



## **DCUSA CONSULTATION**

### **DCP 139 - Non-Application of FCP charge for Category 0000 Customers**

Executive summary: This consultation seeks industry views on DCP 139 'Non-Application of FCP Charge for Category 0000 Customers', which has been raised seeking to remove an inconsistency in the FCP EDCM methodology relating to Category 0000 customers, by stipulating that Category 0000 customers should not be subject to the FCP locational charge.

## **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 to DNO, IDNO, Suppliers, any other interested Parties and the Authority in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 139 'Non-Application of FCP charge for Category 0000 Customer'. Parties are invited to consider the questions set out below and submit comments using the form attached as Appendix A to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) by **Thursday 13 September 2012**.

## **2 BACKGROUND OF DCP 139**

- 2.1 The Forward Cost Pricing (FCP) EDCM methodology currently applies an FCP locational charge to customers connected directly to the GSP (Category 0000 Customers). The proposer states that this is inconsistent with DCUSA Schedule 17 paragraph 13.10 which states that Category 0000 demand Connectee are deemed not to use any network assets other than sole use assets, as any FCP locational charge will relate to future reinforcement costs of shared assets on the network.
- 2.2 The intent of DCP 139 is to remove this perceived inconsistency by stipulating that Category 0000 customers should not be subject to the FCP locational charge. For the avoidance of doubt, Category 0000 customers will still be subject to any other applicable EDCM charges.

## **3 WORKING GROUP ASSESSMENT OF DCP 139**

- 3.1 The DCUSA Panel established a Working Group to assess DCP 139. The Working Group noted that three DNOs (Western Power Distribution, SSE Power Distribution and Scottish Power Distribution) use the FCP EDCM Methodology. The Working Group requested information from these DNOs to allow it to assess the impact of removing the FCP locational charge from Category 0000 customers.

3.2 Based on this analysis, the Working Group observed that a limited number of customers would see a drop in their charges but for some the reduction would be substantial. This reduction in charge will be picked up by other EDCM customers through the scaling process. The table below provides a summary of the impact based on the RFI responses.

**Impact on all Categories of Customer of Removing the FCP Locational Charge from Category 0000 Customers**

Number of customers with an increase in charge	514 customers
Number of customers with a decrease in charge	16 customers
Of the customers with an increase in charge, the maximum increase in £s	£60,160 (this represents a 4.9% increase for this customer)
Of the customers with an increase in charge, the maximum percentage increase	7.6% (this represents a £705 increase for this customer)
Of the customers with a decrease in charge, the maximum decrease in £s	£707,800 (this represents a 70.7% decrease for this customer)
Of the customers with a decrease in charge, the maximum percentage decrease	86.9% (this represents a £3,110 decrease for this customer)

- 3.3 At the first meeting of the Working Group it was suggested that if the 132kV network FCP locational charge (level 1 charge) is to be removed for customers directly connected to the GSP (Category 0000 customers) then to ensure consistency and fairness the EHV network FCP locational charge (part of level 2 charge) should also be removed for customers directly connected to the BSP (e.g. Category 1100 and Category 0100 customers).
- 3.4 The Working Group considered this point and noted that the FCP level 2 charge may include assets (EHV network assets) that the BSP customers are deemed not to be using, however, it is also likely to include some transformation costs which BSP customers should legitimately pick up.
- 3.5 For customers directly connected to the GSP, the transformation assets do not belong to the DNO so there will never be any transformation costs. Therefore, while there are similarities between these two categories of customer it is not the same situation.
- 3.6 Some members of the Working Group believe that the proposed solution would create an inconsistency for customers deemed not to use any EHV network assets (Categories 1100, 0100, 1101 and 0101 customers). These members of the Working Group believe that to avoid creating inconsistency for these customers the FCP methodology and the EDCM model would need to be changed significantly. However, the Working Group noted that this is not part of the intent of DCP 139.
- 3.7 The Working Group noted that if Category 0000 customers are exempted from paying FCP locational charge, it may be appropriate for Categories 0001, 0002, 0101, 0110, 0111 and 0100 customers to also be exempted from paying FCP level 1 locational charge. All of these categories of customer use minimal 132kV assets compared to typical 132kV customers.
- 3.8 It was noted that the intent of DCP 139 is to address specifically the methodology for Category 0000 customers only. The proposer believes it is appropriate for Category 0000 customers not to pay FCP level 1 locational charge. The Working Group has discussed whether a separate Change Proposal should be raised to review the FCP locational charging approach for Categories of customer stated in 3.6 and 3.7.

#### **4 ASSESSMENT AGAINST THE DCUSA OBJECTIVES**

4.1 The Working Group has identified that the Change Proposal better meets DCUSA Charging Objective 3<sup>1</sup> and General Objective 3<sup>2</sup> by removing the FCP locational element of the EDCM charges from a specific group of customers (Category 0000). This improves cost reflectivity in respect of charges to Category 0000 customers. It has been suggested above that this may need to be reviewed for other types of customer too.

#### **5 DCP 139 – LEGAL DRAFTING**

5.1 The proposed legal text is provided in Appendix B.

#### **6 DCP 139 – IMPLEMENTATION**

6.1 The proposed implementation date for DCP 139 is 1 December 2012. The Working Group notes that a decision on the Change Proposal may not be received from Ofgem until 5 December 2012.

6.2 The Working Group notes that the timescales to implement this Change Proposal are reasonably tight. As part of this consultation, the Working Group is seeking views on whether if a decision were not to be received from Ofgem until 5 December 2012, would it cause any problems in calculating indicative charges for April 2013.

#### **7 DCP 139 – CONSULTATION QUESTIONS**

7.1 The Working Group is seeking industry views on the following consultation questions:

<b>Question Number</b>	<b>Question</b>
1	Do you understand the intent of the CP?
2	Are you supportive of the principles of the CP?

<sup>1</sup> 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.

<sup>2</sup> The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences.

3	Do you consider that the proposal better facilitates the DCUSA objectives? Please give supporting reasons.
4	Are you supportive of the proposed implementation date of 1 December 2012?
5	<p>If an Ofgem decision was received by 5 December 2012, would this permit use for the April 2013 indicatives?</p> <p>Note, the solution to implement this change would be to simply remove the network group from 0000 customers in sheet 953 of the FCP EDCM model.</p>
6	<p>The Working Group notes that there are other categories of customer that are deemed not to use any level 1 assets, should these customers also be exempt from the level 1 FCP charge? If so, should this be a separate Change Proposal?</p> <p>Note, the solution to implement this change would be to simply remove the parent network group of affected level 2 network groups in sheet 911 of the FCP EDCM model.</p>
7	<p>The Working Group notes that categories of customers connected directly to a BSP will still incur a level 2 FCP locational charge. Should these customers be exempt from the portion of the FCP level 2 charge that relates to the EHV network assets? If so, should this be a separate Change Proposal?</p> <p>Note, if so, these customers will still pick up the portion of the level 2 charge that relates to BSP transformation assets. The solution to implement this change would need to be developed.</p>
8	Do you have any comments on the proposed legal text?
9	Are there any alternative solutions or matters that should be considered by the Working Group?
10	Are you aware of any wider industry developments that may impact upon or be impacted by this CP? If so, please give details, and comment on whether the benefit of the change may outweigh the potential impact and whether the duration of the change is likely to be limited.
11	Do you have any further comments?

- 7.2 Responses should be submitted using Appendix A to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than **Thursday 13 September 2012**.
- 7.3 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.

## **8 NEXT STEPS**

- 8.1 Responses to the Consultation will be reviewed by the DCP 139 Working Group. The Working Group will then determine the progression route for the CP.
- 8.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA helpdesk by email to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) or telephone 020 7432 2842.

## **APPENDICES**

- Appendix A – Response Form
- Appendix B – Proposed Legal Text
- Appendix C – DCP 139
- Appendix D – Customer Categories Diagram