

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

Document Control	
CP Status	Urgent
CP Number	DCP 124
Date of submission	14/03/2012
Attachments	1
Originator Details	
Company Name	UK Power Networks
Category	DNO
Change Proposal Details	
CP Title	Third Party Network – National Connection Terms amendment
Impacted parties	DNO / IDNO / DG / SUPPLIER / OTHER
Impacted Clause(s)	Multiple
Part 1 / Part 2 Matter	Part 1
Related Change Proposals	None
Change Proposal Intent	
<p>The intent is to modify the NTC to deal with contractual matters arising from the existence of licence exempt distributors</p>	
Business Justification and Market Benefits	
<p>Subsequent to the making of the Gas and Electricity (Internal Markets) Regulations 2011 on the 9th November 2011 and them becoming effective on the 10th November 2011, a need has arisen to urgently codify the terms of connection both for a licence exempt third party distribution network where some or all of the customers connected to such networks have consumption or production of energy in either case <i>is</i> settlements traded or <i>should</i> be settlements traded.</p> <p>Given that the above regulations apply to all existing private networks there exist in excess of one hundred thousand private networks of varying sizes many of which do not have a settlement metered boundary to the licensed distributor's system. For avoidance of doubt private networks exist in all sizes from airports to data centres to banks, business parks and most substantively all domestic and non-domestic buildings in which subdivision of occupancy arises and where a licensed distributor does not own the electricity system all the way to the point at which the end customer connects to the end distribution system.</p> <p>In UK Power Networks case, for example, the bulk of all domestic multiple dwellings in London, be they large multi storey flats, low level flats or old Victorian flat conversions, are mainly serviced through a connection from our system to a private network. It is to be expected as a natural consequence that more privately owned networks will arise out of the new regulations that might not otherwise have been the case. Addressing terms for legacy private networks and to provide certainty to new and prospective private network owner/operators is therefore essential at the earliest opportunity.</p>	

A gap in industry arrangements has therefore existed long before the above regulations whereby no standing set of terms could be effected upon the private network owner where that owner did not have an electricity supplier relationship. Furthermore any customers connected within such private networks are not currently governed directly by any licensed distributor terms as they are not directly connected to the licensed distributor's system. Prior to the confirmation in November 2011 that the National Terms of Connection applied statutorily, even if the connection was not serviced through a licensed supplier, no ready basis of effecting standard connection terms upon a private network or embedded customers within it was viable. As such, save for a few months delay since November 2011 this represents the earliest opportunity to rectify the defect in industry arrangements.

The change proposal outlined is merely a starting proposition given the potential complexity, but subject to debate and amendment, what the proposer perceives to be the minimum proportionate changes necessary to enable the licensed electricity distributor to discharge its legal and regulatory obligations in the circumstances, now that the provision of registration services to licence exempt distributors is effectively due to underlying competitive supply access requirements to become a quasi-mandatory activity.

Justifications are

- Necessity due to *mandatory* nature of the Gas and Electricity (Internal Markets) Regulations 2011 that requires services of and compliance by the supporting licensed parties
- Impracticability of managing bilateral terms with the volume of private networks

Market Benefits are

- A known controlled transparent set of statutory terms applying by default to private network operator, providing certainty for private network operators, suppliers, distributors and customers.
- Avoidance of bilateral contracts which would become rapidly obsolescent due to churn of private network ownership, certainly in the same way as for most directly connected supplier traded customer connections that partly warranted the changes in detail and the application of the National Terms of Connection in 2010 (DCP033) and 2011 (DCP079).

Proposed Solution and Draft Legal Text

The proposed solution introduces the concepts of Licence Exempt Distribution Network Operator's Distribution System and Embedded Metering Point into section 1 and 5 of the National Connection Terms in order to apply equivalent terms to a licence exempt distributor. Subject to a DCUSA working group findings, further changes to sections 1, 2, 3 and 4 may be identified to further deal with customers connected within licence exempt distributor systems where either there is or should be embedded settlement traded usage within the licence exempt distribution system and/or there is no settlement measured use at the boundary between the licensed and licence exempt distributor's systems. The proposed changes would cause terms to apply to the Licence Exempt Distribution Network Operator (section 1 and 5) but a working group may determine that additional terms should apply separately to any customer in that network where relevant (section 1 and sections 2, 3 and 4 as appropriate). In particular, rights of energisation, de-energisation and disconnection of end users may be required in order to facilitate supply competition and data flow processing (i.e. to deal with scenarios like the supplier sending a flow to the DNO but it may not be his connection to disconnect).

The changes required are provided as an appended document with section 1 in track changed format and section 5, as an entirely new section, not in tracked changed format.

Proposed Implementation Date

As soon as reasonably practicable subject to further work and consultations.

The proposer does suggest a target implementation date of not later than 1st November 2012 (effectively one year after the making of the third party access regulations).

Impact on Other Codes

Please tick the relevant boxes and provide any supporting information.

BSC	<input checked="" type="checkbox"/>
CUSC	<input type="checkbox"/>
Grid Code	<input type="checkbox"/>
MRA	<input checked="" type="checkbox"/>
Other	<input checked="" type="checkbox"/>
None	<input type="checkbox"/>

If other please specify

It is likely that related amendments to both the BSC, MRA and the MOCOPA® will also be required to support the intent of the Gas and Electricity (Internal Markets) Regulations 2011 although the proposer does not believe any of these codes or agreements will need amendment as a result of these proposed changes, rather those codes and agreements will require amendment in their own rights directly as a result of the Gas and Electricity (Internal Markets) Regulations 2011.

Consideration of Wider Industry Impacts

At this time the proposer considers that there are wide impacts of codifying, essentially establishing for the first time standard connection terms in respect of licence exempt distribution system connections and to settlement traded usage within, if only because this would be a change from the relatively undocumented status quo.

Environmental Impact

The avoidance of several hundred thousand bilateral agreements, though realistically impracticable given the change of ownership and occupancy of private networks and tenancies within, would be a material saving on the volume of paper contracts that would otherwise need to be effected.

Confidentiality

None.

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
- 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.

Rationale for better facilitation of the DCUSA Objectives identified above

1. The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks

In short, with estimated private networks being in the order of one hundred thousand or more it is not practical administratively to conduct efficient management of licensed distributor to licence exempt distributor and licensed distributor to licensed exempt distributor customer arrangements without these changes. It would not be possible to deliver a robust transparent and codified approach to co-ordinating in an economical way the management of the sum of those 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

The proposal codifies a standard basis of rights and obligations as equivalent as possible as a distributor would apply to a directly connected customer with the intent that this reduces uncertainty, provides standardisation and provides level protection for all direct and indirectly customers of licensed distributors, the consequence being to provide one stable component of market arrangements necessary to clearly facilitate competition across the volume of private networks that exist.

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

The same comments against objective 1 and 2 applies.

4. The promotion of efficiency in the implementation and administration of this Agreement

Although the main thrust of the proposal is to introduce equivalent terms of connection and usage from the distributor's perspective it is our intention that this provides one of the foundations on which matters such as the access by supplier agents may be improved, again avoiding potentially duplicate bilateral commercial arrangements between suppliers and private network owners, or at least to a far greater extent than if the National Terms of Connection not enhanced. It is our belief that the proposal therefore achieves what it can to alleviate electricity suppliers, distributors, generators and metering agents of more burdensome administration that would otherwise have to exist.

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.

A major, though not the only, justification for this change proposal is to provide a codified basis of connection for the industry that efficiently supports the outcome of the Citiworks AG European Court case, the findings of which have now manifested themselves in the Gas and Electricity (Internal Markets) Regulations 2011.

PART C – MANDATORY FOR CHARGING METHODOLOGIES PROPOSALS

DCUSA CDCM Objectives

Please tick the relevant boxes.

CDCM 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 Exchange 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
- 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.

Rationale for better facilitation of the DCUSA Objectives identified above

CDCM Objectives:

General Objectives:

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 .
Impact of Wider Industry Change	Indicate whether this Change Proposal will be impacted by or have an impact upon wider industry developments. If an impact is identified, explain why the benefit of the Change Proposal may outweigh the potential impact and indicate the likely duration of the Change.
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.