

Part A: Generic

DCUSA Change Proposal (DCP)		At what stage is this document in the process?				
<p>DCP 360:</p> <p>Ofgem Targeted Charging Review (TCR) implementation – customers: allocation to bands and interventions</p> <p><i>Date raised: 14 January 2020</i></p> <p><i>Proposer Name: Dave Wornell/ Simon Yeo</i></p> <p><i>Company Name: WPD</i></p> <p><i>Company Category: DNO</i></p>	<table border="1"> <tr> <td data-bbox="1043 320 1402 423">01 – Change Proposal</td> </tr> <tr> <td data-bbox="1043 423 1402 524">02 – Consultation</td> </tr> <tr> <td data-bbox="1043 524 1402 624">03 – Change Report</td> </tr> <tr> <td data-bbox="1043 624 1402 725">04 – Change Declaration</td> </tr> </table>		01 – Change Proposal	02 – Consultation	03 – Change Report	04 – Change Declaration
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 allocation and reallocation of ‘customers’ to residual charging bands. This CP seeks to address paragraphs 21-23, paragraphs 29-30, and paragraph 33, 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"> • 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, Suppliers, generators and demand users</p>					
	<p>Impacted Clauses: Changes will be required to Schedule 16, 17 and 18 of, which details the CDCM and EDCM, or a new Schedule will be required.</p>					

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Indicative Timeline		 0207432 3011
The Secretariat recommends the following timetable:		Proposer: Simon Yeo
Initial Assessment Report	15 January 2020	 dcusa@electralink.co.uk
Consultation Issued to Industry Participants	TBC	 syeo@westernpower.co.uk
Change Report Approved by Panel	15 April 2020	
Change Report issued for Voting	17 April 2020	Other contacts: Dave Warnell
Party Voting Closes	11 May 2020	 dwarnell@westernpower.co.uk
Change Declaration Issued to Authority	13 May 2020	
Authority Decision	18 June 2020	

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 develop an appropriate process to allocate and reallocate eligible customers to residual charging bands. The existing Common Distribution Charging Methodology (CDCM) tariffs where the customers will need to be split into bands are Non-Domestic Aggregated, LV Site Specific, LV Sub Site Specific, HV Site Specific, plus the site specific Extra-high voltage (EHV) Distribution Charging Methodology (EDCM) tariffs.
- 1.4. Which customers are eligible will be determined by a separate CP, and this may require Domestic Aggregated customers to be allocated to the domestic residual charging band with or without the residual charge.

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.

How?

- 1.6. As specified in the TCR Decision, this CP will define the process by which customers are allocated and reallocated to the residual charging bands. The detailed plan sets out a 'baseline solution' (section 4.4), which proposes that the data used to determine the appropriate residual charging band will be based on a rolling 24 month average where available. The data is proposed to be average annual consumption (i.e. an average of the last two years) or average agreed capacity as appropriate.

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.

- 1.7. Where 24 months of data is not available (e.g.) due to a recent connection, the baseline solution proposes to allocate the customer based on its current agreed capacity where available, or annual consumption where not. It proposes that annual consumption will be a minimum of 12 months' data (e.g. for half hourly (HH) customers, and where this data is not available, will be the most recent Estimated Annual Consumption (EAC) for that customer (e.g. for non-half hourly (NHH) customers), and if not available, it will be assumed to be in line with the average annual consumption for a typical customer at the same voltage and with no agreed capacity, and based on a simple arithmetic average.
- 1.8. The baseline solution also proposes scenarios where customers may be reallocated to a different residual charging band, where Suppliers and/or DNOs may review the customer when 24 months of data becomes available (and was not at the time of allocating the customer initially).
- 1.9. It also provides for a dispute process whereby the customer, via its Supplier or other party with the authority to act on its behalf, can challenge the residual charging band to which it has been allocated. In doing so, it is proposed that relevant information such as connection agreements and/or metered consumption data must be provided.
- 1.10. Following a successful dispute, the customer may be reallocated to a different residual charging band from the next billing period, and may be entitled to a rebate effective from the period on which the Supplier was first billed in the old charging band, and ending on the effective date of the new band, unless that period is greater than the relevant period of statutory limitations, in which case it will be that period.
- 1.11. The detailed plan considers some alternatives (section 4.4.2), which the Working Group should consider, for example use of additional data where more than 24 months is available and use of alternative parameters such as Line Loss Factor Class (LLFC) in identifying which residual charging band the customer has been allocated.
- 1.12. 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, 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 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

- 4.1. Changes will be required to Schedules 16, 17 and 18 of the DCUSA, which details the CDCM and EDCM or a new schedule may be required.

Legal Text

- 4.2. The Working Group should draft legal text appropriate for the solution developed.

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.

⁵ See footnote 1

⁶ See footnote 2

⁷ See footnote 3

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 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)	None
<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
<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.

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

7.2. As noted, NGENSO 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.

7.3. Changes to the BSC may be required depending on the solution e.g. if alternatives to LLFC are used.

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.