









DCUSA Change Report	At what stage is this document in the process?
<h1>DCP 348</h1> <h2>DNO Charging for Installing Capacity Management and Communications Equipment to Enable Flexibility in Connections</h2> <p><i>Raised on 28 June 2019 as a Standard Change</i></p>	01 – Change Proposal
	02 – Consultation
	03 – Change Report
	04 – Change Declaration
<p>Purpose of Change Proposal:</p> <p>The intent of DCP 348 is to develop a transparent and consistent approach across all DNOs for charging for Flexible Connections¹.</p>	
	<p>This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 348 – DNO Charging for Installing Capacity Management and Communications Equipment to Enable Flexibility in Connections.</p> <p>DCP 348 is considered a Part 1 matter and Parties are invited to consider the proposed amendment (Attachment 1) and submit their votes using the Voting form (Attachment 2) to dcusa@electralink.co.uk by 15 January 2019</p> <p>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.</p> <p>If you have any questions about this paper or the DCUSA Change Process, please contact the DCUSA by email to dcusa@electralink.co.uk or telephone 020 7432 3011.</p>
	<p>Parties Impacted: DNOs, IDNOs and CVA Registrants</p>
	<p>Impacted Clauses: Section 1 of Schedule 22 – The Common Connection Charging Methodology</p>

¹ Flexible Connections are connection arrangements whereby a customer's export or import of electricity is managed (often through real-time control) based upon contracted and agreed principles of availability of capacity. Flexible Connections typically allow quicker and cheaper connection to the Distribution System but have no defined cap on the extent to which a user's access can be interrupted.

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		 DCUSA@electralink.co.uk
		 020 7432 3011
		Proposer: Tim Hughes
		 thughes@westernpower.co.uk
		 0117 933 2148
Timetable		
The timetable for the progression of the CP is as follows:		
Change Proposal timetable		
Activity	Date	
Initial Assessment Report Approved by Panel	17 July 2019	
Consultation issued to Parties	02 October 2019	
Change Report approved by Panel	11 December 2019	
Change Report issued for Voting	20 December 2019	
Party Voting Closes	15 January 2020	
Change Declaration Issued to Parties and the Authority	17 January 2020	
Authority Decision	21 February 2020	
Implementation	01 April 2020	

1 Executive Summary

What?

- 1.1 In its launch of the Access and Forward-Looking Charging Significant Code Review (the “Access SCR”) and wider decision letter dated 18 December 2018, Ofgem outlined the following as part of the scope of the industry-led Access Rights Allocation Working Group (the “ARAWG”):

“As proposed in our consultation, we confirm that the review will not take forward consideration of the use of auctions at this stage for the allocation of access rights. Instead, we believe that the Electricity System Operator and network companies should lead on reviewing incremental improvements to the allocation of access rights (e.g. better management of connection queues, allowing generation who have non-firm connections to trade with others to reduce the extent they are curtailed, and enabling the exchange of access rights between users). We think this will have benefits in supporting more efficient allocation of access and in revealing the value of increased network capacity.”

- 1.2 The following products have been identified for delivery by the ARAWG²:

1. Trading of non-firm distributed generation curtailment obligations;
2. The exchange of access rights between users;
3. Queue management; and
4. Active Network Management (ANM) Charging.

This Change Proposal (CP) relates to product 4 only (see Attachment 3 for a copy of the CP form).

- 1.3 Product 4 looks at how network companies are recovering network costs associated with flexible connections, including those associated with the range of ANM schemes, including approaches to schemes that have naturally had to evolve over time. Ofgem have stated that it views Flexible Connections as a key component to reducing barriers to market entry for new participants. The product 4 objective is to develop a consistent approach across all GB Distribution Network Operator (DNOs) for charging network users the costs associated with flexible schemes, which includes connections provided via ANM schemes. The outcome of this product is this CP.
- 1.4 ANM is a defined term within the Energy Networks Associations Open Networks Terms and Definitions Document³ and is replicated below:

² <http://www.chargingfutures.com/media/1327/non-scr-industry-led-access-pid-v11-final.pdf>

³ [http://www.energynetworks.org/assets/files/180723%20ON-PRJ-WS2%20-%20P3%20Terms%20and%20Definitions%20V1.1%20\(published\).pdf](http://www.energynetworks.org/assets/files/180723%20ON-PRJ-WS2%20-%20P3%20Terms%20and%20Definitions%20V1.1%20(published).pdf)

“Active Network Management is the use of distributed control system to continually monitor network limits, along with systems that provide signals to DER (Distributed Energy Resources) to modify outputs in line with these limits.”

- 1.5 The ARAWG considered the principles for charging for system management equipment could apply across a broad spectrum of connection types and the use of the term ‘Flexible Connections’ was more appropriate than ‘ANM’. Consequently, this CP and the associated proposed changes to the Common Charging Connection Methodology (CCCM) utilises these terms.

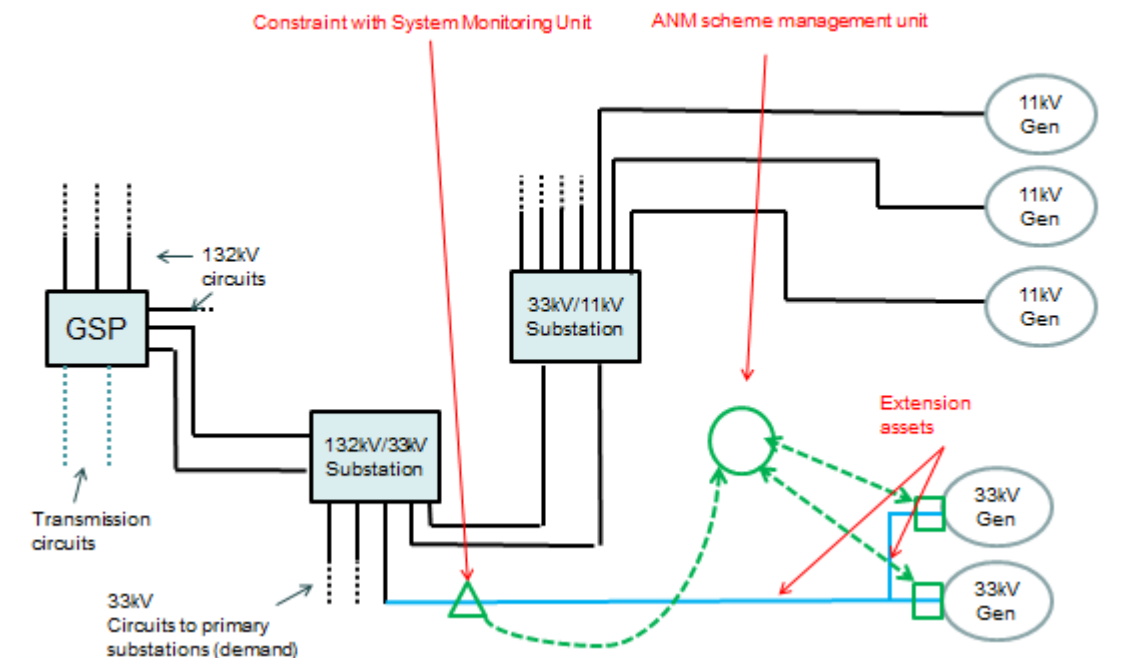
Why?

- 1.6 This CP provides network users who require a new or modified connection via a Flexible Connection option with greater certainty and understanding of the changes they may incur directly as part of the connection charge. In addition, this change seeks to develop a consistent methodology across all DNOs for charging network users the costs associated with Flexible Connection schemes.

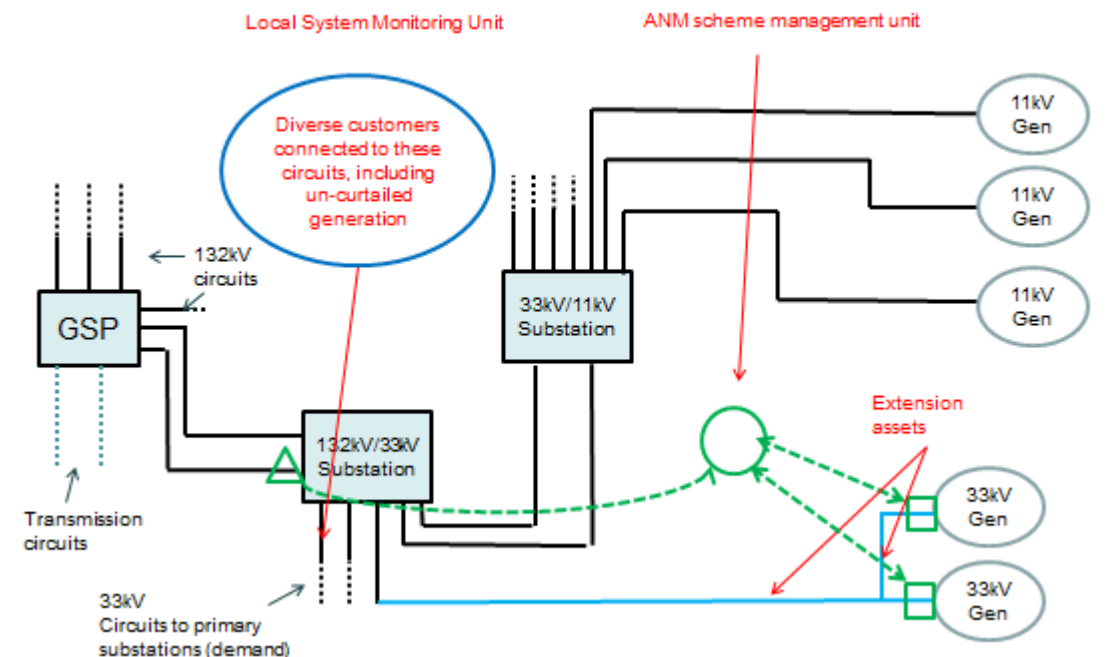
How?

- 1.7 Schedule 22, the CCCM is amended to cater for Flexible Connections and the charging methodology to be applied to the various types of schemes, a Dedicated Scheme or a Wide Area Network Scheme.
- 1.8 A **Dedicated Scheme** is a scheme managing constraint(s) where there are no customers downstream of the constraint(s) who could connect new or additional generation and demand without being controlled by a Dedicated Scheme.
- 1.9 Dedicated Schemes can be sub-categorised in two types:
- Type A considers a scenario involving only one customer; and
 - Type B considers a scenario involving multiple customers.
- 1.10 A **Wide Area Scheme** is a scheme managing constraints(s) where there are customers downstream of the constraint(s) who could connect new or additional generation and demand without being controlled by the Wide Area Scheme.
- 1.11 An example of these schemes is shown below:

Dedicated Scheme – Type A



Wide Area Scheme – Type B



1.12 According to how a connection is designated, i.e. a Dedicated or Wide Area Scheme, will determine the charging methodology applied. Some charges associated with a connection component may be attributed directly to the network user within the connection charge, some charges may be shared by network users, and some charges may be recovered through on-going DUoS i.e. the distributor pays and recovers the cost through Use of System Charges.

2 Governance

Justification for Part 1 Matter

2.1 This CP is considered a Part 1 Matter as it satisfies one or more of the following criteria:

- It is likely to have a significant impact on the interests of electricity consumers;
- It is likely to have a significant impact on competition in one or more of:
 - The generation of electricity;
 - The distribution of electricity;
 - The supply of electricity; and
 - Any commercial activities connected with the generation, distribution or supply of electricity.

Requested Next Steps

2.2 The Panel considered that the Working Group has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 348.

2.3 The DCUSA Panel recommends that this CP:

- Be issued to Parties for Voting.

3 Why Change?

Background of DCP 348

3.1 In December 2017, Scottish and Southern Electricity Network (SSEN) submitted a Modification Proposal⁴ to Ofgem requesting a change to their Statement of Methodology and Charges for Connection (the Methodology) in order to provide clarity surrounding charges for operation and maintenance citing the need for greater clarity and cost reflectivity in the way in which operation and maintenance costs were calculated and applied to Flexible Connections.

3.2 Following an industry wide consultation, Ofgem issued a directive vetoing the Modification Proposal⁵ on the basis that SSEN had failed to sufficiently demonstrate how the modification would better achieve the Relevant Objectives (as listed in Standard Licence Condition 13). Within that

⁴ https://www.ofgem.gov.uk/system/files/docs/2018/01/annex_a_-_ssen_modification_report_0.pdf

⁵

https://www.ofgem.gov.uk/system/files/docs/2018/04/decision_to_direct_ssen_not_to_make_a_modification.pdf

directive, Ofgem stated their expectation that DNOs should keep their methodologies under review as experience with Flexible Connections is acquired and they encouraged DNOs to consider the issue further to help provide clarity to consumers about how costs of providing Flexible Connections are treated.

- 3.3 It is also recognised that central ANM schemes are now being designed to control much larger areas of network, with participation no longer restricted to just distributed generation. These evolving designs can have the ability to manage technology agnostic flexibility services (demand-side response, energy storage and aggregators of multiple virtual power plants), provide capacity to accelerate the deployment of low carbon technologies (such as electric vehicles and heat pumps), and re-configure networks to optimise the capacity within existing assets. The benefits therefore go beyond just the individual flexible/ANM connected customer.
- 3.4 The ARAWG agreed that any principles for cost recovery on Flexible Connections schemes should be developed and become part of the CCCM, thus ensuring:
- Transparency of charges;
 - Consistency of approach;
 - Transparency of allocation;
 - Due consideration to application of 'Minimum Scheme' principles; and
 - Recognition of any wider and future beneficiaries of ANM schemes.
- 3.5 **Transparency of charges** – market entrants understand the charging rules that will determine the connection charges they will incur and therefore level of finance exposure.
- 3.6 **Consistency of approach** – development of a coordinated and consistent framework of charging principles for the main cost elements across DNOs.
- 3.7 **Transparency of allocation** – development of arrangements that recognise Flexible Connection schemes may deliver benefits for:
- An individual connection or clearly defined set of customers;
 - A wider group of customers (new and future) in the same defined scheme;
 - Wider network ANM schemes and/or where the network is of an undefined capacity; or
 - Different Distributed Energy Resource technology types, e.g. Distribution Generation, Demand Side Response, storage, Electric Vehicles.

Minimum Scheme

- 3.8 Due consideration was given by the ARAWG to the application of 'Minimum Scheme' principles and the potential impact of the proposed changes on the definition of 'Minimum Scheme', currently stated as:

"The Minimum Scheme is the Scheme with the lowest overall capital cost (as estimated by us), solely to provide the Required Capacity."

3.9 The Required Capacity is defined as:

“is the Maximum Capacity agreed with the Customer. In the case of multiple connections (e.g. a housing development) it may be adjusted after consideration of the effects of diversity. Where an existing Customer requests an increase in capacity then it is the increase above their Existing Capacity.”

3.10 Previous comments suggested that Flexible Connections did not meet the Required Capacity⁶ so could not be the Minimum Scheme (or could be above the Minimum Scheme and considered an enhanced Scheme).

3.11 The ARAWG considered this further and agreed that there is more nuance. Network users now have choices via discussions with the DNO e.g. to accept less than 24/7 capacity continuity via a Flexible Connection – in effect the network user then defines their Required Capacity both in Megawatts and the extent to which they are prepared to be Flexible. If the network user chooses 24/7 continuity the Minimum Scheme will not be a Flexible Connection and will include reinforcement (i.e. the scheme with reinforcement becomes the minimum).

3.12 The ARAWG was also mindful of previous feedback to SSEN’s earlier Modification Proposal under which Ofgem expressed that it received extensive responses on whether a Flexible Connection could be a Minimum Scheme. While there was no straightforward consensus, the majority of the respondents agreed that a Flexible Connection can indeed qualify for this classification. They stated:

“The applicant should be at liberty to determine the level of security that will meet their needs and whether or not a flexible connection is a viable alternative to conventional reinforcement. On this basis either solution may be construed as the Minimum Scheme, i.e. the solution must reflect the scheme with the lowest overall capital costs according to the connection type selected by the applicant.”

3.13 The ARAWG therefore concluded that principles surrounding the Minimum Scheme remained fit for purpose across the range of Flexible Connection products.

Cost Recovery of (Shared Benefit) ANM Control and Communication Equipment

3.14 The existing CCCM was developed against a backdrop of traditional engineering assets with rules for the apportionment of asset reinforcement costs. These rules for apportionment are applied in recognition of the wider benefits to network users of New Network Capacity⁷ created.

⁶ Required Capacity is the Maximum Capacity agreed with the Customer. In the case of multiple connections, it may be adjusted after consideration of the effects of diversity. Where an existing Customer requests an increase in capacity then it is the increase above their Existing Capacity.

⁷ New Network Capacity is either the secure or non-secure capacity of the Relevant Section of Network (RSN) following Reinforcement. Whether secure or non-secure capacity is applicable depends upon the type of capacity that can be provided from the RSN.

3.15 In contrast to this, flexible connections avoid the need for reinforcement by sharing available headroom and utilising existing assets closer to their maximum operating parameters. It was noted by the ARAWG that whilst no New Network Capacity is created, for example by ANM schemes, there remains wider benefits to network users, for example the connection of downstream micro-generation and other technologies.

3.16 The ARAWG concluded that it was inappropriate for the costs of those elements of the ANM/Flexible Connections equipment which provide wider network benefit, to be levied on those network users directly controlled by it. This would mean that the DNOs would ensure that the costs will be specific in some areas to some network users for the Dedicated Scheme and socialised where a Wider Scheme is applied, i.e. recovered through Use of System Charges rather than directly from the network users directly controlled by it.

4 Solution

DCP 348 Assessment

4.1 The DCUSA Panel established a Working Group to assess DCP 348. This Working Group consists of DNO, Independent Distribution Network Operator (IDNO) and Supplier 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

4.2 The Proposer's initial solution was to create an additional section to the CCCM relating to cost recovery for Flexible Connections. The aim is to provide clarity on charging arrangements. The new section will include a table showing how charges will be allocated to network users. Specifically, it will show for each type of Flexible Connection, who will fund the costs of the communications equipment and when those costs may be shared.

Connection Component	Type 1A - Single	Type 1B - Multiple	Type 2 - Wide Area
Extension assets for customer	You fund	You fund	You fund
End user control unit for the customer	You fund	You fund	You fund
Local System management unit	You fund	Shared [equally between participants/based on capacity requirements of participants]	We fund
Scheme management unit	You fund	Shared [equally between participants/based on	We fund

		capacity requirements of participants]	
Central management unit	N/A	N/A	We fund
Scheme specific ongoing costs e.g. communications	We fund	We fund	We fund

4.3 It should be noted that some costs (those attributed to multiple users on a Dedicated Scheme) will be shared. The methodology for sharing costs had yet to be established but there were two alternatives tabled:

- Option A - Equal split of costs between number of participants; and
- Option B - Split of costs in proportion to the capacity of each participant.

4.4 Either method could be adopted and one advantage of splitting costs in proportion to capacity is that it would align with practices for calculating refunds under the Electricity (Connection Charges) Regulations 2017 that provides that where a person connects to, and benefits from, electricity infrastructure that was paid for by an earlier party, the earlier party can be reimbursed for a share of the costs by the subsequent connecting customer.

4.5 However, after considering the alternatives, the ARAWG favoured the first option of equally splitting costs regardless of capacity as it offered simplicity in approach. It was argued that, unlike traditional reinforcement apportionment, parties aren't making use of a defined available capacity. The system is carrying out the same operations regardless of the size of a connection, albeit some connections will experience greater constraint than others.

4.6 Basing the apportionment on capacity could prove difficult as the DNO would have to define how the capacity is calculated. The assets being installed, usually field monitoring equipment, relays, remote terminal units, etc. do not have a capacity rating in the same way as a transformer or cable does so a potentially more subjective alternative assessment method would need to be found. The suggested approach by the Working Group is to use the agreed capacity of the Connectee. For example, one way that this can be calculated is when there are two Connectees associated with the dedicated scheme, one requiring a capacity of 10MVA the other 15MVA. The method to determine the proportion would be 10MVA (Connectee capacity)/25MVA (the sum of the two capacities) for one (40%) and 15/25 for the other (60%) of the costs of the elements associated with sharing.

Engagement with Supplier Parties

4.7 When developing the solution for this CP, the Working Group discussed the Impacted Parties and agreed that they did not believe that Supplier Parties would be impacted by the solution of the change since it is specific to the methodology to be applied to connection charges. The only

anticipated effects on Suppliers would be the consequential changes to DUoS Charges for some elements of the costs of each scheme.

DCP 348 Consultation

- 4.8 Working Group members sought Party views on the proposed solution and issued a consultation to all DCUSA Contract Managers on 02 October 2019. A copy of the consultation document alongside the Party responses and Working Group conclusions can be found as Attachment 4.
- 4.9 The DCP 348 consultation document was seeking Party views on the proposed solution and draft legal text. There were six respondents to the consultation comprising of DNOs and IDNOs.

Q1: Do you understand the intent of DCP 348?

- 4.10 All respondents to the consultation agreed that they understood the intent of DCP 348.
- 4.11 One respondent noted that developing these arrangements will provide transparency of approach across the DNOs.

Q2: Are you supportive of the principles of DCP 348?

- 4.12 All respondents to the consultation agreed that they were supportive of the principles of DCP 348.
- 4.13 One respondent highlighted that it seems equitable that some of these costs are socialised, some are shared and other remain attributable to the connecting customers.

Q3: Do you have any comments on who should pay for the elements identified in the table?

- 4.14 It was noted that although respondents are comfortable with the elements identified in the table, there are still questions that need consideration by the Working Group.
- 4.15 Further information in this area can be found in sections 4.38 – 4.40 below.

Q4: Which Option (A or B) do you believe is the most appropriate way of apportioning the costs associated with the Dedicated Scheme? Please provide your rationale.

- 4.16 There was a mixed response to whether respondents preferred Option A or Option B. Three respondents believe that the most appropriate way of apportioning the costs would be to split the costs equally, however, one respondent did not have a preference and one respondent raised concerns regarding the options.
- 4.17 Although the majority of respondents put forward a preference for Option A, there were questions raised regarding whether Option A could become problematic and further consideration may be required as to how it is managed.
- 4.18 The Working Group discussed this further and their conclusions can be found in sections 4.34 – 4.37 below.

Q5: Do you believe the Working Group should consider a different solution? If so, please provide your rationale.

4.19 All respondents to the consultation agreed that the Working Group did not need to consider a different solution for this change, and it was noted that they were comfortable with the change as it was proposed.

Q6: Do you believe that it is a fair assessment that Suppliers are not included as Impacted Parties for this CP? If not, why not?

4.20 All respondents to the consultation agreed that it was a fair assessment to exclude Suppliers from the Impacted Parties for this CP. It was highlighted that any consequential change to DUoS charges would not impact their business and any impact would only be as the ongoing scheme costs and installation of the Wide Area option would be recovered from DUoS charges.

4.21 It was also noted that Suppliers were given the opportunity to respond to this consultation, but none replied. This gave the Working Group further comfort that Suppliers are not impacted by this change proposal.

Q7: Do you have any comments on the proposed legal text for DCP 348? Please provide your rationale.

4.22 Every respondent to the consultation provided suggested amendments and questions regarding the proposed legal text.

4.23 It was suggested that extra definitions should be included in the glossary of terms and some aspects of the legal text needed to be clearer.

4.24 Further development of the legal text can be found in sections 4.41 – 4.45 below and the changes to the legal text are highlighted in section 8 below.

Q8: Which of the DCUSA Objectives does this CP better facilitate? Please provide supporting comments.

4.25 Three of the nine respondents agreed with the proposer that DCUSA Charging Objectives 1, 2, 3 and 4 would be better facilitated by the implementation of DCP 348.

4.26 One respondent believes that DCUSA Charging Objectives 1, 2 and 3 would be better facilitated and a further respondent believes that DCUSA Charging Objectives 2, 3 and 4 would be better facilitated.

4.27 The Working Group noted all of these responses and their conclusions can be found in section 5 below.

Q9: Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

- 4.28 The majority of respondents highlighted that they did not believe that there were any wider industry developments that would impact on or be impacted by the implementation of DCP 348.
- 4.29 However, one respondent noted that they were unaware of other industry developments in the short term, but in the longer term, the proposed charging methodology may be impacted by the work undertaken by the Access SCR Delivery Group, specifically those tasked with considering options for amending the 'Connection Boundary'.

Q10: The proposed implementation date for DCP 348 is 5 Working Days following Authority approval. Do you agree with the proposed implementation date? Please provide your rationale.

- 4.30 There was a mixed response to whether Parties were in agreement with the implementation date for this CP.
- 4.31 Two respondents were happy with the proposed implementation date of 5 Working Days following Authority approval. However, other respondents raised concerns regarding whether there had been sufficient consideration given to the impact that the change in funding mechanism will have, the transition period between existing and proposed funding mechanisms.
- 4.32 One respondent also suggested that there should be a 6-month implementation to allow existing quotations for connection to take account the changes. The Working Group discussed this further and their conclusions can be found in sections 4.46 – 4.49 below.

Working Group Conclusions

- 4.33 Following review of the consultation responses, the Working Group agreed that there needed to be further work in the following areas:
- Choice of Option A or Option B;
 - Clarification on who should pay;
 - Legal Text queries; and
 - Implementation Date.

Choice of Option A or Option B

- 4.34 The Working Group discussed both options and the respondent's views in this area.
- 4.35 It was discussed what the scenario would be if a second comer wanted to connect on a dedicated scheme and were added to the same circuit that would have been created for the first comer, but the second comer's connection offer is based on capacity.
- 4.36 The Working Group reviewed the current legal text within Schedule 22 associated with the second comer connection offers and agreed that the first Connectee would have the right to recover some

of its costs irrespective of the options being considered by this CP. It is assumed that 'ongoing costs' will include maintenance, indirectly associated IT and telecoms and therefore be socialised and recovered from DUoS, like any other operational IT.

4.37 Therefore, the Working Group provided majority support for progressing with Option A.

Clarification on who should pay

4.38 The Working Group acknowledged the responses in this area of the consultation and agreed that they were happy with the allocation of costs that were provided within the illustrative table in the legal text drafting.

4.39 In addition, it was noted that the terms used in the table were not defined in DCUSA and as such they would all be amended to be in lower case apart from Extension Assets which is defined. It was agreed that a footnote would be included within the illustrative table to indicate that the main connection components would be defined (including the funding arrangements for each) within the connection offer provided by the DNOs.

4.40 The Working Group also agreed to update the table on the allocation of costs for local system management unit or a scheme management unit where there are multiple customers in line with the decision made to support Option A, i.e. they should be shared equally between the participants.

Legal Text Queries

4.41 When reviewing the responses to the consultation, there was a suggestion that including "as per table 1.32b" should be included within paragraph 1.32a. The Working Group took this suggestion forward but changed the wording slightly to align with the rest of the legal text drafting. The inclusion of this also aligns with other suggestions provided by other respondents to the legal text.

4.42 There was also a question as to how the legal text should be amended to ensure that it is clear if any new connections downstream of the constraint which are not controlled by the ANM scheme could be made. The Working Group discussed this at length and agreed that the Electricity Connection Charges Regulation arrangements contained within paragraph 1.35 to 1.38 of Schedule 22 of DCUSA would cover this scenario.

4.43 The Working Group also discussed whether the Wide Area Scheme would need to be refined further to include demand as well as generation. It was noted that this should be included for both the Wide Area Schemes and the Dedicated Schemes, and the legal text was updated to reflect this.

4.44 The Working Group also discussed the amendment of the "Cost Allocation" to include a section titled "(excluding Flexible Connections)". It was suggested that there has been an unintended consequence of this change as the industry would not want to exclude any of the preceding sections when allocating costs to a Flexible Connection. It was agreed that the legal text title that has been drafted for new paragraph 1.32a and 1.32b will be updated to "Additional Cost Allocation for Flexible Connections".

4.45 The finalised legal text is discussed further in section 8 below and can be found as attachment 1.

Implementation Date

4.46 The Working Group discussed the mixed responses received from DCUSA Parties as to whether they agree with the proposed implementation date of 5 Working Days following Authority approval.

4.47 The Working Group discussed the suggestions from respondents to introduce a transition period between the existing and the proposed funding mechanisms.

4.48 The Working Group agreed with the rationale provided within the consultation responses and decided to update the implementation date to 01 April 2020. This would allow for DNOs to be able to engage with their customers before the implementation of the change and for any outstanding connection offers to be reviewed or amended.

4.49 Further detail regarding the finalised implementation date can be found in section 7 below.

5 Relevant Objectives

Assessment against the DCUSA Objectives

5.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better meets the DCUSA Objectives.

5.2 The Proposer of DCP 348 believes that the proposed solution will better facilitate DCUSA Charging Objectives one, two, three and four. The rationale for this can be found below.

5.3 DCUSA Charging Objective One is better facilitated as updating the CCCM will ensure each DNOs obligation to prepare a charging statement that sets out the basis on which charges will be made for the provision of connections to the licensee's Distribution System is maintained.

5.4 DCUSA Charging Objective Two is better facilitated as updating the CCCM will ensure each DNOs methodology for charging for flexible connections is clear and transparent and will not restrict, distort, or prevent competition in the transmission or distribution electricity.

5.5 DCUSA Charging Objective Three is better facilitated as DNOs will be able to demonstrate how charges for recovery of the costs of flexible connections are structured to reflect both specific and wider benefits to participants.

5.6 DCUSA Charging Objective Four is better facilitated as the proposed change will ensure that the DNOs charging methodologies reflect developments in the way that connections are provided, particularly in relation to the implementation of flexible solutions as opposed to traditional reinforcement.

5.7 The Working Group sought Party views on which of the DCUSA Charging Objectives they thought would be better facilitated by the implementation of DCP 348. A summary of the Party views can

be found in sections 4.25 – 4.27 above and in the consolidated consultation responses document found as attachment 4.

- 5.8 The Working Group unanimously agrees with the Proposer of the Change Proposal that DCUSA Charging Objectives one, two, three and four would be better facilitated by the implementation of the DCP 348 solution.

DCUSA Charging Objectives	Identified impact
<input checked="" type="checkbox"/> 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	Positive
<input checked="" type="checkbox"/> 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)	Positive
<input checked="" type="checkbox"/> 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	Positive
<input checked="" type="checkbox"/> 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	Positive
<input type="checkbox"/> 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	No impact
<input type="checkbox"/> 6 That compliance with the Charging Methodologies promotes efficiency in its own implementation and administration	No impact

6 Impacts & Other Considerations

Does this Change Proposal impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

- 6.1 In the short term, the Working Group did not believe that there are any wider developments that may impact upon or be impacted by this CP. In the longer term, the proposed Charging Methodology may be impacted by the work undertaken by the SCR Access Group, specifically those tasked with considering options for amending the 'connection boundary'.

- 6.2 However, the Working Group agree that they should progress with the CP because when Ofgem launched the Access SCR they outlined that the following as part of the scope of the industry-led Access Rights Allocation Working Group (“ARAWG”):

“As proposed in our consultation, we confirm that the review will not take forward consideration of the use of auctions at this stage for the allocation of access rights. Instead, we believe that the Electricity System Operator and network companies should lead on reviewing incremental improvements to the allocation of access rights (e.g. better management of connection queues, allowing generation who have non-firm connections to trade with others to reduce the extent they are curtailed, and enabling the exchange of access rights between users). We think this will have benefits in supporting more efficient allocation of access and in revealing the value of increased network capacity.”

- 6.3 As part of this the ARAWG was directed to focus on four products including the ANM Charging.

Consumer Impacts

- 6.4 This CP does not have any impact on existing customers, however, new connectees will be impacted where flexible connections are to be catered for. This scheme will have a common approach which is followed across the industry and there will be a fairer allocation of costs.

Environmental Impacts

- 6.5 In accordance with DCUSA Clause 11.14.6, the Proposer assessed whether there would be a material impact on greenhouse gas emissions if DCP 348 were implemented. The Proposer did not identify any material impact on greenhouse gas emissions from the implementation of this Change Proposal.

Engagement with the Authority

- 6.6 Ofgem were invited to join the Working Group but did not provide an observer to the Working Group.

7 Implementation

- 7.1 The proposed implementation date for DCP 348 is 01 April 2020. This caters for a small transition window of at least 5 weeks after Authority approval should such approval align with the timetable associated with this change. This window allows for DNOs to engage with customers before the implementation of the change, and potentially consider any open offers. The length of the transition period was based on the current small number of offers associated with Flexible Connections. Further information can be found in section 4.46 – 4.49 above.

8 Legal Text

- 8.1 The legal text is intended to provide a concise and clear commentary on the methodology applied for Flexible Connection scheme cost recovery. It will allow network users to assess the potential level of charges that will be applied to their connection scheme.
- 8.2 The proposed changes made the following amendments to the legal text:
- Amend paragraph 1.7 of section 1 of Schedule 22 to include two additional bullet points to include the costs for installing communication equipment and system management equipment to be included in the connection charge;
 - New paragraphs 1.32a and 1.32b to be inserted into section 1 of Schedule 22 to detail the Flexible Connection Scheme for Cost Recovery, including an illustrative table setting out the costs of who should pay for what; and
 - Three new definitions to be included in the glossary table in Section 1 of Schedule 22 for the following terms:
 - Flexible Connections;
 - Dedicated Scheme; and
 - Wide Area Scheme.
- 8.3 A copy of the proposed legal text can be found as Attachment 1.

9 Code Specific Matters

Modelling Specification Documents

- 9.1 Not applicable.

Reference Documents

- 9.2 Not applicable.

10 Recommendations

Panel's Recommendation

- 10.1 The Panel approved this Change Report on 18 December 2019. The Panel considered that the Working Group has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 348.
- 10.2 The Panel have recommended this report be issued for voting and DCUSA Parties should consider whether they wish to submit views regarding this CP. The Voting Form can be found in Attachment 2.

Attachments

- Attachment 1 – DCP 348 Legal Text

- Attachment 2 – DCP 348 Voting Form
- Attachment 3 – DCP 348 Change Proposal
- Attachment 4 – DCP 348 Consultation and Collated Responses