

Proposed variation:	<b>Distribution Connection and Use of System Agreement (DCUSA) DCP236 – Variation of charges notice periods - embedded networks</b>		
Decision:	The Authority <sup>1</sup> directs this modification <sup>2</sup> be made <sup>3</sup>		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties		
Date of publication:	22 July 2015	Implementation date:	5 November 2015

## Background

On 24 February 2015, we approved DCP178, which increases the notice period for distribution use of system charges from 40 days to 15 months for distribution network operators (DNOs) and 14 months for independent distribution network operators (IDNOs). The 14 months' notice recognises that IDNOs need time after the DNOs publish their charges to reflect the charges in their own charging statements. The amendments to DCUSA do not make the same provision for DNOs operating 'out of area' networks.<sup>4</sup> This means that, without DCP236, they would be expected to comply with the 15 month notice period, despite not being able to because they have to align their charges to the host DNO's charges.

## The modification proposal

This proposal was raised by Southern Electric Power Distribution and seeks to amend clause 19.1 of DCUSA to identify a separate notice period (14 months) for DNOs when operating 'out of area'.

## DCUSA Parties' recommendation

The Change Declaration for DCP236 indicates that all parties were eligible to vote on the modification. In each party category where votes were cast there was unanimous support for the proposal and for its proposed implementation date. In accordance with the weighted vote procedure, the recommendation to the Authority is that DCP236 is accepted. The outcome of the weighted vote is set out in the table below:

DCP236	WEIGHTED VOTING (%)							
	DNO <sup>5</sup>		IDNO/OTSO <sup>6</sup>		SUPPLIER		DG <sup>7</sup>	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	100	0	n/a	n/a	100	0	n/a	n/a
IMPLEMENTATION DATE	100	0	n/a	n/a	100	0	n/a	n/a

## Our decision

We have considered the issues raised by the proposal and the Change Declaration and Change Report dated 17 June 2015. We have considered and taken into account the vote of the DCUSA Parties on the proposal which is attached to the Change Declaration. We

<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

<sup>2</sup> 'Change' and 'modification' are used interchangeably in this document.

<sup>3</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>4</sup> Changes to the Electricity Act 1989 by the Utilities Act 2000 mean Ofgem can grant a licence to persons other than the DNOs to distribute electricity. In addition to the IDNOs, this has led to some DNOs developing networks outside their distribution areas.

<sup>5</sup> Distribution Network Operator

<sup>6</sup> Independent Distribution Network Operator/Offshore Transmission System Operator

<sup>7</sup> Distributed Generation

have concluded that implementation of the modification proposal will better facilitate the achievement of the DCUSA General Objectives.<sup>8</sup>

### **Reasons for our decision**

We consider this modification proposal will better facilitate DCUSA General Objectives 3.1.2 and 3.1.3 and has a neutral impact on the other relevant objectives.

***DCUSA General Objective 3.1.2 – the facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity***

***DCUSA General Objective 3.1.3 – the efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences***

The Change Proposal argues the change better facilitates general objectives 3.1.2 and 3.1.3, as DNOs who operate 'out of area' networks are unable to discharge the obligations imposed on them under the current drafting of clause 19.1 of DCUSA. DCP236 applies notice period obligations on DNOs operating out of area, consistent with those for IDNOs.

We accept that this change is necessary in order for DNOs operating out of area to comply with their licence obligations. However, we consider that it could have been avoided and wish to remind all parties of the importance of remaining engaged in the process during development of significant changes to avoid the need for additional consequential modifications.

### **Decision notice**

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, the Authority hereby directs that modification proposal *DCP236: Variation of charges notice periods – embedded networks* be made.

**Ian Rowson**

**Associate Partner – Regulatory Finance and Compliance**

Signed on behalf of the Authority and authorised for that purpose

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<sup>8</sup> The DCUSA General Objectives are set out in Standard Licence Condition 22 Part A of the Electricity Distribution Licence and are also set out in Clause 3.1 of the DCUSA.