




DCUSA Consultation		At what stage is this document in the process?
<h2>DCP 359:</h2> <h3>Ofgem Targeted Charging Review (TCR) implementation – customers: who should pay?</h3> <p><i>Date raised: 14 January 2020</i></p> <p><i>Proposer: Lee Wells</i></p> <p><i>Company Name: Northern Powergrid</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 Decision¹; specifically relating to the identification of which ‘customers’ are eligible for a residual fixed charge. This CP seeks to address paragraphs 12-16, and paragraph 30, whilst having regard for paragraphs 34 and 36-39, of the TCR Direction².</p>		
	<p>This document is a Consultation issued to DCUSA Parties and any other interested Parties in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 359.</p> <p>Parties are invited to consider the questions set in section 10 and submit comments using the form attached as Attachment 1 to dcusa@electralink.co.uk by 14 April 2020</p> <p>The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the CP to the Change Report phase.</p>	
	<p>Impacted Parties: DNOs, IDNOs, Suppliers and CVA Registrants</p>	
	<p>Impacted Clauses: Inclusion of specific defined terms within a new Schedule (catered for by DCP 358 & 360), and the defined term for Final Demand Site within the definition sections of Schedule 16, 17 and 18 .</p>	

¹ [TCR decision document](#)

² [TCR Direction](#)

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Any questions?

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Timetable

The timetable for the progression of the CP is as follows:

Change Proposal timetable

Activity

Date

Initial Assessment Report Approved by Panel

15 January 2020

Consultation issued to Parties

20 March 2020

Change Report issued to Panel

13 May 2020

Change Report issued for Voting

21 May 2020

Party Voting Ends (10 Working Day period)

4 June 2020

Change Declaration issued to Authority

8 June 2020

Authority Decision

13 July 2020

Implementation Date

5 Working Days following Authority approval³

³ Subject to Authority approval of DCP 358 and DCP 360 at the same time, or if DCP 359 is approved earlier than DCP 358 and DCP 360 then implementation will be 5 Working Days from the Authority approving DCP 358 and DCP 360.

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') 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').
- 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 Directions⁴⁵. The detailed plan sets out the proposed delivery approach (section 4.5) which included a package of four DCUSA CPs; of which this CP is one.
- 1.3 DCP 359 seeks to address paragraphs 12-16, and the highlighted section of paragraph 30 of the TCR Direction, which for completeness are set out below [emphasis added to paragraphs]:

12. The Proposal(s) must set out:

Final demand

*13. that applicable residual charges **must be applied to final demand consumers only.***

*14. the definition of 'final demand' is as follows "Final Demand means electricity which is consumed other than for the purposes of generation or export onto the electricity network". **Therefore, generation only and storage only sites will not pay residual charges.***

Single site

15. that the residual fixed charge is to be levied on a single site basis.

16. the definition of 'site', having regard to paragraph 3.57(10) of the TCR Decision.

Further arrangements

30. appropriate arrangements to develop the following:

- a. the frequency and relevant units of the fixed charge, considering a proposal of a pence/site/day structure;*
- b. **the mechanism to identify which sites should be classified as final demand for the purposes of determining residual charges.** In doing so, the DNOs must have regard to paragraph 3.58(2) of the TCR Decision;*

⁴ <http://www.chargingfutures.com/media/1390/tcr-joint-eso-dno-pid-v10.pdf>

⁵ The Authority also directed that NGESO raise modifications to the Connection and Use of System Agreement ('the CUSC') to implement the TCR Decision.

- c. any consequential changes that may be required in relation to residual charges for Independent Distribution Network Operators (IDNOs), consumers connected to private wire and complex sites, noting that the Authority expects that the IDNO charging regime (which operates via a Relative Price Control) to continue to function as it does today; and
- d. the systems and processes to implement the Proposal(s). In doing, so the DNOs must have regard to paragraph 3.58(4) of the TCR Decision.

Why?

- 1.4 This CP has been raised to enable DNOs to satisfy specific requirements set out in the TCR Direction. Failure to develop this proposal together with the three other related DCUSA CPs that form the package of DCUSA CPs⁶ in sufficient time to implement these changes effective as of 1 April 2022 will result in failure to implement the TCR Decision.
- 1.5 This CP should also support NGESO in satisfying the requirements set out in its TCR Direction. The residual charging arrangements for transmission are to be implemented into the [Connection and Use of System Code](#) (CUSC) on 1 April 2021, which is a year ahead of those which are required for the DCUSA. However, consideration must be given to the need to facilitate the timely progression of each code's respective code modifications proposals as explicitly stated in paragraph 34 of the TCR Direction:

34. In preparing the Proposal(s), the DNOs must:

- a. *work and cooperate with NGESO (who are subject to a similar direction to bring forward a proposal to modify the Connection and Use of System Code (CUSC) to give effect to the TCR Decision (the CUSC Direction)) to ensure that a consistent approach is taken to issues or matters common to both Directions and to facilitate the timely progression of their respective code modifications proposals. Issues or matters common to both Directions include but are not limited to i) final demand; ii) single site; and iii) the review of charging bands. Such co-operation might include (but would not be limited to) participation in the working groups for the modification proposals being developed under the respective Directions;*
- b. *include such modifications to Section 1A (Definitions and Interpretation) of DCUSA and any other associated provisions as required as a result of the Proposal(s); and*
- c. *have regard to (and to the fullest extent practicable comply with) the SCR Decision Principles as defined in paragraph 3.53 of the TCR Decision."*

⁶ DCP 358 'Ofgem Targeted Charging Review Implementation: Determination of Banding Boundaries' seeks to implement certain areas of Ofgem's TCR Decision; specifically relating to the determination of charging bands for nondomestic distribution connected customers. DCP 360 'Ofgem Targeted Charging Review Implementation: Allocation to Bands and Interventions' seeks to implement certain areas of Ofgem's TCR Decision; specifically relating to the allocation and reallocation of 'customers' to residual charging bands. DCP 361 'Ofgem Targeted Charging Review Implementation: Calculation of Charges' seeks to implement certain areas of Ofgem's TCR Decision; specifically relating to the calculation of charges.

How?

- 1.6 As specified in the TCR Decision, this CP will define Final Demand within the DCUSA as “*electricity which is consumed other than for the purposes of generation or export onto the electricity network*”. The detailed plan sets out a ‘baseline solution’ (section 4.4), which proposes that each Meter Point Administration Number (MPAN) shall be considered a ‘Single Site’ except where a DNO knows that the MPAN is a related/secondary MPAN (for example an off-peak supply)⁷.
- 1.7 The baseline solution set out in the detailed plan proposed that all metered import data shall be considered Final Demand unless demonstrated otherwise by the customer, and only imports measured by MPANs which qualify for zero residual charges under DCP341/342⁸, albeit extended to cover all generators and not just storage, shall be considered not to be Final Demand. Therefore, standalone generators, including storage, would be exempt from residual charges; noting that there would be no requirement on the generator to hold a generation licence.
- 1.8 The detailed plan considers some alternatives (section 4.4.2), which the Working Group should consider, for example a Final Demand ‘threshold’ based on (e.g.) relative import v export capacity, and a definition of Single Site based on relative geographical location.
- 1.9 In developing this CP, further consideration is to be given to any interaction between the proposed solution and arrangements for: Licensed Distribution Network Operators (LDNOs) (except for charging arrangements will be considered under DCP 361); complex sites; and private networks. Further to this, consideration will be needed with respect to any changes to systems and processes to implement any proposed solution and in doing, regard must be given to paragraph 3.58(4) of the TCR Decision.

Question 1- Do you understand the intent of this CP?

2 Governance

Justification for consideration as a Part 1 Matter

- 2.1 DCP 359 is a Part 1 matter in accordance with the following DCUSA clause:
 - 9.4.1 it is likely to have a significant impact on the interests of electricity consumers.
- 2.2 The DCUSA Panel also agreed that this is an urgent change. The definitions that this CP seeks to introduce are to be used in the processes facilitated by DCP 358 that specify how the initial charging bands are to be set and the allocation of customers to those bands, is required by the Autumn 2020
- 2.3 This CP cannot be withdrawn without the Authority’s consent to do so. 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.

⁷ There may be sites which comprise multiple MPANs. Where a site has multiple MPANs, except in exceptional circumstances such as complex sites, including private networks, only a single fixed charge is levied.

⁸ DCUSA Change Proposal (DCP) 341 ‘*Removal of residual charging for storage facilities in the CDCM*’ and DCP 342 ‘*Removal of residual charging for storage facilities in the EDCM*’

Requested Next Steps

- 2.4 Following a review of the Consultation responses, the Working Group will work to agree the final detail of the solution for DCP 359 and if appropriate progress to the Change Report phase.

3 Why Change?

General Background

- 3.1 As noted previously, this CP has been raised in response to specific requirements set out in the TCR Direction, namely which customers will be eligible for residual fixed charges.
- 3.2 Modifications to the DCUSA are required to implement the TCR Decision in order to address the issues associated with the current residual charging arrangements; primarily that they provide an incentive to reduce exposure to residual charges which in turn increases costs for others, who may be less able or less willing to change behaviour.
- 3.3 Failure to develop this CP, together with the other CPs raised to implement the requirements set out in the TCR Direction by 01 April 2022, will result in failure to implement the TCR Decision, and therefore, result in DNOs being in breach of their distribution licence.

Question 2 - Are you supportive of the principles that support this CP, which is to address the eligibility criteria for receiving a residual fixed charge?

DCP 359 Background

- 3.4 As noted in paragraph 1.3 above, this CP seeks to address paragraphs 12-16, and paragraph 30 of the TCR Direction, whilst having regard for paragraph 34 (set out under paragraph 1.5 above) and paragraphs 36-39, of the TCR Direction. For completeness, paragraphs 36-39 of the TCR Direction are set out below:

"Miscellaneous Terms

- 36) *For the avoidance of doubt, the Proposal(s) put forward by the DNOs pursuant to this Direction are intended to facilitate and not preclude (a) any further consideration of the relevant issues; and / or (b) development of the Proposals under the DCUA Modification Process so that it addresses the issues identified above in a way that better achieves the purposes and objectives of the Proposal(s) as set out in this Direction.*
- 37) *In addition to the Proposal(s), the DNOs must raise any such consequential proposals for modification to the DCUSA or other industry codes (to the extent the DNOs are able to raise modifications to such codes), as are required for the purpose of giving effect to the proposals specified above.*
- 38) *Modification proposals developed pursuant to this Direction must serve the TCR SCR objectives and relate to the specific issues the TCR SCR seeks to address.*

39) *In order to keep the Authority apprised of progress under this Direction (in particular, but not limited to progress against the detailed plan referred to in (paragraph 35 above), the Authority directs the DNOs to advise it (in a timely manner) of potential issues arising which could prevent the Proposal(s) being effective as of 1 April 2022 along with information as to its proposed steps to address any such issues."*

- 3.5 This CP, when combined with amended legal text associated with the other DCUSA CPs that were raised to implement the TCR Decision, will seek to ensure that only customers who are liable to pay the residual fixed charge element of Use of System Charges, end up paying it. By implication, that means this CP is also likely to define which customers aren't liable to pay the residual fixed charge element of Use of System Charges.
- 3.6 In isolation, this CP seeks only to define the necessary terms and processes which will be used to identify those customers, and which will be referred to in the amended legal text associated with the other CPs.

4 Working Group Assessment

DCP 359 Working Group Assessment

- 4.1 The DCUSA Panel established a joint Working Group to assess/develop the DCUSA CPs that were raised to implement the TCR Decision. In establishing this Joint Working Group, the Panel agreed that it shall be for that Working Group to consider and decide whether there is a need to set up subsequent Working Groups whose duties will be to assess one or more of the CPs, whether in isolation or grouped, where it considers it beneficial to do so. During the initial joint Working Group meeting, the following was agreed:
- DCP 358 and DCP 360 will be jointly progressed via a subset of any interested members;
 - DCP 361 will be progressed on its own via a subset of any interested members; and
 - DCP 359 will be progressed with its sister CUSC Modification Proposal 'CMP 334', as both are concerned with the definitions for a 'Single Site' and for 'Final Demand' and this will be a cross-code Working Group with the CUSC.
- 4.2 Due to the time lag between DCP 359 being raised and CMP 334 being raised, the first three meetings were held as DCUSA only meetings and focussed on DCP 359 however invitations were extended to the CUSC administration team and party members. In addition, there were two joint DCUSA/CUSC Working Group meetings held, with the intent being to achieve the required alignment between the two. This Working Group consists of representatives from DNOs, Suppliers, IDNOs, Generators and National Grid Electricity System Operator (NGESO) as well as observers from a number of consultancies and Ofgem. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.
- 4.3 The Working Group developed this consultation document to gather information and feedback from market participants on this CP.
- 4.4 Following the initial meetings of the Working Group, it was agreed that the following items should be addressed in the consultation:
- Definition of Final Demand;

- Definition of Single Site;
- Definition of Final Demand Site and the eligibility criteria;
- Consideration of consequential changes to the arrangements for LDNOs; and
- Consideration of consequential changes to consumers connected to private wire or complex sites.

4.5 For DCP 359 the development of the solution needed to be expedited. DNOs are required to provide notification of changes to UoS charges 15 months' ahead of when they will come into effect. To facilitate this process a further three-month period is built in prior to the 15-months to allow DNOs to set, test and carry out internal assurance activities on those charges, which effectively means that the Change Report would normally need to be presented to the Panel during their meeting in July. However, to facilitate the implementation of the required CUSC modifications by 01 April 2021 and given the need for alignment between the CUSC and DCUSA, together with other CPs in the group requiring their change to be implemented by Autumn 2020, there is a need to aim for a deadline of the May Panel meeting.

4.6 The table below maps which DCUSA CPs and CUSC Modifications have been raised to fulfil the various aspects of both the 'DCUSA Direction' and the 'CUSC Direction', as well as a BSC Modification which has been raised to enable the ESO to be provided with data for the purposes of billing the residual fixed charge

DCUSA	DCP358 Seeks to implement the determination of charging bands for non-domestic distribution connected customers.	DCP359 Seeks to implement the identification of which 'customers' are eligible for a residual fixed charge.	DCP360 Seeks to implement the allocation and reallocation of 'customers' to residual charging bands.	DCP361 Seeks to implement elements required for the calculation of charges.
CUSC	CMP332 Creation of a methodology to determine (i) the charging bands and (ii) the tariffs for each band.	CMP334 This will identify who will be liable to pay the TDR by defining 'Final Demand' and 'Site'.	CMP335/CMP336 Update all of the 'post tariff setting' processes (e.g. band allocation, securitisation etc) to reflect the TDR methodology.	
BSC	P402 This modification aims to establish the processes and data flows to enable Elexon to collect aggregate data from DNOs and subsequently provide the required data to the National Electricity Transmission System Operator (NETSO).			

Definition and calculation of Final Demand

4.7 The Working Group discussed Ofgem's proposed definition of 'Final Demand' set out under paragraph 1.6 above, alongside various text throughout the TCR Decision and the associated Impact Assessment, which led to differing interpretations of how the definition of 'Final Demand' should be applied. Specifically, questions were raised around the word 'proportionate' with respect to 'Final Demand', and as such the Working Group agreed to seek clarification from Ofgem on this matter.

Working Group request for clarity on the interpretation of 'proportionate' with respect to Final Demand

4.8 The Working Group sought clarity as to Ofgem's intention in relation to 'Final Demand' and the subsequent applicability of a residual fixed charge. Essentially, the interpretation of 'proportionate' resulted in differing views in terms of it being either:

- (i) proportion of Final Demand out of 'total' demand; or
- (ii) reference to a 'practical' assessment (which may, not must, include a consideration of relativity of Final Demand out of 'total' demand).

4.9 Paragraph 3.57 (1) of the TCR Decision states:

"Final demand: This must be defined as electricity which is consumed other than for the purposes of generation or export onto the electricity network. Generation only and storage only sites will therefore be exempt from residual charges. An appropriate process must be established to assess and identify or, where a practical and proportionate approach cannot be identified, to robustly estimate final demand for the purposes of residual charging."

4.10 Specifically regarding the reference to a "proportionate approach" in the third sentence, the Working Group queried whether it is Ofgem's intent that code modification Working Groups develop a suitable process for identifying Final Demand that *must* take into account the proportion of non-Final Demand electricity consumed at the site, and that the 'proportion' calculated be directly used to determine a level of 'discount' applied; thus, does total demand at the site less non-Final Demand equal Final Demand (which pays the residual fixed charge)?

4.11 In other words, (i) does 'proportionate' Final Demand take account (net) of non-Final Demand electricity consumed at the site, measured or estimated (both being a forecast for charging purposes), or (ii) is the relative demand used as a basis to determine whether a residual fixed charge should be applied at all?

4.12 For example, a 'site' has consumption of 10,000kWh/annum, of which 1,000kWh is for the purpose of generation (or export onto the network) and so deemed to not be Final Demand.

4.13 In the case of (i) is the banded fixed residual demand charge that the site pays applied at 90%, or is the full 100% of the residual demand charge applied (subject to a potential threshold)?

4.14 In the case of (ii) is the banded residual demand charge that the site pays always 100% as there is 'some' Final Demand (which may be an amount above a threshold), or zero where (e.g.) Final Demand was below a certain threshold? So, a threshold would be used to determine if a site is a 'Final Demand Site' and therefore receives 100% of the charge, and if not, then presumably it's a generation or storage site and therefore pays a zero residual demand charge.

4.15 Depending on the answer the site may be 'banded' based on the 9,000kWh or 10,000kWh (or associated Final Demand agreed capacity), therefore may receive a lower charge.

Ofgem Response

- 4.16 “In the TCR we have not taken a view regarding your specific question on proportionality.
- 4.17 Paragraph 3.58, in the section entitled ‘Aspects for network licensees to consider and develop’ may provide some more helpful context:

Network licensees, or the DNOs or ESO only where specified, must consider and seek to identify the most appropriate arrangements in relation to the following aspects and develop modification proposals consistent with the SCR Decision Principles set out above in relation to:...

*(2) A mechanism for identifying which sites should be classified as final demand (as opposed to generation or intermediate demand) for the purpose of determining their applicable contribution to residual charges. An appropriate process must be established to assess and identify or, where a practical and proportionate approach cannot be identified, to robustly estimate sites with final demand for the purposes of residual charging. **Industry should consider and build on thinking undertaken through development of the proposed solution being considered under CMP280 and CMP281 and DCP341 and DCP342, as well as considerations under the approach developed by the Low Carbon Contracts Company (LCCC) when estimating charges for a CfD generator and work undertaken by Elexon and the LCCC on how to charge Final Consumption, as they consider relevant.** Where necessary, network licensees should also consider possible methodologies for robustly estimating sites with final demand, including potential numerical approaches such as considering the relative proportions of import to export at a site.*

- 4.18 In this context, ‘practical and proportionate’ suggests there should be a balance between being able to identify final demand, in a way that balances the benefits of accuracy, against the costs and activities required for implementation.
- 4.19 As with all modification proposals and alternatives, we expect that solutions will be justified by the workgroup.”

Further Working Group Discussions

- 4.20 A member of the Working Group commented that the proposed approach for Final Demand shown in the Decision document (‘electricity which is consumed other than for the purposes of generation or export onto the electricity network’) had been, in their view, helpfully clarified in the Ofgem Impact Assessment (page 7), which is highlighted in yellow below:
- 4.21 “By final demand in the context of the TCR, we mean electricity which is consumed other than for the purposes of generation or export onto the electricity network. This will exclude electricity imported from the grid that is necessary for the operation of generation or, in the context of storage, which is imported for the purposes of re-exporting, including any which may be lost through waste in doing so.”
- 4.22 The member asked that the Working Group consider an example where a site that is both importing and exporting, for example, a factory that has generation attached behind the meter, and questioned whether the import should be separated between the amount of electricity imported that is used for the purpose of generation and the amount of electricity imported that is used for non-generation purposes (i.e. ‘Final Demand’) at the factory for the purpose of assigning the site to a particular band.

- 4.23 This was discussed at some length by the Working Group, with a majority of members commenting that based on their understanding of Ofgem's definition, it meant that in the above example, the whole site should be considered as a Final Demand Site, in line with paragraph 3.56(1) of the TCR Decision which sets out the 'Design Parameters' and states: "*Residual charges are to be applied to demand customers only and to all sites with final demand*" (emphasis added). It was noted that this understanding is backed up by the numbers produced in the Ofgem commissioned analysis from Frontier Economics, which is incorporated into the Ofgem Impact Assessment⁹, which treated such a site as if it was a Final Demand Site. In addition, if the site had import metering only at the boundary it would be impossible for the DNO to separate and determine how much of the import is being used for the generation. It was therefore argued that in this particular case this whole site would be considered as a Final Demand site.
- 4.24 The Working Group discussed that if that site was to install (or have) separate metering at the generator, then the customer could provide the necessary information (about its generation) to the relevant network operator to allow them to take this into consideration when they are allocating the site to a band. In the absence of separate import metering, the site would potentially retain the benefit of being able to reduce its exposure to the level of residual charge by virtue of having generation installed on the same site and potentially be allocated to a lower charging band as a result – the offset import consumption would also manifest as a benefit of a lower proportion of residual revenue being allocated (and therefore recovered) from that band as well. The site would also potentially benefit from lower 'forward-looking' use of system charges too, by virtue of suppressed demand.
- 4.25 Alternatively, as the definition of a 'Single Site' could well be based on the connection agreement, then such a site could seek to amend/modify their connection agreement in line with rules for doing so within the connection agreement, such that it could be considered as two sites; a demand customer and a generator. As a result, the import associated with the export would then be eligible for exemption from a residual fixed charge.
- 4.26 Any sites that were thinking about undertaking such action would ultimately need to carry out an assessment as to whether the costs involved in doing so would outweigh all other relevant factors at play, e.g. that the generation could offset their forward-looking charge, or reduce their exposure to wholesale costs, or potentially be used to provide a service to a DNO or NGESO and being paid in return for the service provided.
- 4.27 The Working Group therefore agreed that, in the example in paragraph 4.22, whether the site will receive a residual fixed charge or not can be determined by a number of factors, and ultimately it will depend on the definition of a Final Demand Site. For simplicity, let's assume the site is half hourly metered.

⁹ [Ofgem Impact Assessment](#)

- 4.28 Firstly, the site could become two Single Sites, such that the import and export is separated (and therefore metered separately), and as such the import for the purpose of the generator will be excluded from the other import. The site, with import only for the purpose of the generator, will be exempt from a residual fixed charge i.e. that site will not be a Final Demand Site, but the import only site will be. The import only site will be allocated to a charging band, and the residual to be recovered from that band, will be based on its total metered import consumption or its Maximum Import Capacity (MIC) as applicable – excluding any import associated with the purposes of the export site.
- 4.29 Secondly, if the site remained a Single Site, and if a Final Demand Site is defined by a Single Site with any associated Final Demand (i.e. a binary all or nothing approach), then as that site has import which is not just for the purposes of the generator, then that site will receive a residual fixed charge. The site will be allocated to a charging band, and the residual to be recovered from that band, will be based on its total metered import consumption (including import for the purposes of the generator, and net of any generation used to offset the demand) or its MIC as applicable.
- 4.30 Alternatively, if the site remained as a Single Site, but a Final Demand Site is defined by a relative threshold of proportionate Final Demand compared to ‘total demand’ (e.g. total gross import consumption), then (e.g.) if the Final Demand is greater than a defined percentage of total demand, then that site will receive a residual fixed charge. The site will be allocated to a charging band based on its total metered import consumption (including import for the purposes of the generator, and net of any generation used to offset the demand) or its MIC as applicable. If Final Demand is less than the defined percentage of total demand, then that site will not be a Final Demand Site.

Conclusion

- 4.31 Whilst the Working Group understood the definition of ‘Final Demand’ as proposed by the Authority in the TCR Decision, some members considered that it could be improved. It was noted that the second sentence of paragraph 3.57(1) of the TCR Decision states that “Generation only and storage only sites will therefore be exempt from residual charges”. Although hesitant to amend the definition of ‘Final Demand’ as proposed by the Authority, the Working Group considered whether including the additional wording addresses the issues identified in paragraphs 13 and 14 of the TCR Direction, and if it does so in a way that better achieves the purposes and objectives of the Proposal(s) as set out in the Direction.
- 4.32 Further to the above, and to potentially **build on thinking undertaken through development of the proposed solution under DCP341 and DCP342**, the Working Group considered whether or not to re-word the original second sentence to incorporate it into the definition proposed by the Authority such that it aligns more closely with the defined term ‘Eligible Electricity Storage Facility’ albeit, extending the definition to include generation as well. However, it was agreed that there is scope to clarify the definition of ‘Final Demand’ in context of it relating to a ‘Single Site’, by the inclusion of the definition of ‘Final Demand Site’ and thus there was no need to amend the definition of ‘Final Demand’ itself.
- 4.33 The product of the Working Group’s deliberations on a definition of ‘Final Demand’ is that the Authority’s proposed definition of ‘Final Demand’ should be retained as the solution proposed by the DCP 359 Working Group, which is set out in the table below:

Final Demand	means electricity which is consumed other than for the purposes of generation or export onto the electricity network.
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Question 3: Do you agree with the Working Groups proposed definition of Final Demand which is the same as the definition proposed by the Authority? Please provide the rationale behind your response.

For information: The definition of 'Final Demand' that has been developed for CMP334 and for which the CUSC Code Administrator has issued for Workgroup Consultation to industry for responses, is set out in Appendix 1 below.

Definition of Single Site

4.34 In considering how best to define Single Site the Working Group noted that currently, the existing default used by DNOs is that an MPAN is considered a 'Single Site', unless already treated as a 'related/secondary MPAN. It was further noted that DNOs already ensure a 'site' is not charged multiple fixed/capacity charges, where a 'lead' MPAN is identified and which is charged the sum of consumption/capacity across all MPANs, but a single fixed charge is levied.

4.35 For context, paragraph 137 of Schedule 16 states:

"Generally the p/MPAN/day charge relates to one MPAN. However, where a site is a group of MPANs as identified in the connection agreement, billing systems should be able to group the MPANs where appropriate for charging purposes."

4.36 Further context can be found in Note 7 under Tables 4 and 5 of paragraph 141 of Schedule 16:

"Note 7: Fixed charges are generally levied on a pence per MPAN basis. However, there are some instances in the half-hourly market where more than one MPAN exists on a customer's connection and only one fixed charge is appropriate. Where a group of MPANs is classed as a site as identified in the connection agreement, billing systems should be able to group the MPANs, where appropriate, for charging purposes."

4.37 In order to properly define a 'Single Site', the Working Group sought to understand how each DNO implements the current arrangements where a location has multiple MPANs associated with it but should be charged only a single fixed charge. Further to this the Working Group sought to understand the order of magnitude to which such a process is applicable.

4.38 Finally, the Working Group agreed that it would be beneficial to understand any potential implications of tying a definition of a 'Single Site' by reference to a connection agreement, and asked DNOs to confirm whether there have been instances where an entity has requested and/or actually modified their connection agreement either by seeking to split or amalgamate a specific location in order to amend the way in which their charges are calculated. And, if such instances are known, the Working Group is interested in the number of occurrences split out between those charged under the CDCM and those charged under the EDCM.

4.39 An RFI was issued to the DNO members of the Working Group, in which the above background was provided, and the following series of questions were asked:

- Please can you explain the process/systems in place for charges produced by the CDCM as well as the EDCM for locations that have multiple MPANs and provide the number of instances of such locations, separately identifying those charged under the CDCM and those charged under the EDCM?
- Please can you explain the whether you know of any customers who have actually modified their connection agreement either by seeking to split or amalgamate a specific location in order to amend the way in which their charges are calculated? And, if such instances are known, the number of occurrences split out between those charged under the CDCM and those charged under the EDCM?

4.40 The results of the RFI can be found in Attachment 3. Following a review of the responses, the Working Group concluded that as the legal text in Schedule 16 already covers the scenario where a site is a group of MPANs as identified in the connection agreement, that they were comfortable that the DNOs are able to group the MPANs where appropriate for charging purposes. There was a majority view from the Working Group to keep the definition of a 'Single Site' as simple as possible and relate it to a Connection Agreement (whether that be in the form of the National Terms of Connection or a Bespoke Connection Agreement).

4.41 Members of the Working Group derived the following definition, a 'Single Site' *means the premises that is associated with a Bespoke Connection Agreement or the National Terms of Connection*. It was agreed that a further definition be added for the purposes of the consultation which retains the same wording of the preferred definition but with the inclusion of the Authority proposed definition¹⁰ as a sub term, to cover off if premises is not defined within a Bespoke Connection Agreement. It was also agreed that a third definition be added for the purposes of the consultation which is the definition suggested by the Authority. All three definitions, along with a list of pros and cons for each is set out in the table on the page below:

¹⁰ In the TCR Decision the Authority proposed a definition for consideration only

Single Site (WG preferred option)	<p>means the premises that is associated with a Bespoke Connection Agreement or the National Terms of Connection</p>	<p>Pros</p> <p>Simplest form of a defined term that is easy to understand and can be applied universally.</p> <p>Reflects the status quo where a distributor does not currently levy multiple fixed charges where MPANs are associated with a single connection agreement. <u>** (Exceptions being complex sites including private networks, where distributors are bound by the need to e.g. provide MPANs and connection offers, and may agree a different charging arrangement on a bilateral basis with the customer.)</u></p> <p>Cons</p> <p>Relies on the word 'premises' being defined in a Bespoke Connection Agreement, which by its very nature, could be substantially different from one customer to the next.</p> <p>However, a Bespoke Connection Agreement will be very clear to which premises (i.e. address of the site) to which the agreement applies.</p>
Single Site (Alternative Option)	<p>means the premises that is associated with a Bespoke Connection Agreement or the National Terms of Connection and where a premises is not defined in the Bespoke Connection Agreement, then the following will be considered a premises within that agreement:</p> <ul style="list-style-type: none"> One or a collection of buildings, structures or pieces of land in close geographical proximity, owned or occupied by one customer within a defined curtilage on one site, where each building, structure or piece of land serves the other in some necessary or reasonably useful way. 	<p>Pros</p> <p>Retains the same simplicity as with the preferred option but removes the reliance on the word 'premises' being defined in a Bespoke Connection Agreement.</p> <p>Cons</p> <p>Adds an unnecessary definition which will not determine what is in a Bespoke Connection Agreement, in any way, and therefore potentially introduces an unnecessary contradiction, if the premises on that agreement are not somehow captured by this definition.</p>
Single Site (as proposed by Ofgem in TCR decision document)	<p>means one or a collection of buildings, structures or pieces of land in close geographical proximity, owned or occupied by one customer within a defined curtilage on one site, where each building, structure or piece of land serves the other in some necessary or reasonably useful way.</p>	<p>Pros</p> <p>At face value, it appears to be a robust definition proposed by the Authority.</p> <p>Cons</p> <p>Reference to 'geographical proximity' relies on ambiguities which risk introducing artificial boundaries and therefore opportunities for gaming which undermines the basis of the TCR. There are examples where such a definition already causes issues such as determining (e.g.) an LV sub customer based on a Metering System which is "immediately adjacent" to the substation etc.</p> <p>Reference to 'owned or occupied' and 'one customer' relies on ambiguities which risk introducing opportunities for gaming by the way a company may choose to structure itself.</p> <p>The wording 'necessary or reasonably useful way' could be interpreted to mean any number of things and is considered to be ambiguous.</p>

- 4.42 The Working Group is seeking to understand whether industry agrees with the proposed definition of “Single Site” as was agreed by the majority of the Working Group, or whether industry prefers one of the other definitions proposed.

Question 4: Which definition do you believe is best suited for the purposes being able to apply a residual fixed charge on a Single Site basis? Please provide the rationale behind your response.

For information: The definition of ‘Single Site’ that has been developed for CMP334 and for which the CUSC Code Administrator has issued for Workgroup Consultation to industry for responses, is set out in Appendix 1 below.

Definition of Final Demand Site

- 4.43 The Working Group noted the Proposer’s view regarding the definition of a Final Demand Site; which brings together the definitions of Final Demand and Single Site to determine the combined criteria representing eligibility for a residual fixed charge i.e. a Final Demand Site will be eligible and anything else will not be. The Proposer’s view is to adopt a binary assessment, where if the Single Site has any Final Demand, it is a Final Demand Site, and therefore define Final Demand Site as:

“A Single Site that has any metered Final Demand”

- 4.44 As was noted in the detailed plan, an alternative approach would be to try and define a threshold whereby if Final Demand is equal to or greater than non-Final Demand by [XX]% (where ‘XX’ is what needs defining), then it would be considered to be a Final Demand Site. Such an approach would likely lead to a definition of Final Demand Site being:

“A Single Site where Final Demand is equivalent to at least [XX%] of all metered import consumption at that site”

- 4.45 The Proposer noted that a number of questions result from using such a process to define a Final Demand Site, such as:

- (a) how to determine what a sensible threshold is?
 - i. Some members of the Working Group were of the view that such an approach isn’t practical or proportionate as some initial analysis had been undertaken during two previous Change Proposals, being DCP 319 and DCP 321¹¹. It was noted that the discussions held by the DCP 319/321 Working Group on this topic were lengthy and at least at that time, data wasn’t readily available.

¹¹ [DCP 319 ‘removal of residual charging for embedded generators in the CDCM’](#)
[DCP 321 ‘removal of residual charging for embedded generators in the EDCM’](#)

- ii. Other Working Group members didn't disagree with the aforementioned view, but they did suggest that the option should be considered and analysed further. Prior to reaching a conclusion the Working Group agreed that it would be useful to understand the basis of the Frontier Economics assessment of eligibility for a residual fixed charge as used in the published impact assessment. It was noted that the Frontier Economics assessment used a four-stage process which was applied to EDCM customers only, as a basis to exclude some sites from receiving a residual fixed charge. The aforementioned process is set out below, where 'exempt' directly means no residual fixed charge would be levied i.e. the site would not be a Final Demand Site:

Four-stage process used by Frontier Economics

1. Identified by the DNO as an electricity storage facility, where:
 - a. **Yes** = exempt; or
 - b. **No** = check if ...
2. Annual export ≥ 25 x the annual import, where:
 - a. **Yes** = exempt; or
 - b. **No** = not exempt; or
 - c. **No data** = check if ...
3. Annual export during super red ≥ 25 x the annual import during super red, where:
 - a. **Yes** = exempt; or
 - b. **No** = not exempt; or
 - c. **No data** = check if ...
4. MEC ≥ 50 x MIC, where:
 - a. **Yes** = exempt; or
 - b. **No** = not exempt.

(b) would it vary according to type of generator?

- i. There appeared to be a general consensus that there is a large variance of the amount of import/demand that is needed for the sole purpose of operating a generator when comparing one type to the next. Specifically, a comparison was drawn between a wind farm and Energy from Waste plant, where the former would typically only need to import a small amount of electricity as compared to the latter, which would typically need a much larger amount of import for its operation.

- 4.46 The Proposer noted that regardless of the first part of the definition (i.e. the 'what'), the intent of the proposal is to maintain the requirement that there is no need for a generation licence, and that certification is required from a Supplier Party that the Single Site meets the relevant criteria (i.e. the 'how').
- 4.47 It was noted by the working Group that this appears to be in line with paragraph 3.56(1) of the TCR Decision which sets out the 'Design Parameters' and states: "*Residual charges are to be applied to demand customers only and to all sites with final demand*" (emphasis added). Although it was noted that a slight amendment was made as compared to the Proposer's version which was to swap the word 'any' to 'associated' with respect to a site having 'Final Demand'.

4.48 As noted in paragraph 3.5 above, this CP, when combined with the legal text associated with the other CPs raised to implement the TCR Decision, will seek to ensure that only customers who are liable to pay the residual fixed charge element of DUoS charges, end up paying it. By implication, that means this CP is also likely to define which customers aren't liable to pay the residual fixed charge element of DUoS charges. The Working Group kept this in mind during their deliberations on the definition of 'Final Demand' and 'Single Site' as detailed in the paragraphs above and therefore decided to seek views from industry as to three options that they believe will implement the TCR Decision. Options A, B and C are detailed below:

OPTION A – Binary approach where the existence of any Final Demand at a Single Site means that site is a Final Demand Site:

Final Demand	means electricity which is consumed other than for the purposes of generation or export onto the electricity network.
Single Site (WG preferred option)	means the premises that is associated with a Bespoke Connection Agreement or the National Terms of Connection
Final Demand Site	means a Single Site that has associated metered Final Demand

4.49 This approach aligns with paragraph 3.56(1) of the TCR Decision which sets out the 'Design Parameters' and states: *"Residual charges are to be applied to demand customers only **and to all sites with final demand**"*

4.50 If there is any demand at site it will be classed as a Final Demand Site having considered the generation or export onto the network.

OPTION B – Binary approach as set out in Option A but including the requirement for and Single Site which is not a Final Demand Site to be certified by the site owner/electricity supplier:

4.51 This approach builds on Option A by ensuring that generators and storage facilities that are stand alone facilities are exempt from residual charges. It aligns with the TCR decision document paragraph 3.57.1 "Generation only and storage only sites will therefore be exempt from residual charges". It clarifies what is meant by 'other than the purposes of generation or export onto the electricity network' within the definition of Final Demand.

Criteria	Meets the criteria	Outcome
DNO/IDNO Party have been provided with certification that a Single Site is an Eligible Facility	Yes	Single Site is not a Final Demand Site
	No	Single Site is a Final Demand Site

OPTION C – Non-binary, criteria based threshold approach, using definition of ‘Final Demand Site’, which is with reference to the other newly defined terms ‘Final Demand’ and ‘Single Site’, alongside setting out the four-stage process to be used by DNO/IDNO Parties to assess eligibility for exemption:

4.52 This option sets out an approach to assess whether a Single Site is or is not a Final Demand Site

	Criteria	Meets the criteria	Outcome
Step 1	DNO/IDNO Party has been provided with certification that a Single Site is an Eligible Facility	Yes	Single Site is not a Final Demand Site
		No	Single Site may be Final Demand Site, move to step 2
Step 2	is the annual units exported ≥ 25 x the annual import consumption?	Yes	Single Site is not a Final Demand Site
		No	Single Site is a Final Demand Site
		No data	move to step 3
Step 3	is the annual units exported during super red band ≥ 25 x the annual import consumption during super red band?	Yes	Single Site is not a Final Demand Site
		No	Single Site is a Final Demand Site
		No data	move to step 4
Step 4	is the Maximum Import Capacity ≥ 50 x the Maximum Import Capacity?	Yes	Single Site is not a Final Demand Site
		No	Single Site is a Final Demand Site

4.53 When considering further TCR decision document paragraph 3.57.1 associated with the sentence ‘An appropriate process must be established to assess and identify or, where a practical and proportionate approach cannot be identified, to robustly estimate final demand for the purposes of residual charging’ it was suggested that the binary approach adopted by Option A and further refined by Option B may not meet this particular requirement. In addition, there were concerns over sites that have very large generation capacity with a very small demand (not used for the sole purpose of generation) being subject to residual charges for the whole site. Whilst the Working Group rejected any percentage-based approach to calculating Final Demand due to the lack of data and being very subjective consideration was given to the step approach which may assist in such situations.

4.54 Some Working Group members were however concerned that the data entered into this Option C for EDCM customers resulted in only an 80% match (Attachment 5). The Working Group has requested the DNOs to undertake further analysis during the consultation period to see what amendments are required to move closer to 100%.

Eligible Facility

- 4.55 For option B and C, the Working Group decided to **build on the thinking undertaken through development of the proposed solution for DCP 341 and DCP 342**, and amended the original structure of defined term 'Eligible Electricity Storage Facility' to a simpler albeit more inclusive defined term of an 'Eligible Facility' which includes both storage and generation within the definition. In creating the definition of an 'Eligible Facility' the Working Group agreed to use the term 'Electricity Storage' as defined by DCP 341/342 but noted that there was no defined term for 'Electricity Generation' and as such propose to define it as 'the process of generating electricity by a Generator'.
- 4.56 As was the case for the defined term 'Eligible Electricity Storage Facility' developed **for DCP 341 and DCP 342**, and in defining the term 'Eligible Facility', the Working Group agreed to maintain the parameters for confirming that a site is an 'Eligible Facility'. Those parameters being:
- (a) for an 'Eligible Facility' which has MPANs registered in an MPAS Registration System, certification from a Supplier Party that the facility meets the other criteria in the definition is provided to the DNO/IDNO Party; or
 - (b) for an 'Eligible Facility' which has MPANs registered in CMRS, certification from the customer that the facility meets the other criteria in the definition is provided to the DNO/IDNO Party.
- 4.57 The Working Group agreed that the most appropriate solution would **be to align to the process developed for DCP 341 and DCP 342**, where the legal text does not clarify how a Supplier or customer would provide such assurance, but that the requirements will be set out in the DNOs' LC14 'Use of System Charging Statement'. The Working Group concluded that this approach is appropriate given the fact that the LC14 'Use of System Charging Statements' set out the basis on which charges are applied for use of the DNO's system and must be in a form approved by the Authority. It is noted that the Authority approves whether the statement accurately reflects how the distributor charges for the use of its system and does not constitute approval of the actual charges.
- 4.58 It is proposed that both definitions are added to Section 7 of the new Schedule [XX] which is being introduced by DCP 358. It is noted that the three defined terms are contained in the table on the page below and align (as far as practicable) with that being proposed by CMP332.

Electricity Storage	is the conversion of electrical energy into a form of energy, which can be stored, the storing of that energy, and the subsequent reconversion of that energy back into electrical energy.
Electricity Generation	The process of generating electricity by a Generator.
Eligible Facility	<p>means a facility at which Electricity Storage or Electricity Generation occurs and that:</p> <ul style="list-style-type: none"> (a) has an export MPAN and an import MPAN with associated metering equipment which only measures export from Electricity Storage or Electricity Generation and import for or directly relating to Electricity Storage or Electricity Generation (and not export from another source or import for another activity); (b) all metering equipment referred to in point (a) above is CT metering; and (c) if registered in an MPAS Registration System, is subject to certification from a Supplier Party that the facility meets the above criteria, which certificate has been provided to the DNO/IDNO Party; or (d) if registered in CMRS, is subject to certification from the customer that the facility meets the above criteria, which certificate has been provided to the DNO/IDNO Party.

- 4.59 The Working Group are seeking views from industry as to whether they agree with the Working Groups proposed definition of 'Final Demand Site' as well as views or preferences with respect to options A, B and C. The Working Group is also interested in views as to whether industry agrees with the proposed definitions for 'Electricity Storage', 'Electricity Generation' and 'Eligible Facility' if option B or C are taken forward.

Question 5: Do you believe the Working Groups proposed definition of Final Demand Site is best suited for the purposes of being able to more accurately identify a site which is eligible to receive a residual fixed charge? Please provide the rationale behind your response.

Question 6: Do you have a preference with respect to the various approaches set out in options A, B or C or an alternative approach? Please provide the rationale behind your response.

Question 7: Do you agree that the proposed definitions for 'Electricity Storage', 'Electricity Generation' and 'Eligible Facility' are appropriate and necessary, if option B or C is taken forward? Please provide the rationale behind your response.

For information: The definition of 'Final Demand Site' that has been developed for CMP334 and for which the CUSC Code Administrator has issued for Workgroup Consultation to industry for responses, is set out in Appendix 1 below.

Consideration of consequential changes to the arrangements for LDNOs

- 4.60 The Working Group is of the belief that there are no changes needed to the current arrangements for Licensed Distribution Network Operators (LDNOs), and a Final Demand Site applies equally to a site connected to the DNO Party network as it does to any network embedded within it owned by a different distributor. Customers/sites connected to LDNOs pay residual charges under the current arrangements, and therefore eligibility will apply consistently to DNOs and LDNOs under the proposed arrangements.

Question 8: Do you agree that Final Demand Site applies to sites connected to networks owned by DNOs and LDNOs alike, and do you agree that any further LDNO considerations on residual charges are out of scope of DCP359? Please provide the rationale behind your response.

Consideration of consequential changes to consumers connected to private wire and complex sites

- 4.61 The 'standard' scenario where a residual charge is currently levied is: (i) a site connected directly to a distributor via a single connection; (ii) with Metering Systems dedicated to that site only; (iii) that site is registered with a single electricity Supplier; and (iv) where a fixed charge is levied, a single charge is applied to that site regardless of the number of MPANs identified on the Bespoke Connection Agreement between the owner of that site and the distributor.
- 4.62 There are 'non-standard' scenarios where, although there may be a single connection to the distributor's network, the connection may (e.g.) be for a network owned and operated by a licence exempt distributor, commonly referred to as a 'private network' arrangement, or (e.g.) there may be shared metering arrangements with another site in place (being an example of a 'complex site').
- 4.63 Such scenarios are generally created in direct response to the request of the customer, and where distributors are bound by certain requirements to (e.g.) provide MPANs and connection offers where requested.

- 4.64 A private network arrangement may reflect a scenario where that network serves multiple end users, but the owner of that network, the Private Network Operator (PNO), may appoint an electricity Supplier and pay a single electricity bill in respect of a single MPAN at the boundary between the distributor and the PNO. That bill may then be shared amongst the end users connected to the private network. However, the arrangement may reflect a scenario where competition in supply exists on the private network¹², and where the end user can enter into contract with its chosen electricity Supplier.
- 4.65 In order to facilitate competition in supply, distributors are required to provide additional MPANs to be used for end users who have requested competition in supply in order to differentiate units which relate to that end user from the remainder of end users connected to the private network. This creates complications for use of system charge, which DCP 328¹³ is seeking to address.
- 4.66 In relation to a private network, the distributor only has a relationship with the PNO (as the party which has a connection to the distributor's network), with that relationship likely to be underpinned by a Bespoke Connection Agreement, detailing the maximum import (and if applicable maximum export) capacities of the private network.
- 4.67 Appropriate treatment of private network and complex site use of system charging arrangements is arguably not provided for under the current arrangements (hence in part why DCP328 was raised), but the scope of the TCR Direction does not provide the vires to resolve these issues in full: in the absence of being able to develop a suitable forward-looking charge arrangement. Further, the Working Group were concerned that, even with sufficient scope to do so, development of these arrangements would likely result in failure to deliver the TCR Directions and specifically in the required timelines.
- 4.68 Without catering for such arrangements in the charging methodologies, there is a risk that distributors adopt different approaches, which may undermine the intended commonality of the charging methodologies. The extent to which different approaches have been adopted is as yet unknown, e.g. where competition in supply exists on a private network, the common sense approach may be to levy a fixed charge per MPAN rather than only at the boundary, but a single fixed charge for the boundary MPAN may be applied instead.
- 4.69 However, the Working Group agreed that, whilst DCP 359 cannot resolve these issues in isolation, it should not seek to create any additional barriers. Whilst distributors may adopt different approaches, the arrangements are at the request of, and agreed with, the customer, and a suitable arrangement has been put in place to accommodate that customer (and potentially end users connected to it). DCP 359 proposes to allow these arrangements to continue in the absence of appropriate changes to the charging methodologies; which as noted, DCP328 seeks to resolve in part.

¹² [The Electricity and Gas \(Internal Markets\) Regulations 2011](#) introduced new obligations on PNOs and supply undertakings, including a duty to facilitate third party access to their electricity and gas networks. Customers connected to a private network are entitled to request competition in supply. PNOs are obliged to deliver this if requested, although there are some exceptions which are detailed in those regulations.

¹³ DCP 328 'Use of system charging for private networks with competition in supply' is currently on 'hold' pending implementation of the TCR CPs, owing to the interaction with residual charges.

4.70 In summary, DCP 359 proposes that, where a 'forward-looking' fixed charge is currently levied by the distributor, a residual fixed charge will also be levied, providing the site is a Final Demand Site.

Question 9: Do you agree with the proposed treatment of private networks and complex sites? Please provide the rationale behind your response.

5 Code Specific Matters

Reference Documents

5.1 The below links are to the TCR Decision re-published in December 2019, the TCR DCUSA Direction published/re-published in November 2019/March 2020 and the 'Detailed Plan' also known as the Joint ESO/DNO PID published/re-published in December 2019/March 2020:

- The TCR Decision: https://www.ofgem.gov.uk/system/files/docs/2019/12/full_decision_doc_updated.pdf
- The TCR Direction: https://www.ofgem.gov.uk/system/files/docs/2019/11/dcusa_direction_1.pdf
- The detailed plan: <http://www.chargingfutures.com/media/1390/tcr-joint-eso-dno-pid-v10.pdf>

5.2 The below links are to the three other DCUSA CPs that have been raised to implement the TCR Decision:

- [DCP 358 – 'Ofgem Targeted Charging Review Implementation: Determination of Banding Boundaries'](#)
- [DCP 360 – 'Ofgem Targeted Charging Review Implementation: Allocation to Bands and Interventions'](#)
- [DCP 361 – 'Ofgem Targeted Charging Review Implementation: Calculation of Charges'](#)

6 Relevant Objectives

Assessment Against the DCUSA Objectives

- 6.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. There are five General Objectives and six Charging Objectives. The full list of objectives is documented in the DCUSA.
- 6.2 The rationale provided by the Proposer as to which of the following DCUSA Objectives are better facilitated by DCP 359 is set out in the CP form, provided as Attachment 2 and also detailed below.
- 6.3 **Charging Objective One:** 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.
- 6.4 **Charging Objective Two:** will be better facilitated by removing the existing distortion whereby storage only sites are eligible for use of system charges excluding the residual element, whereas other generators are not.
- 6.5 The list of DCUSA Charging Objectives is set out in the table on the page below.

DCUSA Charging Objectives	Identified impact
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
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
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
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
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
6. that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	None

Question 10: Do you consider that DCP 359 better facilitates the DCUSA Charging Objectives?

If so, please detail which of the Charging Objectives you believe are better facilitated and provide supporting reasons.

If not, please provide supporting reasons.

7 Impacts & Other Considerations

Significant Code Review Impacts

- 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.

Electricity Network Access and Forward-Looking Charging Review SCR Interaction

- 7.2 Following Ofgem's consultation issued on 23 July 2018, it was noted that on 18 December 2018 Ofgem published its decision to launch an SCR entitled 'Electricity Network Access and Forward-looking Charging Review' (the 'Access SCR'). During 2019, Ofgem published two working papers that consisted of a suite of discussion notes and which set out Ofgem's current thinking with respect to issues that the SCR is seeking to resolve.

- 7.3 The scope of the Access SCR explicitly excludes residual charging, which was the subject of the TCR. It is noted that the Access SCR may have a material impact on the level of residual charging, and so does interact with this CP, however, the Working Group is unable to test any such interaction as there is still a long-list of options being considered by Ofgem.

Settlement Reform SCR / Retail Code Consolidation SCR / Switching Programme SCR

- 7.4 The Working Group does not consider that the solutions they have developed have any impact on nor are they impacted by the 'Settlement Reform SCR', the 'Retail Code Consolidation SCR' or the 'Switching Programme SCR'.

Impacts on other Industry Codes

Consideration of any interaction between DCP 359 and industry code arrangements

- 7.5 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. Therefore, changes as a result of this CP need to be consistent across both codes.

Environmental Impacts

- 7.6 In accordance with DCUSA Clause 11.14.6, the Working Group assessed whether there would be a material impact on greenhouse gas emissions if DCP 359 were to be implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

Question 11: Are you aware of any wider industry developments that may impact upon or be impacted by this CP

Engagement with the Authority

- 7.7 Ofgem has been fully engaged throughout the development of the CP as an observer of the Working Group and regular attendee of the TCR Implementation Steering Group.

8 Implementation

- 8.1 Clause 11.9A(2) of the DCUSA, sets out that in respect of all Authority Change Proposals, which DCP 359 is considered to be, the Authority may by direction, specify and/or amend the date from which the variation envisaged by the Change Proposal is to take effect.
- 8.2 Within the TCR Direction, the Authority, in accordance with paragraph 22.9E(a) of SLC C22 directed the DNOs to raise one or more code modification proposals in the terms and for the reasons set out in the Annex of the Direction in sufficient time to enable the modifications to be effective as of 1 April 2022.

- 8.3 As noted previously, this means that the definitions that this CP seeks to introduce, which are to be used as a basis for the processes that will be put in place by DCP 358 that will specify how the initial charging bands are to be set and the allocation of customers to those bands need to be implemented prior to the timetable that will be specified within the solution for DCP 358. Given this, the Working Group agreed that subject to Authority approval of DCP 358 and DCP 360 at the same time, or if DCP 359 is approved earlier than DCP 358 and DCP 360 then implementation will be 5 Working Days from the Authority approving DCP 358 and DCP 360.

Question 12: Are you supportive of the proposed implementation date being 5 Working Days following Authority approval, subject to Authority approval of DCP 358 and DCP 360 at the same time, or if DCP 359 is approved earlier than DCP 358 and DCP 360 then implementation will be 5 Working Days from the Authority approving DCP 358 and DCP 360?

9 Legal Text

- 9.1 The legal text for DCP 359 is provided as Attachment 4.
- 9.2 This CP, when combined with amended legal text associated with the other DCUSA CPs that were raised to implement the TCR Decision, will seek to ensure that only customers who are liable to pay the residual fixed element of the Use of System Charges, end up paying it. By implication, this meant that this CP also defined which customers aren't liable to pay the residual fixed element of Use of System Charges.
- 9.3 In isolation, this CP seeks only to define the necessary terms which will be used to identify those customers, and which will be referred to in the amended legal text associated with the other CPs.

Question 13: Do you have any comments on the draft legal text for DCP 359?

10 Consultation Questions

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

No.	Questions
1	Do you understand the intent of the CP?
2	Are you supportive of the principles that support this CP, which is to address the eligibility criteria for receiving a residual fixed charge?
3	Do you agree with the Working Groups proposed definition of Final Demand which is the same as the definition proposed by the Authority? Please provide the rationale behind your response.
4	Which definition do you believe is best suited for the purposes being able to apply a residual fixed charge on a Single Site basis? Please provide the rationale behind your response.
5	Do you believe the Working Groups proposed definition of Final Demand Site is best suited for the purposes being able to more accurately identify a site which is eligible to receive a residual fixed charge? Please provide the rationale behind your response.
6	Do you have a preference with respect to the various approaches set out in options A, B or C or an alternative approach? Please provide the rationale behind your response

7	Do you agree that the proposed definitions for 'Electricity Storage', 'Electricity Generation' and 'Eligible Facility' are appropriate and necessary, if option B or C is taken forward? Please provide the rationale behind your response
8	Do you agree that Final Demand Site applies to sites connected to networks owned by DNOs and LDNOs alike, and do you agree that any further LDNO considerations on residual charges are out of scope of DCP359? Please provide the rationale behind your response
9	Do you agree with the proposed treatment of private networks and complex sites? Please provide the rationale behind your response.
10	Do you consider that DCP359 better facilitates the DCUSA Charging Objectives? If so, please detail which of the charging objectives are better facilitated and provide your supporting reasons. If not, please provide supporting reasons
11	Are you aware of any wider industry developments that may impact upon or be impacted by this CP
12	Are you supportive of the proposed implementation date being 5 Working Days following Authority approval, subject to Authority approval of DCP 358 and DCP 360 at the same time, or if DCP 359 is approved earlier than DCP 358 and DCP 360 then implementation will be 5 Working Days from the Authority approving DCP 358 and DCP 360?
13	Do you have any comments on the draft legal text for DCP 359?
14	Do you have any further comments on DCP 359?

10.2 Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk **no later than, close of play on 14 April 2020.**

10.3 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.

11 Attachments

- Attachment 1 – DCP 359 Consultation Response Form
- Attachment 2 – DCP 359 Change Proposal Form
- Attachment 3 – DCP 359 Single Site RFI Responses
- Attachment 4 – DCP 359 Draft Legal Text
- Attachment 5 – TCR EDCM Eligibility Assessment

12 Appendix 1 – CMP334 Proposed Definitions

Single Site

Following consideration of Ofgem's proposed definition and the view of the Proposer, the Workgroup agreed the following definition to be consulted upon:

Single Site “shall mean the **Connection Site** as defined in the **Bilateral Connection Agreement**.”

Final Demand

Following consideration of Ofgem's proposed definition and the view of the Proposer, the Workgroup agreed the following definition to be consulted upon:

Final Demand “means electricity which is consumed other than for the purposes of generation or export onto the electricity network”.

Final Demand Site

Following consideration of the view of the Proposer, the Workgroup agreed the following definition to be consulted upon:

Final Demand Site “Shall mean;

1. For **Users** with a **Bilateral Connection Agreement**, a **Single Site** which has associated **Final Demand**, except **Single Sites** which are for;
 - a. **Users** who own or operate a **Distribution System**, or
 - b. **Interconnector Users**, or
 - c. the purposes of operating an **Eligible Facility** with a valid **Certification**
2. For **Users** with a **Bilateral Embedded Generation Agreement**, as defined as ‘Final Demand Site’ in the **DCUSA** except **Single Sites** which are for the purposes of operating an **Eligible Facility** with a valid **Certification**
3. For all other parties, as defined as ‘Final Demand Site’ in the **DCUSA**”

Further Information

You can find the relevant documentation for CMP334 ‘Transmission Demand Residual – consequential definition changes (TCR)’ via the link below:

- <https://www.nationalgrideso.com/codes/connection-and-use-system-code-cusc/modifications/cmp334-transmission-demand-residual>