




DCUSA Consultation		At what stage is this document in the process?
<h2>DCP 358 & DCP 360</h2> <h3>Ofgem Targeted Charging Review (TCR) Implementation: Determination of Banding Boundaries & Allocation to bands and interventions</h3> <p>Date raised: 14 January 2020</p> <p>Proposer DCP 358: Tony McEntee</p> <p>Company Name: Electricity North West</p> <p>Proposer DCP 360: Dave Wornell / Simon Yeo</p> <p>Company Name: UK Wester Power Distribution</p> <p>Company Category: DNO</p>		<div>01 – Change Proposal</div> <div>02 – Consultation</div> <div>03 – Change Report</div> <div>04 – Change Declaration</div>
<p>Purpose of this Change Proposal:</p> <p>The intent of these Change Proposals (CPs) is to implement certain areas of Ofgem’s TCR Decision¹: DCP 358 is 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 Direction².</p> <p>DCP 360 is 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>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 358 ad DCP 360.</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 17 April 2020</p> <p>The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the Change Proposal (CP).</p>	
	<p>Impacted Parties: DNOs, IDNOs, Suppliers and CVA Registrants</p>	
	<p>Impacted Clauses: a new Schedule will be required.</p>	

¹ [TCR decision document](#)

² [TCR Direction](#)

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Timetable

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

Activity	Date
Initial Assessment Report Approved by Panel	15 January 2020
Consultation issued to Parties	25 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)	04 June 2020
Change Declaration issued to Authority	08 June 2020
Authority Decision	13 July 2020
Implementation Date	5 Working Days following Authority approval ³



Any questions?

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³ Subject to Authority approval of DCP 359 being either earlier or at the same time

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 consultation covers two.

DCP 358

- 1.3 DCP 358 seeks to address paragraphs 20, 21 and 30-32 of the TCR Direction. DCP 358 therefore seeks to determine the charging bands for non-domestic customers, with only the highlighted section of paragraph 30 being applicable, which for completeness are set out below:

Charging bands – non-domestic distribution-connected consumers

20.

- a) *that there will be four charging bands for each of the non-domestic distribution-connected consumer groups (set out in paragraph 18 a. to d. above), the boundaries for which will be set at the 40th, 70th and 85th percentiles; and*
- b) *that the percentiles for each band boundary will be determined by consumer numbers on a GB-wide basis on the basis of:*
 - (i) *increasing agreed capacity levels for consumers connected to the EHV and HV distribution networks and LV-connected consumers with an agreed import capacity;*
or
 - (ii) *increasing net consumption volumes for LV-connected consumers without an agreed capacity.*

21. *that the band boundaries for distribution-connected consumers will be established on a GB wide basis and consumers will be allocated to bands based on industry agreed capacity where available, or final consumption data, as applicable. In setting and allocating users to charging*

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.

bands, regard must be had to paragraph 3.57(9) ⁶ of the TCR Decision relating to redundant connection capacity.

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;
- 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.

Reviewing charging bands

31. appropriate arrangements to review the charging bands to ensure they remain fit for purpose, reflecting the requirements set out in paragraph 3.57(11) and 3.60 to 3.61 of the TCR Decision.

Specific issues for the DNOs to consider

32.

- a. an assessment of whether there may be circumstances, in particular for EHV-connected consumers, where regional differences in consumer types lead to substantially different distributions of consumers in a DNO region and result in very low consumer numbers in some bands (having regard to paragraph 3.59(2) of the TCR Decision); and
- b. if this is found to be the case, develop and bring forward alternative modification proposals for options to address this, which could include:
 - i. regionally-derived boundaries, rather than GB-wide boundaries; or
 - ii. combining bands when a minimum number of consumers would be in a particular band.

⁶ The TCR decision document was updated on 18 December 2019. It is this document that the references refer.

- 1.4 DCP 358 will also introduce processes to review the charging bands to ensure that they 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 DCP 358 is to keep the banding consistent across DNOs and NGESO, with particular consideration on delivering a proportionate and practical solution, that is transparent and results in minimal changes to existing systems and processes.

DCP 360

- 1.5 Specifically, DCP 360 seeks to address paragraphs 21-23, paragraphs 29-30, and paragraph 33 of the TCR Direction. DCP 360 will therefore seek to develop an appropriate process to allocate and reallocate customers to 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. The relevant paragraphs of the TCR Direction are set out below for completeness, with only the highlighted section of paragraph 30 being applicable:

21. *that the band boundaries for distribution-connected consumers will be established on a GB wide basis and consumers will be allocated to bands based on industry agreed capacity where available, or final consumption data, as applicable. In setting and allocating users to charging bands, regard must be had to paragraph 3.57(9) of the TCR Decision relating to redundant connection capacity.*
22. *that the data to be used for consumer allocation will relate to and be averaged over a period of no less than 24 months prior to the setting of the applicable residual charges, or longer if the requisite data can be made readily available at proportionate cost. For any consumers for whom data is not available for a period of 24 months, the process for new consumers in paragraph 23 below is to be followed.*
23. *that a process must be established to allocate 'new' consumers and consumers for whom the appropriate data is not available to be the relevant charging band, based on an assessment of their agreed capacity or consumption, as applicable. The process shall make use of such information as is available to best estimate the expected usage of the consumer, e.g. by taking an average of all of the data that is available, or based on an understanding from such sources as are considered appropriate of the typical profile of a similar consumers.*

Disputes

29. *an appropriate process to manage any disputes in relation to consumers' residual charges, using and building upon (as necessary) any disputes processes already in place in the relevant industry code(s) and ensuring that the process should be efficient and proportionate. In developing the process, the DNOs must consider any data which may be needed to support this process and ensure the process has clear interfaces with such other processes as may be relevant.*

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;*
 - 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.*
33. *such alternative modification proposals as it considers necessary following consideration of whether there should be mechanisms available for dealing with situations where there have been changes in use or ownership of a site. This should include an exceptions process to apply for reclassification of a user to another band in tightly defined circumstances, where substantial changes in usage occur, resulting in significant changes in the level of agreed capacity required (having regard to paragraph 3.59(3) of the TCR Decision).*

Why?

- 1.6 These CPs have been raised to enable DNOs to satisfy specific requirements set out in the TCR Direction. Failure to develop these proposals, together with the two other related DCUSA CPs that form the package of DCUSA CPs⁷, in sufficient time to implement the changes effective as of 1 April 2022, will result in failure to implement the TCR Decision.
- 1.7 These CPs 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 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 codes respective code modifications proposals as explicitly stated in paragraph 34 of the TCR Direction:

⁷ DCP 359 'Ofgem Targeted Charging Review (TCR) implementation – customers: who should pay?' seeks to implement certain areas of Ofgem's TCR Decision ; specifically relating to the identification of which 'customers' are eligible for a residual fixed charge.

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.

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.”*

How?

DCP 358

- 1.8 Specifically, DCP 358 will seek to implement a detailed process on how the four charging bands for the non-domestic distribution-connected ‘groups’ should be determined. There will be four charging bands for each of the groups, and where the boundaries for which will be set at the 40th, 70th and 85th percentiles. The groups are as follows:
 - Extra High Voltage (EHV)-connected sites;
 - High Voltage (HV)-connected sites;
 - Non-domestic Low Voltage (LV)-connected sites with an agreed capacity as the basis for their current charge; and
 - Non-domestic LV-connected sites without an agreed capacity.
- 1.9 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 NGESO, with particular consideration on delivering a proportionate and practical solution, that is transparent and results in minimal changes to existing systems and processes.
- 1.10 The reference within paragraph 3.57(9) of the TCR Decision relating to redundant connection capacity is catered for within the definition of Single Site defined under by DCP359 i.e. there will only be one fixed charge i.e. it will be an associated MPAN.

DCP 360

- 1.11 As specified in the TCR Decision, DCP 360 will define the process by which sites are allocated and reallocated to the charging bands. The 'detailed plan' sets out a 'baseline solution' (section 4.4), which sets out a proposal for the data used to determine the appropriate charging band and over what time period it will be based.
- 1.12 The baseline solution proposes scenarios where sites may be reallocated to a different residual charging band, and it also provides for a dispute process whereby the customer can challenge the 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. Following a successful dispute, the site may be reallocated to a different residual charging band from the next billing period, and may be entitled to a rebate in accordance with existing statutory limitations.
- 1.13 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 charging band the site has been allocated.
- 1.14 Specifically in relation to the adoption of an alternative approach to identifying which charging band a site is allocated to other than LLFC, the Working Group noted stakeholder feedback and agreement that any other solution would not be viable in the TCR timescales, where for example, the introduction of a new registration data item would result in significant system changes which would not be completed in time for transmission implementation in April 2021. Further, owing to the uncertainty surrounding other areas of reform, including the Access and Forward-Looking Charges SCR and Market-wide Half Hourly Settlement (MHHS) SCR, any 'enduring' solution should consider the holistic requirements of reform yet to be finalised, to ensure industry avoids inefficient piecemeal delivery. Therefore, the LLFC approach is the only approach under consideration to deliver the TCR Decision.

Question 1- Do you understand the intent of these CPs?

2 Governance

Justification for consideration as a Part 1 Matter

- 2.1 DCP 358 and DCP 360 are both Part 1 Matters in accordance with DCUSA clause 9.4.1 as they are likely to have a significant impact on the interests of electricity consumers.
- 2.2 The DCUSA Panel also agreed that these changes are urgent changes. The charging bands and allocation of sites to those bands are required by Autumn 2020.
- 2.3 These CPs 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.

Requested Next Steps

- 2.4 Following a review of the Consultation responses, the Working Group will work to agree the detail of the solutions for DCP 358 and DCP 360 and if appropriate progress to the Change Report phase.

3 Why Change?

General Background

- 3.1 As noted previously, these CPs have been raised in response to specific requirements set out in the TCR Direction, namely the determination of banding boundaries with respect to fixed residual charges and the allocation of sites to the charging bands and necessary interventions which may result in a site being reallocated to a different charging band.
- 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 changes 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.

Question 2 - Are you supportive of the principles that support these CPs, which is to create a process to determine the Banding Boundaries & Allocation of customers to those bands as well as a process for disputes and interventions?

Background to Change Proposals

- 3.4 As noted in section 1 above, DCP 358 seeks to address paragraphs 20, 21 and 30-32 of the TCR Direction, whilst DCP 360 seeks to address paragraphs 21-23, paragraphs 29-30, and paragraph 33 of 'the Direction' with both having regard for paragraph 34 (set out under paragraph 1.7 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 DCUSA 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 These CPs, when combined with amended legal text associated with the other DCUSA CPs that were raised to implement the TCR Decision, will seek to create the necessary processes to:

- determine the applicable charging bands for each of the non-domestic distribution-connected customer groups to apply from 1 April 2022 to 31 March 2026;
- review and determine the charging bands for subsequent onshore electricity transmission owner price control periods;
- allocate relevant sites (and their customers) to one of those charging bands;
- provide for exceptional circumstances resulting in reallocation of a customer's site to a different charging band within a price control period; and
- provide for disputes, where customers or other relevant parties can challenge the charging band to which a customer's site has been allocated.

4 Working Group Assessment

DCP 358 and DCP 360 Joint 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 DCPs, 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 The Working Group held five meetings prior to issuing this consultation, with members of the Working Group consisting 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 these CPs.
- 4.4 Following the initial meetings of the Working Group, it was agreed that the following items should be addressed in the consultation:
- Initial determination of the charging bands;
 - Review of the charging bands;
 - Allocation of sites to the charging bands;
 - Exceptional circumstances resulting in reallocation to a different charging band within a price control period; and
 - Handling disputes, which may also result in reallocation of a site to a different charging band without a price control period.
- 4.5 For DCP 358 the development of the solution needed to be expedited. DNOs are required to provide notification of changes to Use of System 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 Table 1 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 NG ESO to be provided with data for the purposes of billing the residual fixed charge.

TABLE 1 – TCR CODE MODIFICATIONS

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).			

Initial Determination of Charging Bands

Data availability and the basis used

- 4.7 The Working Group discussed the initial solution, and the requirement to utilise the approach set out in the TCR Decision, which requires a set of four charging bands for each of the non-domestic distribution-connected groups; as identified in Paragraph 1.8. The Working Group agreed with the Proposers of the CPs that the requirements should be set out in a new Schedule within the DCUSA.
- 4.8 The Working Group discussed the basis of determining the charging bands for the two distinct 'types' of non-domestic site identified in the TCR Decision, being: (i) a site with a Maximum Import Capacity (MIC); and (ii) a site without a MIC.
- 4.9 The Working Group considered sites which may have a MIC but are not charged on that basis. Such a site may represent e.g. legacy arrangements (potentially associated with a previous owner of a site) or erroneous data, but the Working Group agreed that a site banded based on MIC should be explicitly where a MIC is used for the purpose of Use of System Charges under the current arrangements only.
- 4.10 For sites without a MIC as the basis for their current Use of System Charges, the Working Group discussed the disaggregated data available. For non-half hourly (NHH) settled sites, distributors bill on an aggregated basis and therefore do not have access to individual metering system consumption. For relevant half hourly (HH) sites, being whole current metered sites⁸, again distributors bill on an aggregated basis, although the relevant data at the Meter Point Administration Number MPAN level does exist⁹.
- 4.11 Distributors receive disaggregated data for NHH sites via the P0222 Report, which is provided by NHH Data Aggregators on a quarterly basis to distributors who have 'opted in' to receiving the information. The P0222 Report provides data on a per MPAN basis and includes an Estimated Annual Consumption (EAC) where available. The Working Group agreed that this was the most appropriate source of data for banding, and allocating, NHH non-domestic sites.

⁸ These are Measurement Class G customers being "Half Hourly Metering Equipment at below 100kW Premises with whole current and not at Domestic Premises"

⁹ Primarily in a D0036 flow or D0275 flow which is sent by HH data collectors to electricity suppliers and is the same data flow received by distributors for sites where the MIC forms part of the Use of System Charge

- 4.12 Whilst distributors are actively pursuing the missing HH data¹⁰ relating to Measurement G customers, the Working Group agreed that provision was needed for when this data (circa 60,000 MPANs) is available ahead of determining the initial charging bands, and where such sites would be banded based on actual metered import data. In the absence of the data, the Working Group considered whether it would be a bigger distortion to the charging bands to either (i) exclude the data altogether, or (ii) assume each site was a 'typical site' e.g. by dividing the total consumption by the total number of sites. The Working Group agreed, in the absence of the data, the impact on the charging bands under both approaches would be needed in order to assess the outcomes, and where it was noted that the sites this 'group' represents are likely to be the largest consuming sites without a MIC e.g. such sites would generally be expected to be in the higher charging bands for no MIC sites.
- 4.13 The Working Group noted that even if approval is granted for the report to be run via the Data Transfer Service this would cater for 51,000 of the MPANs and although a significant number, a process would still be required for the remainder. In addition, the report would be required at each transmission price control period. One Working Group member made the group aware of their intention to seek a more permanent solution by raising a modification to the Balancing & Settlement Code but due to time constraints it is unlikely to be available for the initial set up stage.

Question 3 - Are you aware of any other data sources DNOs should use for the purpose of setting band boundaries?

Question 4 – Where data is not available for a particular site, should the site be excluded for band setting or should estimated data be used, e.g. a default EAC be included to determine the band boundaries?

¹⁰ Approval has been received from the DCUSA Panel at the March meeting to progress the requirement. Permission is now being requested from the Data Transfer Users of the Data Transfer Network Agreement to provide this service

Use of GB bands

- 4.14 The TCR Direction stated that the band boundaries for distribution-connected consumers will be established on a GB wide basis unless there may be circumstances, in particular for EHV-connected consumers, where regional differences in consumer types lead to substantially different distributions of consumers in a DNO region and result in very low consumer numbers in some bands.
- 4.15 The Working Group has undertaken an initial assessment of GB and regional boundaries as set out in Table 2 below¹¹.
- 4.16 Table 2 shows that whilst there are clearly some regional differences in the number of customers in each band compared to a national band, they do not appear to be material for LV connected customers but there are greater differences at HV and EHV. The Working Group are not aware of a solution that could accommodate using regional bandings to set distribution charges whilst supporting the implementation of a transmission solution for residual charges. The Working Group therefore is proposing an approach which implements GB charging bands for distribution connected customers.
- 4.17 Issues resulting from very low numbers of sites in charging bands¹², for any DNO Party, will be dealt with via DCP 361, which proposes to maintain the GB band boundaries but calculate Use of System Charges based on combined banding where appropriate.

Question 5 – Do you agree that charging bands should be set on a GB wide basis and there is not sufficient justification to support introduction of regional banding?

¹¹ The banding data is based on an indicative refresh of that provided by each DNO Party in support of the TCR impact assessment, and is consistent in principle applied as part of the impact assessment where possible. This does not represent the final banding based on the various rounding scenarios.

¹² For example the site may receive a disproportionately large charge relative to sites in the adjacent bands.

TABLE 2 – INITIAL ASSESSMENT OF BANDING

Voltage	Band				Site allocation percentages														
	#	Lower boundary	Upper boundary	%ile	GB	ENWL	NPgN	NPgY	SPMW	SPD	SSES	SSEH	EPN	LPN	SPN	EMID	WMID	SWALES	SWEST
LV no MIC (kWh)	1	-	4,224	40%	40%	35%	39%	35%	36%	34%	45%	37%	43%	51%	48%	35%	39%	39%	41%
	2	4,224	13,897	70%	70%	67%	73%	66%	66%	64%	72%	67%	71%	77%	76%	65%	71%	70%	74%
	3	13,897	27,296	85%	85%	84%	87%	82%	83%	82%	86%	85%	86%	89%	88%	81%	85%	85%	87%
	4	27,296	∞	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
LV MIC (kVA)	1	-	80	40%	40%	41%	51%	45%	45%	41%	46%	46%	29%	27%	47%	35%	44%	41%	45%
	2	80	150	70%	73%	75%	75%	74%	76%	72%	69%	72%	73%	68%	75%	71%	79%	74%	76%
	3	150	225	85%	85%	87%	86%	85%	86%	83%	81%	84%	87%	80%	86%	85%	91%	86%	87%
	4	225	∞	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
HV (kVA)	1	-	425	40%	40%	44%	32%	34%	35%	37%	31%	62%	31%	15%	24%	47%	56%	39%	43%
	2	425	1,000	70%	73%	77%	63%	69%	72%	70%	68%	84%	69%	43%	67%	79%	85%	71%	77%
	3	1,000	1,720	85%	85%	89%	76%	82%	88%	83%	82%	91%	83%	62%	84%	88%	92%	84%	88%
	4	1,720	∞	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
EHV (kVA)	1	-	1,000	40%	40%	14%	5%	24%	16%	9%	69%	86%	10%	2%	11%	23%	34%	33%	28%
	2	1,000	8,000	70%	71%	49%	29%	64%	75%	76%	83%	97%	52%	29%	30%	66%	51%	63%	85%
	3	8,000	15,090	85%	85%	74%	56%	86%	89%	88%	92%	99%	77%	53%	54%	81%	74%	75%	94%
	4	15,090	∞	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Key (absolute variance to boundary percentile):

≤2%
≤5%
≤10%
≤15%
>15%

Use of rounding to set band boundaries and level of rounding

- 4.18 Once the band boundaries have been determined based on the methodology set out in the TCR Decision, the Working Group discussed potential approaches to rounding them e.g. if say the maximum threshold for a given band was 95kVA, should that be rounded up to the nearest significant number by a factor of ten (i.e. it would be rounded up to 100kVA), or should it be rounded to the nearest integer only. The Working Group was of the opinion that band boundaries should always be rounded up and not down as rounding down could push customers near the upper band boundary into a higher charging band.
- 4.19 The Working Group considered the impact of rounding under different approaches, and the application of different tolerances for difference voltages (e.g.) rounding to the nearest 100kVA for EHV sites, but the nearest 10kVA for HV sites etc). The Working Group noted the potential distributional impact rounding could have, where taking the example of the upper threshold at 95kVA, and say that was the first HV charging band – if that was rounded up to 100kVA, a site with a MIC of 96kVA would be allocated to the first band rather than the second, as opposed to (e.g.) simply rounded to the nearest integer, where as a result that site would be allocated to the second band. The outcome being, in this example, more than 40% of HV sites would be allocated to the first HV band.
- 4.20 The Working Group had differing views as to the appropriate approach to banding, ranging from rounding the nearest integer to applying different tolerances to different voltages. It was agreed that analysis was required to better understand the distributional impact. This analysis of the likely effect of rounding up on the percentage of customers in each band is shown in Tables 3-6 on the pages below and the Working Group are seeking views as to what is most appropriate.

TABLE 3 - ROUNDING UP TO THE NEAREST LEVEL OF SIGNIFICANCE OF 1

Voltage	Band				Site allocation percentages														
	#	Lower boundary	Upper boundary	%ile	GB	ENWL	NPgN	NPgY	SPMW	SPD	SSES	SSEH	EPN	LPN	SPN	EMID	WMID	SWALES	SWEST
LV no MIC (kWh)	1	-	4,225	40%	40%	35%	39%	35%	36%	34%	45%	37%	43%	51%	48%	35%	39%	39%	41%
	2	4,225	13,898	70%	70%	67%	73%	66%	66%	64%	72%	67%	71%	77%	76%	65%	71%	70%	74%
	3	13,898	27,296	85%	85%	84%	87%	82%	83%	82%	86%	85%	86%	89%	88%	81%	85%	85%	87%
	4	27,296	∞	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
LV MIC (kVA)	1	-	80	40%	40%	41%	51%	45%	45%	41%	46%	46%	29%	27%	47%	35%	44%	41%	45%
	2	80	150	70%	73%	75%	75%	74%	76%	72%	69%	72%	73%	68%	75%	71%	79%	74%	76%
	3	150	225	85%	85%	87%	86%	85%	86%	83%	81%	84%	87%	80%	86%	85%	91%	86%	87%
	4	225	∞	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
HV (kVA)	1	-	425	40%	40%	44%	32%	34%	35%	37%	31%	62%	31%	15%	24%	47%	56%	39%	43%
	2	425	1,000	70%	73%	77%	63%	69%	72%	70%	68%	84%	69%	43%	67%	79%	85%	71%	77%
	3	1,000	1,721	85%	85%	89%	76%	82%	88%	83%	82%	91%	83%	62%	84%	88%	92%	84%	88%
	4	1,721	∞	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
EHV (kVA)	1	-	1,000	40%	40%	14%	5%	24%	16%	9%	69%	86%	10%	2%	11%	23%	34%	33%	28%
	2	1,000	8,000	70%	71%	49%	29%	64%	75%	76%	83%	97%	52%	29%	30%	66%	51%	63%	85%
	3	8,000	15,090	85%	85%	74%	56%	86%	89%	88%	92%	99%	77%	53%	54%	81%	74%	75%	94%
	4	15,090	∞	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

TABLE 4 - ROUNDING UP TO THE NEAREST LEVEL OF SIGNIFICANCE OF 10

Voltage	Band				Site allocation percentages														
	#	Lower boundary	Upper boundary	%ile	GB	ENWL	NPgN	NPgY	SPMW	SPD	SSES	SSEH	EPN	LPN	SPN	EMID	WMID	SWALES	SWEST
LV no MIC (kWh)	1	-	4,230	40%	40%	35%	39%	35%	36%	34%	45%	37%	43%	51%	48%	35%	39%	39%	41%
	2	4,230	13,900	70%	70%	67%	73%	66%	66%	64%	72%	67%	71%	77%	76%	65%	71%	70%	74%
	3	13,900	27,300	85%	85%	84%	87%	82%	83%	82%	86%	85%	86%	89%	88%	81%	85%	85%	87%
	4	27,300	∞	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
LV MIC (kVA)	1	-	80	40%	40%	41%	51%	45%	45%	41%	46%	46%	29%	27%	47%	35%	44%	41%	45%
	2	80	150	70%	73%	75%	75%	74%	76%	72%	69%	72%	73%	68%	75%	71%	79%	74%	76%
	3	150	230	85%	86%	87%	86%	86%	86%	84%	82%	84%	87%	80%	87%	85%	91%	87%	88%
	4	230	∞	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
HV (kVA)	1	-	430	40%	41%	44%	32%	34%	36%	38%	31%	62%	31%	15%	24%	48%	57%	39%	43%
	2	430	1,000	70%	73%	77%	63%	69%	72%	70%	68%	84%	69%	43%	67%	79%	85%	71%	77%
	3	1,000	1,730	85%	85%	89%	76%	82%	88%	83%	82%	91%	83%	62%	84%	88%	92%	84%	88%
	4	1,730	∞	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
EHV (kVA)	1	-	1,000	40%	40%	14%	5%	24%	16%	9%	69%	86%	10%	2%	11%	23%	34%	33%	28%
	2	1,000	8,000	70%	71%	49%	29%	64%	75%	76%	83%	97%	52%	29%	30%	66%	51%	63%	85%
	3	8,000	15,090	85%	85%	74%	56%	86%	89%	88%	92%	99%	77%	53%	54%	81%	74%	75%	94%
	4	15,090	∞	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

TABLE 5 - ROUNDING UP TO THE NEAREST LEVEL OF SIGNIFICANCE OF 100

Voltage	Band				Site allocation percentages														
	#	Lower boundary	Upper boundary	%ile	GB	ENWL	NPgN	NPgY	SPMW	SPD	SSES	SSEH	EPN	LPN	SPN	EMID	WMID	SWALES	SWEST
LV no MIC (kWh)	1	-	4,300	40%	40%	36%	40%	36%	36%	34%	45%	37%	43%	52%	48%	35%	39%	39%	41%
	2	4,300	13,900	70%	70%	67%	73%	66%	66%	64%	72%	67%	71%	77%	76%	65%	71%	70%	74%
	3	13,900	27,300	85%	85%	84%	87%	82%	83%	82%	86%	85%	86%	89%	88%	81%	85%	85%	87%
	4	27,300	∞	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
LV MIC (kVA)	1	-	100	40%	52%	54%	60%	55%	58%	54%	54%	56%	45%	40%	54%	47%	56%	53%	57%
	2	100	200	70%	83%	85%	84%	83%	84%	81%	79%	81%	84%	77%	84%	82%	88%	84%	85%
	3	200	300	85%	92%	93%	92%	93%	92%	90%	89%	91%	94%	88%	93%	94%	97%	93%	93%
	4	300	∞	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
HV (kVA)	1	-	500	40%	49%	52%	40%	42%	44%	44%	39%	67%	41%	21%	34%	56%	66%	48%	52%
	2	500	1,000	70%	73%	77%	63%	69%	72%	70%	68%	84%	69%	43%	67%	79%	85%	71%	77%
	3	1,000	1,800	85%	86%	90%	78%	83%	89%	84%	84%	92%	84%	65%	84%	89%	92%	85%	88%
	4	1,800	∞	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
EHV (kVA)	1	-	1,000	40%	40%	14%	5%	24%	16%	9%	69%	86%	10%	2%	11%	23%	34%	33%	28%
	2	1,000	8,000	70%	71%	49%	29%	64%	75%	76%	83%	97%	52%	29%	30%	66%	51%	63%	85%
	3	8,000	15,100	85%	85%	74%	56%	86%	89%	88%	92%	99%	77%	53%	54%	81%	74%	75%	94%
	4	15,100	∞	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Key (absolute variance to boundary percentile):

≤2%
≤5%
≤10%
≤15%
>15%

- 4.21 Tables 3-5 above show that there is very little difference between an approach of rounding up to the nearest integer and rounding up to the nearest level of significance of ten – where, and based on rounding to the nearest percentage, some bands are impacted by a maximum of 1% across different DNOs, such that more sites would generally be allocated to lower charging bands than simply rounding to the nearest integer.
- 4.22 The impact of rounding up to the nearest level of significance of 100 is more profound. Based on the data used, the EHV band would not be affected and the LV no MIC group would be least affected, where an impact is evident. The LV MIC group is significantly impacted with sites allocated to: (i) band one increasing by 12%; (ii) band two increasing by 10%; and (iii) band increasing three by 7%, on a GB-wide basis. The impact on the HV band shows an increase in sites allocated to band one of 9% on a GB-wide basis, with a minor impact of sites moving from band four to band three of 1%.
- 4.23 The Working Group therefore proposed a mixed approach of rounding differently at different voltages levels, with a proposal to round the LV no MIC and EHV bands to the nearest level of significance of 100, and the LV MIC and HV band to the nearest level of significance of ten, as shown in Table 6 below. The impact, relative to the rounding up to the nearest integer, shows no change to the EHV bands, and minor (1% maximum) changes to the other groups – generally an increase to band one only, other than the LV MIC group which sees an increase in sites in band three from band four.

Question 6 – Do you agree that band boundaries should be rounded up?

If so, what level of rounding should be applied? (e.g. rounding up to the nearest integer or applying different tolerances to different voltage?)

If not, then please provide any supporting rationale and/or an alternative solution which you believe the Working Group should consider.

TABLE 6 - ROUNDING UP TO DIFFERENT LEVELS OF SIGNIFICANCE AT DIFFERENT VOLTAGES

Voltage	Band				Site allocation percentages														
	#	Lower boundary	Upper boundary	%ile	GB	ENWL	NPgN	NPgY	SPMW	SPD	SSes	SSEH	EPN	LPN	SPN	EMID	WMID	SWALES	SWEST
LV no MIC (kWh)	1	-	4,300	40%	40%	36%	40%	36%	36%	34%	45%	37%	43%	52%	48%	35%	39%	39%	41%
	2	4,300	13,900	70%	70%	67%	73%	66%	66%	64%	72%	67%	71%	77%	76%	65%	71%	70%	74%
	3	13,900	27,300	85%	85%	84%	87%	82%	83%	82%	86%	85%	86%	89%	88%	81%	85%	85%	87%
	4	27,300	∞	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
LV MIC (kVA)	1	-	80	40%	40%	41%	51%	45%	45%	41%	46%	46%	29%	27%	47%	35%	44%	41%	45%
	2	80	150	70%	73%	75%	75%	74%	76%	72%	69%	72%	73%	68%	75%	71%	79%	74%	76%
	3	150	230	85%	86%	87%	86%	86%	86%	84%	82%	84%	87%	80%	87%	85%	91%	87%	88%
	4	230	∞	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
HV (kVA)	1	-	430	40%	41%	44%	32%	34%	36%	38%	31%	62%	31%	15%	24%	48%	57%	39%	43%
	2	430	1,000	70%	73%	77%	63%	69%	72%	70%	68%	84%	69%	43%	67%	79%	85%	71%	77%
	3	1,000	1,730	85%	85%	89%	76%	82%	88%	83%	82%	91%	83%	62%	84%	88%	92%	84%	88%
	4	1,730	∞	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
EHV (kVA)	1	-	1,000	40%	40%	14%	5%	24%	16%	9%	69%	86%	10%	2%	11%	23%	34%	33%	28%
	2	1,000	8,000	70%	71%	49%	29%	64%	75%	76%	83%	97%	52%	29%	30%	66%	51%	63%	85%
	3	8,000	15,100	85%	85%	74%	56%	86%	89%	88%	92%	99%	77%	53%	54%	81%	74%	75%	94%
	4	15,100	∞	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Key (absolute variance to boundary percentile):

≤2%
≤5%
≤10%
≤15%
>15%

Exceeded v agreed capacity

- 4.24 For sites with a MIC, it was considered as to whether a site exceeded its MIC should be taken into account when banding and allocating a site. The Working Group's view was that it is the Authority's intent to consider MIC only, which is a level of capacity agreed between a customer and the distributor, and where in the TCR Decision and TCR Direction reference is explicitly made to the "agreed capacity".
- 4.25 The Working Group agreed that, a site which regularly exceeds its capacity should be a matter dealt with by the relevant distributor, with a revised MIC put in place if needs be. Further, a site is encouraged to remain within agreed levels owing to the application of exceeded capacity charges – which for sites connected at LV and HV can represent significantly higher charges than rates applied to demand within the agreed level.
- 4.26 The Working Group therefore agreed that only the MIC of a site should be considered when banding (and allocating) a site, as opposed to any exceedance.

Question 7 – Do you agree that only MIC should be considered in setting band boundaries?

Banding Agent

- 4.27 The Working Group discussed practicalities of determining the charging bands, primarily who should be responsible, and where the requirements for establishing this should reside.
- 4.28 The general view of the Working Group was that NGESO is well-placed to fulfil this role. However, the Working Group agreed that it would be prudent to not stipulate in the legal text a designated party specifically, and instead that the responsibility would be that of a 'Banding Agent'.
- 4.29 In collaboration with NGESO, it was agreed that NGESO would be responsible for appointing the Banding Agent, which may be NGESO as noted. DNO Working Group members pointed out that the role would not represent a burden, having undertaken iterations of the indicative banding to support the code modification assessment.
- 4.30 The Working Group therefore agreed that the legal text should refer to the Banding Agent only, but specify the dates which parties providing the data to the Banding Agent, and the date which the Banding Agent must provide the relevant information, should be clearly set out in the DCUSA.
- 4.31 For the initial determination of the charging bands to be used effective from 01 April 2021 (in transmission), the Working Group agreed that distributors would provide the necessary information to the Banding Agent by 30 September 2020, and that the Banding Agent should provide distributors with the banding boundaries by 31 October 2020.
- 4.32 The dates align well with the proposed timelines for the TCR code modifications across the DCUSA and the CUSC, and progress out of scope of these code modifications in terms of establishing appropriate arrangements to identify and process sites under the new arrangements.
- 4.33 Distributors plan to lock down the banding boundaries and commence the allocation of sites to the bands in Q3 2020.

Question 8: Do you support the Working Group proposals with regard to a Banding Agent?

Review of Charging Bands

- 4.34 In line with the TCR Decision, the charging bands will be refreshed periodically, with revised banding effective from the beginning of each onshore electricity transmission owner price control period e.g. RIIO-ET3 which is expected to commence on 01 April 2026 (RIIO-ET2 commences on 01 April 2021 and will run for a five year period).
- 4.35 The Working Group agreed that the principles which will determine the initial charging bands, effective from 01 April 2021, should generally apply consistently in subsequent reviews.
- 4.36 The exception to this being a temporal consideration; whereby owing to the need to provide 15 months' notice of a change to Use of System Charges, a DNO Party will publish Use of System Charges effective from 1 April 2026, i.e. RIIO-ET3, in December 2024.
- 4.37 As a result, for distributors to be able to charge sites on a consistent basis with transmission in the relevant price control period, whilst ensuring GB-wide bands are used at both distribution and transmission, the banding and allocation will need to be established well in advance of the beginning of that price control period going forward.
- 4.38 The Working Group agreed that the 30 September deadline for submitting data to the Banding Agent, and the 31 October deadline for the Banding Agent providing the banding boundaries, would therefore apply to future reviews of the bands, but be relative to the regulatory year two years prior to the commencement of the relevant onshore electricity transmission price control period.
- 4.39 The Working Group noted that, as the TCR Decision specifically links banding revisions to electricity transmission price control periods, banding will change within an electricity distribution price control period (e.g. banding will be initiated in RIIO-ED1, which runs until 31 March 2023, but RIIO-ET2 commences on 01 April 2021, and where RIIO-ET3 will commence on 01 April 2026, RIIO-ED2 will run until 31 March 2028).

Question 9: Do you support the Working Group proposals with regard to the review of charging bands and the proposed timescales?

Allocation of Customers to Charging Bands by DNO Parties

- 4.40 It was noted that there were a number of views related to the approach to be utilised for the allocation of sites to charging bands, which was set out in the TCR Direction which stated:
 - 22. *that the data to be used for consumer allocation will relate to and be averaged over a period of no less than 24 months prior to the setting of the applicable residual charges, or longer if the requisite data can be made readily available at proportionate cost. For any consumers for whom data is not available for a period of 24 months, the process for new consumers in paragraph 23 below is to be followed.*

23. *that a process must be established to allocate ‘new’ consumers and consumers for whom the appropriate data is not available to be the relevant charging band, based on an assessment of their agreed capacity or consumption, as applicable. The process shall make use of such information as is available to best estimate the expected usage of the consumer, e.g. by taking an average of all of the data that is available, or based on an understanding from such sources as are considered appropriate of the typical profile of a similar consumers.*

4.41 There was a significant amount of discussion on various aspects of the two paragraphs above, which included the following items:

- 1) **Existing sites for which 24 months of data (or more than 24 months as the case may be) is available.** The Working Group questioned whether or not it is right to use however much data is available (e.g. 10 years’ worth of data if it was available for some and only 24 months if that is all that is available for some), or should it be restricted only (e.g.) 24 months of data taken from a point in time just prior to allocating a site to a charging band?
- 2) **Sites with less than 24 months of data available.** The Working Group agreed that the TCR Direction clearly shows an intent to average data where there is a minimum of 24 months available, however debated that where it is not available, whether averaging that data is necessarily the appropriate approach to “best estimate the expected usage” of that site.
- 3) **For any customers with a MIC as a basis for their current Use of System Charge.** The Working Group discussed concerns with averaging MIC regardless, and considered how this impacts upon a site, where adjustments to capacity can only be done periodically¹³ and will generally reflect a defined change in use, and last for a period of time generally in excess of twelve months. Therefore, the Working Group questioned whether a site should be allocated on the basis of its most recent MIC only.
- 4) Notwithstanding the dispute process, the Working Group questioned whether the allocation of a site to a specific charging band should be undertaken annually or once during a price control period, as certain extracts of the TCR Decision could be interpreted either way.

For existing customers for which 24 months of data (or more than 24 months as the case may be) is available

4.42 The Working Group considered the following scenarios:

- (a) Where a distributor has 24 months of data available for a particular site, it would appear to be appropriate to average that time period of data as per the TCR Decision.
- (b) Where a distributor has greater than 24 months of data available for a particular site, which could be anything from (e.g.) three years (36 months) to ten years (120 months) or more, then would it

¹³ A customer can generally only reduce the MIC once in a 12 month period, but can increase it at any time – providing the capacity is available, and if not, the customer would risk facing reinforcement costs.

be appropriate to average the data over whatever time period exists for that site, or should the number of months of data to be used to obtain an average be capped at (e.g.) 24 months?

4.43 During subsequent discussions on the above scenarios, it became apparent that there were differing views with respect to what the correct approach should be, and more specifically, the interpretation of two related paragraphs from the TCR Decision. Given the differing views and interpretations the Working Group agreed that it would be sensible to seek clarification from Ofgem on the topic, and, as such, issued the following request for clarification to Ofgem:

- (1) *Separately, some members of the DCUSA workgroup have a concern with the requirement to allocate a consumer based on data averaged over a greater period than 24 months', where the data is available, which would not be strictly in line with paragraph 3.57(7) above. Would the Authority consider a proposal which limited the averaged period to 24 months' **only**, where data for more than 24 months was available, providing the workgroup sufficiently demonstrated that it better achieved the TCR Decision Principles?*

4.44 With respect to the request for clarification issued by the Working Group, Ofgem provided the following response:

- (1) *Firstly, for existing consumers, the information in the decision sets out, as you have correctly shown in paragraph 7 (page 57 of the decision document), 'Setting and allocating consumers to residual charging bands' should be carried out using at least 24 months of data. The decision says 'This [allocation of customers into bands using existing industry data] is to be averaged over a period of no less than 24 months prior to the setting of the applicable residual charges, or longer if the requisite data can be made readily available at proportionate cost.'*
- (2) *It is for the workgroup to determine whether to extend this if there is a longer period than 24 months over which 'the data can be made readily available at proportionate cost'.*

4.45 The Working Group agreed that the maximum period to be averaged for the purpose of allocating a site to a band should be 24 months. The Working Group considered that averaging over more than 24 months, being the minimum requirement set out in the TCR Decision, could create further distortions relative to the historical data available, e.g. if for most sites there is only 24 months data, but for a few there is 10 years of data, would it be right to use all or any of the data beyond 24 months?. The Working Group agreed that limiting the period to a maximum of 24 months ensured a consistent approach could be adopted. This approach could prevent a customer from raising a dispute based on historical site data, which may support allocation to a different charging band than assigned initially by the distributor, by cherry picking the length of historical data beyond 24 months' which aligns a charging band with the lowest charge that could be reasonably assigned to that site.

Question 10: Do you agree with allocating a site based on a maximum of 24 months historical data, or do you support an alternative approach?

Sites with less than 24 months of data available

- 4.46 Some Working Group members considered that, where a site is allocated to a charging band based on its annual consumption, using any data available to produce an 'average' would be appropriate. For NHH sites, the most recent EAC would be sensible data in isolation, as it may be based on a form of averaging, or multiple EACs within a 24 month period could be averaged. For HH sites, the metered data held pertaining to the 24 month period would be used in order to determine an average annual consumption.
- 4.47 The Working Group considered the following scenarios:
- (a) Where a distributor has 23 months of data available for a particular site, would it be appropriate to use an average of the 23 months of available data rather than a non-averaging approach; or
 - (b) Where a distributor has only two months of data available for a particular site, would it be appropriate to use a non-averaging approach rather than an average.
- 4.48 During subsequent discussions on the above scenarios, it became apparent that there were differing views with respect to what the correct approach should be and more specifically, the interpretation of two related paragraphs from the TCR Decision. Given the differing views and interpretations the Working Group agreed that it would be sensible to seek clarification from Ofgem on the topic and as such, issued the following request for clarification to Ofgem:
- (1) Paragraph 3.57(7-8) of the TCR Decision (updated 18 December version) states:
 - (2) *"7) **Setting and allocating consumers to residual charging bands:** Boundaries are to be established by the network licensees on a consistent basis and users will be allocated to bands based on available industry agreed capacity where available, or net consumption data, as applicable. This is to be **averaged** [emphasis added] over a period of no less than 24 months prior to the setting of the applicable residual charges, or longer if the requisite data can be made readily available at proportionate cost. For **any** [emphasis added] customers for whom data cannot be made available for the period of 24 months, the process for New customers and customers lacking appropriate data below should be followed.*
 - (3) *8) **New customers and customers lacking appropriate data:** A process shall be established to allocate customers for whom the requisite data is not available or available for a period of less than 24 months, such as new customers connected within that period, to the appropriate charging band, based on an assessment of their agreed capacity or consumption, as applicable. The process shall make use of such information as is available to best estimate the expected usage of the customer, eg [A] **by taking an average of all the data that is available, or [B] based on an understanding from such sources as are considered appropriate of the typical profile of a similar customer, updating as needed** [emphasis added]."*
 - (4) *It is our understanding that the wording (highlighted in yellow) in the last sentence of paragraph 3.57(8) addresses two customer scenarios, shown as '[A]' and '[B]', namely: for an existing consumer with less than 24 months of data or for a new consumer with zero months of data available.*

- (5) *Some Workgroup members believe that the first element '[A]' relates solely to existing customers (who lack the appropriate 24 months or greater of data) as it accords with the intent of paragraph 3.57(7) that an average of the consumers' monthly data should be used where it is available (however, noting the specific reference to averaging "over a period of no less than 24 months prior to the setting of the applicable residual charges"), and that element '[B]' relates solely to new customers (for whom no monthly actual data is available).*
- (6) *Other Workgroup members believe that element '[B]' can be used (instead of '[A]') for the allocation of an existing consumer (where a number of months of data is available to calculate an average) as well as using element '[B]' for the allocation of new consumers: for example where a consumer's expected demand has changed significantly in recent months/or is expected to in the coming months.*
- (7) *In other words, is it the Authority's intention that where a consumer has, say, 12 months' of data, that consumer would only be allocated "by taking an average of all the data that is available" (i.e. 12 months) and not using, instead, any other information which may be "based on an understanding from such sources that are considered appropriate of the typical profile of a similar customer, updating as needed"?*

4.49 With respect to the request for clarification issued by the Working Group, Ofgem provided the following initial response:

- (1) *For customers who do not meet the data criteria for existing customers (ie without at least 24 months of historic data) the directions state:*

that a process must be established to allocate 'new' consumers and consumers for whom the appropriate data is not available to the relevant charging band, based on an assessment of their agreed capacity or consumption, as applicable. The process shall make use of such information as is available to best estimate the expected usage of the consumer, e.g. by taking an average of all of the data that is available, or based on an understanding from such sources as are considered appropriate of the typical profile of a similar consumers.
- (2) *The policy intent is that a process is designed for 'new' customers, or existing customers with less than at least 24 months of data, to be allocated into a band which accurately and fairly represents their agreed capacity needs or volumetric consumption based on the information available.*
- (3) *The examples included in the decision document illustrate a possible way to do this, by averaging the data which is available or by using a profiling methodology where no data is available. These examples do not necessarily provide the best option for this process. It is for the workgroup to determine the best approach to allocating 'new' consumers and those with less data than is required for an 'existing' customer'.*

4.50 Following this response from Ofgem, a number of Working Group members still had differing views, but it was agreed that, in addition to seeking further clarity from Ofgem, these would be set out in the consultation and to seek views from industry as to the two approaches below:

Approach 1

- 4.51 If, hypothetically, we have two existing consumers (X) and (Y).
- 4.52 For (X) we have, say, 24 months of data, the Working Group view was that the distributor should use the average of those 24 months of data to determine which charging band that customer falls into.
- 4.53 For (Y) we have, say, 23 months of data, should the distributor be able to choose not to use the average of this 23 months of data, and instead apply some form of profiling or other methodology instead to determine which charging band that customer falls into? For example, the distributor could use the most recent MIC, or consider only the most recent 12 months of consumption data, where that data use best estimates the demand of that site.
- 4.54 One Working Group view was that it seems difficult to treat two identical situations; except for the number of months of data available; differently without running the risk of the distributor falling foul of it being said to be acting in a discriminatory manner (especially as the distributor demonstrably has (i) data available and (ii) a process/procedure for calculating the average in both the (X) and (Y) situations, but is choosing not to average in the case of some, or all, (Y) situations).
- 4.55 The concern was primarily on the grounds of ensuring equality of treatment between existing sites and avoiding any undue discrimination. If, nevertheless, there is an 'option', for (Y) situations, for the distributor to apply a different methodology for determine the charging band into which the site will be placed, then it was proposed that the legal text should robustly detail the non-averaging process, to avoid it being discriminatory or arbitrary in nature.

Approach 2

- 4.56 In the case of existing site (Y), using an example scenario where if 22 of those 23 months that site had a MIC of e.g. 20,000kVA, and for the most recent month it is 10,000kVA, because the ownership or usage of the site has changed etc, the distributor should be able to allocate the site to a charging band based on the 10,000kVA. It was suggested that if Approach 1 is taken, then the distributor won't be able to take this into consideration and that this increases the likelihood of a customer disputing why the change at the site had been ignored, and where a distributor would not generally agree to a reduction in MIC if the maximum demand of that site did not support the change.
- 4.57 It was noted that Approach 2 isn't saying that it should be prescriptive, and the reasoning for this is due to the belief that it is wrong not to provide for an approach to best estimate the expected usage of the site, which may not align to a simple but consistent approach of averaging the data available regardless. Approach 1 may not suitably recognise the changes in demand, in absolute terms and underlying reasons for the change, during that period. Further to this, it was explained that not averaging would be the exception, but that it needs to be an option.

- 4.58 The Working Group agreed that instances which ‘fall through the gap’ as a result of approach 1 would be potentially dealt with as an exceptional circumstance, or potentially a dispute, but approach 2 seeks to potentially proactively avoid the need for such an instance. However, it was also noted that approach 2 could result in a dispute if the customer deemed the decision to not average was not in favour of that site, e.g. if the most recent MIC represented a significant increase and therefore an averaged approach would have resulted in a lower figure used to allocate that site to a charging band.

For any customers with a MIC as a basis for their current Use of System Charge

Working Group views as to the averaging of MIC

- 4.59 Members of the Working Group discussed whether it was in fact sensible to average capacity for either setting bands or allocating sites to bands, as an adjustment to a site’s MIC can only be done periodically and generally reflect a defined change in use, and last for a period of time generally in excess of twelve months.
- 4.60 One point where it was thought that clarity might be needed is on the following extract from the TCR Decision: *“based on available industry agreed capacity where available, or net consumption data, as applicable. **This is** to be averaged over a period of no less than 24 months prior to the setting of the...”*. The decision states ‘This is’ and not ‘These are’ and some Working Group members considered that the statement therefore applies to annual consumption data only (given it is the context of the final part of the preceding sentence) and not to capacity site with a MIC. It was thought by some Working Group members that this was a sensible and pragmatic approach, as for the MIC charging bands, these can be determined, and customers allocated to them, on the basis of the MIC at a point in time. For a site with less than 24 months of MIC data available, it was noted that the customer must request a MIC as part of their application and therefore the demand requirement of that site is explicit in the absence of historical data.
- 4.61 Some Working Group members highlighted that they agreed with position above but didn’t believe it was Ofgem’s intent, and therefore were of the view that the averaging of MIC over a period of time is the solution that the Working Group should proceed with.

Ofgem Clarification as to averaging of MIC

- 4.62 With respect to the Working Group discussions on whether or not it was Ofgem’s intent that MIC should be averaged over a period of time, or if in fact the Working Group were able to proceed on a non-averaging basis, and to further clarify the approach to allocating a site with less than 24 months of data available, Ofgem provided the below clarification:
- (1) *I have been following the conversations in which there was a question on clarity around the averaging of data for ‘new’ customers, or those with less than 3 months data and also regarding the averaging method as it applies to agreed capacity.*
 - (2) *The policy intent behind the residual reform is to reduce harmful distortions. For fixed charges the distortions will arise where ‘gaming’ is enabled around the bandings for the fixed charges. For example, the band allocation method should not allow a site to artificially negotiate down its*

connection capacity at the time of band allocation, only to increase it later. Taking an average of historic capacity or consumption over a long time period makes this more difficult.

- (3) *Having said that the directions and decision document also provide for an ‘exceptions process’ detailed in paragraph 3.59(3). This provides for a process to ‘apply for reclassification of a user to another lower band in tightly restricted circumstances, where substantial changes in usage occur, resulting in significant changes in the level of agreed capacity required’. I would suggest that consideration is given to the ‘exceptions process’ to provide a clear methodology to consider the ‘sites’ where averaging does not appear to provide a proportionate banding for the agreed capacity/consumption.*

Further considerations with respect to a non-averaging approach that meets the TCR intent

- 4.63 The Working Group acknowledged that Ofgem’s concerns in this area are valid but the Working Group also generally believed that the proposed method of dealing with such a concern introduces unnecessary complexity alongside additional barriers or hurdles needed for a site to be allocated to the correct charging band from the beginning.
- 4.64 The Working Group believe that it is necessary to reflect the realities of how a customer would need to go about amending their MIC as contained within their connection agreement and thus the potential for gaming is actually not that easy at all.
- 4.65 To lower their MIC as contained within their connection agreement, the customer would need to apply to the distributor to do so and there is no guarantee that the distributor would actually accept the request. A distributor may agree to a reduction where it believes that the site genuinely doesn’t have a need for the capacity (both now and in the foreseeable future) and that any request to increase later would give rise to certain consequences. The consequences of lowering MIC (if so agreed by a distributor) are two fold, the first being that if the customer requires the capacity later, then it may be the case that the capacity is no longer available and therefore would come at a cost if it was needed.
- 4.66 The second being that, in lowering a sites MIC to a point which would result in that the customer constantly exceed it, would mean that the customer is likely to incur excess capacity charges (potentially at a significantly higher rate) on top of the potential for the distributor to take actions in line with Clause 12 of the National Terms of Connection (NTCs). The provisions within Clause 12 of the NTCs are extensive (including a scenario where the customer must explain why they are exceeding their capacity and if they don’t lower it, then distributors may seek to modify the connection agreement and if disputed by the customer then the customer could refer to Ofgem for resolution. Logically, that customer would face an uphill battle in obtaining a favourable decision when it was clear that they made a choice to lower their capacity to avoid a charge and now want it back.
- 4.67 It could be suggested that there are enough restrictions and measures in place to deter last minute changes to the MIC of a site in order to avoid/lower their residual fixed charges, especially where the expected maximum demand of that site would not support such a reduction. These restrictions and measures are already contained in the NTCs or by way of the provision of extra charges, being any fees payable to the DNO to make the necessary changes to their network or as excess capacity charges via DUoS charges.

4.68 It was noted that the following paragraphs from the NTCs should be considered if diverging from the TCR Decision was agreed:

- 12. LIMITATION OF CAPACITY
- 14. MODIFICATIONS
- 21. DISPUTES RESOLUTION
- 22. VARIATIONS

4.69 The Working Group discussed whether diverging from their original proposal allocate a site to a charging band based on the sites MIC which is averaged 24 months in favour of one that only uses a snapshot in time (i.e. the most recent data) better achieves the TCR decision. During these discussions it was agreed to progress with the solution set out in the TCR Decision but to seek view from industry as to whether they agree with the Working Groups solution, or whether they believe that using a snapshot in time is more proportionate and fair, given the information set out in paragraphs 4.59 – 4.68.

Question 11: Where a site does has less than 24 months of data, do you think that data should always be averaged (Approach 1), or should an alternative approach be included (Approach 2), which may best estimate the demand for that site?

If you support Approach 2, should this apply to MIC and/or annual consumption charging bands?

At what point is a site to be allocated to a specific charging band (annually or once during a price control period)

4.70 Some members of the Working Group questioned whether or not it was Ofgem's intent that, save for exceptional circumstances or a dispute resulting in reallocation, a site would be allocated to a charging band prior to the commencement of each relevant price control review period only, or if it would be an annual process.

4.71 The Working Group had differing views, (i) that a site would generally be allocated to a charging band in advance of each relevant price control period, and remain in that band for the duration of that period, or (ii) that a site would potentially be allocated to a band as an annual exercise.

4.72 Working Group members highlighted Design Parameter nine in support of the first interpretation, being:

*"Non domestic consumers: All non-domestic consumers will be allocated to one of a set of charging bands. The boundaries of the charging bands, **and individual customers' allocation to them**, will be reviewed and updated as needed in order that the required changes come into effect in line with the start of **each new transmission price control**. The reviews of the charging bands shall be based on the SCR Decision Principles." [emphasis added]*

4.73 The Working Group agreed it would be sensible to seek clarity from Ofgem on the relevant extracts which caused confusion amongst Working Group members, and the following question was posed:

- (1) *With respect to using data to allocate customers to a charging band, 3.57 (7) of the Decision includes the text:*
- (2) *...This is to be averaged over a period of no less than 24 months **prior to the setting of the applicable residual charges**...*

- (3) **Interpretation 1:** A literal reading of the Decision would require that the process to allocate customers to bands should be performed annually “**prior to the setting of the applicable residual charges**” for each charging year i.e. customers would move between bands if their most recent 24 months of data [or greater] allocated them into a different band (whether a lower or higher band).
- (4) **Interpretation 2:** An alternative interpretation is that “**the applicable residual charges**” being referred to in 3.57 (7) are the residual charges applicable to the first year of a new banding period **only**.
- (5) Paragraph 4.4 and 4.5 of the current draft legal text states that sites will be re-allocated to charging bands prior to the start of each TO price control period and will remain in a charging band for the duration of the price control period (subject to any dispute process).
- (6) The draft legal text is therefore based on Interpretation 2 above. Please could Ofgem confirm whether this is the correct interpretation of 3.57 (7) of the Decision?

4.74 In response Ofgem quoted the following:

“The decision document states in chapter 3:

Page 58 of the decision document:

9) Non domestic consumers: All non-domestic consumers will be allocated to one of a set of charging bands. The boundaries of the charging bands, and individual customers’ allocation to them, will be reviewed and updated as needed in order that the required changes come into effect in line with the start of each new transmission price control. The reviews of the charging bands shall be based on the SCR Decision Principles.

Page 59 of the decision document:

11) Review of charging band boundaries for non-domestic consumers: The boundaries of the charging bands shall be reviewed at such times as to ensure that the outcome of the review can be implemented at the same time as the next transmission price control takes effect. As part of each review, charging bands will be recalculated taking account of the SCR Decision Principles and percentiles established for banding. The review shall also be conducted so as to ensure a fair and proportionate progression of charges across bands, such as a limit of around an order of magnitude differential in charges between adjacent bands within a voltage level. Should agreed capacity or other capacity data become widely available for other LV user groups, bands will be reset at the next review on that basis. The first review of banding should have regard to the requirements in the paragraph below on First review of bands.

12) Disputes: An appropriate process shall be established to manage any disputes in relation to consumers’ residual charges. Any process should be efficient and proportionate, using and, where necessary, build upon existing dispute processes in the relevant industry code as applicable. In developing the process, the network licensees must consider any data which may be needed to support this process and ensure the process has clear interfaces with such other processes as may be relevant”

- 4.75 The Working Group considered the response and supported interpretation two stating that any amendments to the banding should go through either the exceptional circumstances or disputes processes.

Question 12: Do you agree with the Working Group view that, subject to exceptional circumstances or a successful dispute, a site will be allocated to a charging band effective for the duration of each onshore electricity transmission price control period?

If not, please provide any supporting rationale.

Exceptional Circumstances Resulting in Re-Allocation to a Different Band within a Price Control Period

- 4.76 The TCR Direction states the DNOs should consider whether there should be mechanisms available for dealing with situations where there have been changes in use or ownership of a site. This should include an exceptions process to apply for reclassification of a site to another band in tightly defined circumstances, where substantial changes in usage occur, resulting in significant changes in the level of agreed capacity required (having regard to paragraph 3.59(3) of the TCR Decision).
- 4.77 This was discussed in depth by the Working Group. There was little debate that a change in voltage of connection would be a reason for re-allocation to a different band. Changes are infrequent and result in significant changes to a customers' connection and significant costs to modify their internal electrical systems and probably significant charges from the DNO. Such changes are very unlikely to be driven by an attempt to game residual charges.
- 4.78 For change of use, such changes are difficult to police and an approach similar to that envisage in DCP341/342¹⁴ for storage connections was considered appropriate requiring a director's letter confirming such change of use before any re-allocation could be considered. There was debate on defining an approach to define significant change. An initial proposal was to define a change significant if it resulted in customers moving two bands not one. This was deemed unfair by many Working Group members.

¹⁴ [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'](#)

- 4.79 It was noted that in most cases, using some initial analysis of the band boundaries based on the TCR impact assessment published alongside the TCR Decision, the upper band boundary was about double the lower band boundary and hence the policy intent was to include a wide range of customers in each charging band. It was therefore proposed that significance could be defined as whether the existing MIC/annual consumption either halved or doubled. This approach was widely acceptable by the Working Group and provided a significantly high hurdle to prevent customers proposing minor changes to avoid residual charges when they are close to the lower boundary threshold.

Question 13: Do you agree with the Working Group's proposals with regard to band reallocation?

Question 14: Do you agree with the Working Group's proposals for defining significant change?

Handling Disputes

- 4.80 There was general consensus that in any disputes process, the relevant distributor and the customer/ agent/ supplier should attempt to resolve the issue in the first instance. Consideration was then given to what should happen if agreement couldn't be reached. It was recognised that as this method of charging is new and the banding decision could have a significant financial impact, a large number of disputes could be possible. Whilst disputes could be referred to Ofgem for resolution it was suggested that the industry introduce an appeal process to reduce the number of potential disputes being referred to Ofgem. This is supported in the Ofgem decision document and with the relevant text highlighted on paragraph 4.74 above.
- 4.81 It was suggested that a Disputes Committee be formed and was widely supported within the Working Group. The make-up of the Disputes Committee would be from elected three distributors and two suppliers (plus alternates) with at least three (with at least one distributor and supplier) to be quorate. The appointment process would be based on the current Panel election process and occur at the same time (Autumn each year).

Question 15: Do you support the proposed make up and appointment process of the Disputes Committee.

- 4.82 Where a dispute could not be resolved between the customer/agent and the distributor a process would be followed which would obtain the information from both parties, share this information, seek any final consideration from each party and if required meet to determine the outcome. The Disputes Committee would meet as and when deemed appropriate to consider the evidence from both sides that then determine whether an appeal should be upheld or not. A simple majority decision being required.
- 4.83 One member noted that if a customer does go through dispute process and does change then there needs to be a process to notify NGESO of such a change so that they are made aware and can modify on their side things. It was recognised that this would equally apply to the exceptional circumstances process.

- 4.84 One member suggested that consideration should be given to how to deal with a potential issue relating to backdating of charges to suppliers (to the benefit of customers), seeing as there is a relevant law surrounding this area but that it may be that it is only applicable to DNOs/IDNOs and not the ESO. It was agreed that their Use of System Charges would be backdated to the time when the analysis shows they were first charged in the incorrect band, up to a maximum of six years (five years in Scotland).

Question 16: Do you support the process for handling disputes? Please provide your rationale especially if you do not support the process.

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 in November 2019 and the 'Detailed Plan' also known as the Joint ESO/DNO PID published in December 2019:

- 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 two other DCUSA CPs that have been raised to implement the TCR Decision:

- [DCP 359 'Ofgem Targeted Charging Review \(TCR\) implementation – customers: who should pay?'](#)
- [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 each Proposer as to which of the following DCUSA Objectives are better facilitated by DCP 358 and DCP 360 is set out in the CP form, provided within Attachment 2 and which are also detailed 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	DCP 358 & DCP 360 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)	DCP 358 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

DCP 358

- 6.3 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.
- 6.4 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.

DCP 360

- 6.5 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.

Question 17 – Do you consider that DCP 358 better facilitates the DCUSA Objectives?

If so, please detail which of the Objectives you believe are better facilitated and provide supporting reasons. If not, please provide supporting reasons

Question 18 – Do you consider that DCP 360 better facilitates the DCUSA Objectives?

If so, please detail which of the 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

- 7.1 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.
- 7.2 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

- 7.3 The Working Group does not consider that the solutions they have developed have any impact on nor is 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 358 / DCP 360 and industry code arrangements

- 7.4 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

- 7.5 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 358 and DCP 360 were to be implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

Question 19: Are you aware of any wider industry developments that may impact upon or be impacted by these CPs?

Engagement with the Authority

- 7.6 Ofgem has been fully engaged throughout the development of these CPs 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, these CPs seek to introduce processes that specify how the initial charging bands are to be set and the allocation of customers to those bands, the review of charging bands for future price control periods alongside a way for sites to be re-allocated to bands within a price control period and way for customers to be able to dispute the allocation of their site to a particular charging band. Given this, the Working Group agreed that subject to Authority approval of DCP 359 at the same time, or if one is approved earlier than the other, then implementation for both CPs will be 5 Working Days from the Authority approving the latter of the two.

Question 20: Are you supportive of the proposed implementation date being 5 Working Days following Authority approval?

9 Legal Text

- 9.1 The legal text for DCP 358 and DCP 360 is provided as Attachment 3. Paragraphs 1, 2 and 3 of the draft legal text and any applicable definitions covers the intent of DCP 358 and paragraphs 4, 5 and 6 of the draft legal text and any applicable definitions covers the intent of DCP 360.
- 9.2 These CPs, when combined with amended legal text associated with the other DCUSA CPs that were raised to implement the TCR Decision, will seek to create the necessary processes to:
- determine the applicable charging bands for each of the non-domestic distribution-connected customer groups to apply from 1 April 2022 to 31 March 2026;
 - review and determine the charging bands for subsequent onshore electricity transmission owner price control periods;
 - allocate relevant sites (and their customers) to one of those charging bands;
 - provide for exceptional circumstances resulting in reallocation of a customer's site to a different charging band within a price control period; and
 - provide for disputes, where customers or other relevant parties can challenge the charging band to which a customer's site has been allocated.

Question 21 – Do you have any comments on the draft legal text for DCP 358?

Question 22 – Do you have any comments on the draft legal text for DCP 360?

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 these CPs?
2	Are you supportive of the principles that support these CPs, which is to create a process to determine the Banding Boundaries & Allocation of customers to those bands as well as a process for disputes and interventions?
3	Are you aware of any other data sources DNOs should use for the purpose of setting band boundaries?
4	Where data is not available for a particular site, should the site be excluded for band setting or should estimated data be used, e.g. a default EAC be included to determine the band boundaries?
5	Do you agree that charging bands should be set on a GB wide basis and there is not sufficient justification to support introduction of regional banding?
6	Do you agree that band boundaries should be rounded up? If so, what level of rounding should be applied? (e.g. rounding up to the nearest integer or applying different tolerances to different voltage? If not, then please provide any supporting rationale and/or an alternative solution which you believe the Working Group should consider.
7	Do you agree that only MIC should be considered in setting band boundaries?
8	Do you support the Working Group proposals with regard to a Banding Agent?
9	Do you support the Working Group proposals with regard to the review of charging bands and the proposed timescales?
10	Do you agree with allocating a site based on a maximum of 24 months historical data, or do you support an alternative approach?
11	Where a site does has less than 24 months of data, do you think that data should always be averaged (Approach 1), or should an alternative approach be included (Approach 2), which may best estimate the demand for that site? If you support Approach 2, should this apply to MIC and/or annual consumption charging bands?
12	Do you agree with the Working Group view that, subject to exceptional circumstances or a successful dispute, a site will be allocated to a charging band effective for the duration of each onshore electricity transmission price control period? If not, please provide any supporting rationale.
13	Do you agree with the Working Group's proposals with regard to band reallocation?
14	Do you agree with the Working Group's proposals for defining significant change?

15	Do you support the proposed make up and appointment process of the Disputes Committee?
16	Do you support the process for handling disputes? Please provide your rationale especially if you do not support the process.
17	Do you consider that DCP 358 better facilitates the DCUSA Objectives? If so, please detail which of the Objectives you believe are better facilitated and provide supporting reasons. If not, please provide supporting reasons
18	Do you consider that DCP 360 better facilitates the DCUSA Objectives? If so, please detail which of the Objectives you believe are better facilitated and provide supporting reasons. If not, please provide supporting reasons
19	Are you aware of any wider industry developments that may impact upon or be impacted by these CPs?
20	Are you supportive of the proposed implementation date being 5 Working Days following Authority approval?
21	Do you have any comments on the draft legal text for DCP 358?
22	Do you have any comments on the draft legal text for DCP 360?

10.2 Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk **no later than, close of play on 17 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 358/360 Consultation Response Form
- Attachment 2 – DCP 358/360 Change Proposal Forms
- Attachment 3 – DCP 358/360 Draft Legal Text