




Part A: Generic

DCUSA Change Proposal (DCP)		At what stage is this document in the process?
<h1 style="color: #008080;">DCP 358:</h1> <h2 style="color: #008080;">Ofgem Targeted Charging Review (TCR) Implementation – Determination of Banding Boundaries</h2> <p><i>Date raised: 14 January 2020</i></p> <p><i>Proposer Name: Tony McEntee</i></p> <p><i>Company Name: Electricity North West</i></p> <p><i>Company Category: DNO</i></p>	01 – Change Proposal	
	02 – Consultation	
	03 – Change Report	
	04 – Change Declaration	
<p>Purpose of Change Proposal:</p> <p>The intent of this Change Proposal (CP) is to implement certain areas of Ofgem’s TCR Decision; specifically relating to the determination of charging bands for non-domestic distribution connected customers. This CP seeks to address paragraphs 20, 21, 30, 31 and 32 whilst having regard for paragraphs 34 and 36-39, of the TCR Direction.</p>		
	<p>Governance:</p> <p>The Proposer recommends that this Change Proposal should be:</p> <ul style="list-style-type: none"> • Treated as a Part 1 Matter • Treated as an Urgent Change • Treated as an Authority Change • Proceed to the definition phase via a Working Group <p>The Panel will consider the proposer’s recommendation and determine the appropriate route.</p>	
	<p>Impacted Parties: DNOs, IDNOs and Suppliers, generators and demand users</p>	
	<p>Impacted Clauses: Possibly Schedules 16-18 or potentially a new Schedule to be determined by the working group,</p>	

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Indicative Timeline		
The Secretariat recommends the following timetable:		
Initial Assessment Report	15 January 2020	
Consultation Issued to Industry Participants	TBC	
Change Report Approved by Panel	15 April 2020	
Change Report issued for Voting	17 April 2020	
Party Voting Closes	11 May 2020	
Change Declaration Issued to Authority	13 May 2020	
Authority Decision	18 June 2020	

 Any questions?

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1 Summary

What?

- 1.1. On 21 November 2019 the Authority published its Targeted Charging Review (TCR) Significant Code Review (SCR) Decision (the 'TCR Decision')¹. The Authority Directed that Distribution Network Operators (DNOs) raise one or more modifications to the Distribution Connection and Use of System Agreement (the 'DCUSA'), to implement the TCR Decision on 1 April 2022 (the 'TCR Direction')².
- 1.2. On 20 December 2019, DNOs and National Grid Electricity System Operator (NGESO) published a joint plan (the 'detailed plan') to deliver the requirements of the TCR Directions³⁴. The detailed plan sets out the proposed delivery approach (section 4.5) which includes four DCUSA modification 'packages'; of which this CP is one.
- 1.3. Specifically, this CP will seek to implement a detailed process on how the four charging bands for of the non-domestic distribution consumer groups should be determined. There will be four charging bands for each non-domestic consumer group, the boundaries for which will be set at the 40th, 70th and 85th percentiles. The non-domestic consumer groups are as follows:
 - 1.3.1. EHV-connected consumers;
 - 1.3.2. HV-connected consumers;
 - 1.3.3. Non-domestic LV-connected consumers with an agreed capacity as the basis for their current charge; and
 - 1.3.4. Non-domestic LV-connected consumers without an agreed capacity.
- 1.4. The CP will also introduce processes for review to ensure that the charging bands remain fit for purpose and will also provide analysis of whether there are circumstances, such as significant regional differences or low customers numbers in a particular band that would justify alternative proposals, such as implementing regional derived boundaries or combining bands. However, that the intent of the CP is to keep the banding consistent across DNOs and ESO as currently a deliverable solution has not been identified that could cope with different charging bands. Charging bands will only be revised at the beginning of each TO price control period.

Why?

- 1.5. This CP has been raised to enable DNOs to satisfy specific requirements set out in the TCR Direction. However, it is also to support NGESO in satisfying requirements set out in its TCR Direction. Failure to develop these proposals and implement associated change by 1 April 2021, which is required to support transmission residual charging, will result in failure to implement the TCR Decision.

¹ https://www.ofgem.gov.uk/system/files/docs/2019/11/tcr_final_decision.pdf

² https://www.ofgem.gov.uk/system/files/docs/2019/11/dcusa_direction_1.pdf

³ <http://www.chargingfutures.com/media/1390/tcr-joint-eso-dno-pid-v10.pdf>

⁴ The Authority also directed that NGESO raise modifications to the Connection and Use of System Agreement ('the CUSC') to implement the TCR Decision.

How?

- 1.6. As specified in the TCR Decision, this CP will define the processes by which the charging bands for non-domestic distribution consumer groups are determined and remain fit for purpose.
- 1.7. This CP will also consider changes to systems and processes to implement the Proposal. In doing, so the DNOs must have regard to paragraph 3.58(4) of the TCR Decision.

2 Governance

Justification for classification as a Part 1 Matter

- 2.1. This CP must be a Part 1 matter as it has been raised by a DNO Party pursuant to Clause 10.2.5, and pursuant to clause 11.9A the Authority has determined the implementation date. For these reasons, and where this CP may have a significant adverse commercial impact on Parties if not implemented, as set out in the TCR Decision, and where failure to deliver the requirements of the TCR Direction would result in DNOs being in breach of the Relevant Instrument (i.e. the Distribution Licence in this case), this CP should also be treated as an Urgent Change.

Requested Next Steps

- 2.2. This CP should:
 - Be treated as a Part 1 Matter
 - Be treated as an Urgent Change
 - Be Treated as an Authority Change
 - Proceed to a Working Group
- 2.3. As noted, this CP has been raised to satisfy specific requirements set out in the TCR Direction and must be progressed in sufficient time to enable this CP to be effective as of 1 April 2021 to enable the solution to support transmission residual charging from this date.
- 2.4. This CP cannot be withdrawn without the Authority's consent to do so.
- 2.5. In accordance with Clause 11.9A, the Authority may also, by direction, specify and/or amend the relevant timetable to apply to each stage of the Assessment Process, and where it has determined the implementation date to be 1 April 2021.

3 Why Change?

- 3.1. As noted, this CP has been raised in response to specific requirements set out in the TCR Direction.
- 3.2. Modifications to the DCUSA are required to implement the TCR Decision in order to address the issues associated with current residual charging arrangements; primarily that they provide an incentive to reduce exposure to residual charges which in turn increase costs for others, who may be less able or less willing to change behaviour.
- 3.3. Failure to develop these proposals and implement associated change by 1 April 2021 (to support transmission charging) will result in failure to implement the TCR Decision, and in doing so result in DNOs being in breach of the distribution licence.

Part B: Code Specific Details

4 Solution and Legal Text

Legal Text

4.1. The legal text will be developed by the Working Group

Text Commentary

4.2. This CP will seek to ensure that the residual charging bands for each non-domestic consumer group are set and kept under review in accordance with the TCR Direction.

4.3. In isolation, this CP seeks only to set out the process for determining the changing boundary for each non-domestic consumer group.

5 Code Specific Matters

Reference Documents

5.1. TCR Decision⁵ and TCR Direction⁶.

5.2. The detailed plan⁷.

5.3. DCUSA CPs to implement the other three 'packages' as set out in the detailed plan.

6 Relevant Objectives

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 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	None

⁵ See footnote 1

⁶ See footnote 2

⁷ See footnote 3

<input 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	None
<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.	None
<input type="checkbox"/> 6 that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	None

- 6.1. Charging Objective 1 will be better facilitated by ensuring DNOs are compliant with licence requirements in relation to SCRs, by implementing specific requirements set out in the TCR Direction.
- 6.2. Charging Objective 2 will be better facilitated by ensuring network costs are recovered fairly from network users and to reduce harmful distortions which impact competition and efficiency of the electricity market.

7 Impacts & Other Considerations

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

- 7.1. It is not believed that this CP will impact on any existing SCR, and this CP needs to be raised as a result of the TCR Decision which therefore means the SCR phase of the TCR shall be treated as having ended.

Does this Change Proposal Impact Other Codes?

- BSC
- CUSC
- Grid Code
- MRA
- SEC
- Other
- None

- 7.2. It is not certain that changes to the BSC and MRA will be necessary and this will be clarified by the working group.
- 7.3. As noted, NGESO has also been directed to raise modifications to the CUSC to implement the TCR Decision. A key requirement of the TCR Directions is to ensure consistency between the DCUSA and the CUSC in certain areas, and this CP falls into this category. Changes as a result of this CP need to be consistent across both codes. The intent of the CP is to keep the banding consistent across DNOs and ESO.

Consideration of Wider Industry Impacts

- 7.4. The proposals have been shared with Ofgem and primarily discussed within the TCR Implementation Steering Group (see detailed plan section 3.1); which has undertaken some stakeholder engagement (see detailed plan section 3.2).

Confidentiality

- 7.5. This CP is non-confidential.

8 Implementation

Proposed Implementation Date

- 8.1. As noted, the Authority has decided that implementation of the TCR proposals will be 1 April 2021 for transmission and 1 April 2022 for distribution. As this CP support the solution for transmission charging it needs to be implemented by 1 October 2020.

9 Recommendations

The Code Administrator will provide a summary of any recommendations/determinations provided by the Panel in considering the initial Change Proposal. This will form part of a Final Change Report.