCP export credit rate in p/kWh is amended to set the credit rate to zero if the Connectee is assigned an F factor of zero.
- Schedule 18 Paragraph 6.4: the formula for calculating the LRIC export credit rate in p/kWh is amended to set the credit rate to zero if the Connectee is assigned an F factor of zero.

5.2 These amendments were agreed by Ofgem on 5 December 2012.

6 THE EDCM MODEL

6.1 The EDCM models provided as Appendix F implement the methodology as defined in the proposed DCP 152 legal drafting. These versions of the EDCM models also incorporate the additional Unmetered Supplies (UMS) tariffs introduced by Approved DCUSA Change Proposal DCP 130 'Remove the discrepancy between non-half hourly (NHH) and half hourly (HH) Unmetered Supplies (UMS) tariffs'.

6.2 On incorporation to the agreement the blank EDCM model "Blank-LRIC-final 11December2012.xlsx" will be renamed to "EDCM model L201.xlsx" (and published on the DCUSA website) so that it aligns with the reference in schedule 18. References in the model to "r5248" in cell A1 of each sheet will also be renamed to "L201".

6.3 On incorporation to the agreement the blank EDCM model "Blank-FCP-final 11December2012.xlsx" will be renamed to "EDCM model F201.xlsx" (and published on the DCUSA website) so that it aligns with the reference in schedule 17. References in the model to "r5247" in cell A1 of each sheet will also be renamed to "F201".

6.4 Appendix G provides a list of the changes made to the EDCM model to meet the Ofgem condition on distributed generation and to incorporate DCP 130.

7 DCP 152 – WORKING GROUP CONCLUSIONS

7.1 The Working Group notes that on 16 November 2012 Ofgem approved the proposals for the EDCM for export charges subject to the condition that intermittent generators do not receive credits. The DNOs revised proposal to meet this condition was approved by Ofgem on 5 December 2012. The

Working Group unanimously supports the implementation of DCP 152 to incorporate the Ofgem approved proposals into the DCUSA.

- 7.2 The Working Group also notes that all respondents to the DCP 152 consultation support the principles of the CP and agree that it better facilitates the DCUSA Objectives.

8 PROPOSED LEGAL TEXT

- 8.1 The draft legal text for DCP 152 has been reviewed by Wragge & Co and is attached as Appendix B.

9 EVALUATION AGAINST THE DCUSA OBJECTIVES

- 9.1 The Working Group considers that the following DCUSA Objectives are better facilitated by DCP 152:

DCUSA General Objective 1: "The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks". 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 – its decision and further guidance on higher voltage generation charging' which is available here:

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

DCUSA General Objective 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". The introduction of a common, cost-reflective UoS charging methodology for export charges and credits (the EDCM for export) would facilitate effective competition in the generation of electricity.

DCUSA General Objective 3: "The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences". 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.

DCUSA General Objective 4: “The promotion of efficiency in the implementation and administration of this Agreement”. 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.

DCUSA Charging Objective 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.” 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.

DCUSA Charging Objective 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).” 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.

DCUSA Charging Objective 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.” The EDCM is designed to produce cost reflective UoS 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 UoS 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 LRIC⁶ and FCP⁷ 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 Distributed Generation 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 connected between 2005 and 2010 is 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.

DCUSA Charging Objective 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." 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 forecasted need for demand-led reinforcement changes, these locational credits will change to account for

6 Long Run Incremental Cost (LRIC)

7 Forward Cost Pricing (FCP)

this.

10 IMPLEMENTATION

10.1 Subject to Authority consent, DCP 152 will be implemented on 1 April 2013.

11 PANEL RECOMMENDATION

11.1 The DCUSA Panel approved the DCP 152 Change Report at its meeting on 19 December 2012.

11.2 The timetable for the progression of the Change Proposals is set out below:

Activity	Date
Change Report issued for voting	19 December 2012
Voting closes	11 January 2013
Change Declaration	15 January 2013
Authority Consent	19 February 2013
CP Implemented	1 April 2013

12 APPENDICES:

- Appendix A – DCP 152 Change Proposal
- Appendix B - Proposed Legal Drafting
- Appendix C – DCP 152 Consultation Documents
- Appendix D - DCP 152 Voting Form
- Appendix E – Timeline
- Appendix F – EDCM Charing Model for Import and Export Charges
- Appendix G –List of changes to the EDCM models following the EDCM for export condition placed by Ofgem and consequential changes following Ofgem Approval of DCP 130