

## Part A: Generic

DCUSA Change Proposal (DCP)		At what stage is this document in the process?
<h1>DCP 359:</h1> <h2>Ofgem Targeted Charging Review (TCR) implementation – customers: who should pay?</h2> <p><i>Date raised: 14 January 2020</i></p> <p><i>Proposer Name: Lee Wells</i></p> <p><i>Company Name: Northern Powergrid</i></p> <p><i>Company Category: DNO</i></p>		<p><b>01 – Change Proposal</b></p> <p>02 – Consultation</p> <p>03 – Change Report</p> <p>04 – Change Declaration</p>
<p><b>Purpose of Change Proposal:</b></p> <p>The intent of this Change Proposal (CP) is to implement certain areas of Ofgem’s TCR Decision; specifically relating to the identification of which ‘customers’ are eligible for a residual fixed charge. This CP seeks to address paragraphs 12-16, and paragraph 30, whilst having regard for paragraphs 34 and 36-39, of the TCR Direction.</p>		
	<p><b>Governance:</b></p> <p>The Proposer recommends that this Change Proposal should be:</p> <ul style="list-style-type: none"> <li>• Treated as a Part 1 Matter</li> <li>• Treated as an Urgent Change</li> <li>• Treated as an Authority Change</li> <li>• Proceed to the definition phase via a Working Group</li> </ul> <p>The Panel will consider the proposer’s recommendation and determine the appropriate route.</p>	
	 <p><b>Impacted Parties:</b> DNOs, IDNOs and Suppliers, generators and demand users</p>	
	<p><b>Impacted Clauses:</b> Section 1A paragraph 1.1, and Schedules 16-18</p>	

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

 **Any questions?**

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# 1 Summary

## What?

- 1.1. On 21 November 2019 the Authority published its Targeted Charging Review (TCR) Significant Code Review (SCR) Decision (the 'TCR Decision')<sup>1</sup>. 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')<sup>2</sup>.
- 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 Directions<sup>34</sup>. The detailed plan sets out the proposed delivery approach (section 4.5) which includes four DCUSA modification 'packages'; of which this CP is one.
- 1.3. Specifically, this CP will seek to develop an appropriate process to assess and identify Final Demand, or, where a practical and proportionate approach cannot be identified, robustly estimate Final Demand. Final Demand will be used to determine the residual charging bands, as described in the TCR Decision, and which customers are allocated to those bands. Further, a residual fixed charge will only be applied on a 'single site' basis and having regard for paragraphs 3.57(9) and 3.57(10) of the TCR Decision, this CP will seek to define an appropriate definition of a 'Single Site'.

## Why?

- 1.4. This CP has been raised to enable DNOs to satisfy specific requirements set out in the TCR Direction. Failure to develop these proposals and implement associated change by 1 April 2022 will result in failure to implement the TCR Decision.

## How?

- 1.5. As specified in the TCR Decision, this CP will define Final Demand within the DCUSA as "*electricity which is consumed other than for the purposes of generation or export onto the electricity network*". The detailed plan sets out a 'baseline solution' (section 4.4), which proposes that each Meter Point Administration Number (MPAN) shall be considered a 'Single Site' except where a DNO knows that the MPAN is an additional MPAN (for example an off-peak supply).
- 1.6. The baseline solution proposes that all metered import data shall be considered Final Demand unless demonstrated otherwise by the customer<sup>5</sup>, and only imports measured by MPANs which qualify for zero residual charges under DCP341/342<sup>6</sup>, albeit extended to cover all generators and not just storage, shall be considered not to be Final Demand. Therefore, standalone generators, including storage, would be exempt from residual charges; noting that there would be no requirement on the generator to hold a generation licence.

<sup>1</sup> [https://www.ofgem.gov.uk/system/files/docs/2019/11/tcr\\_final\\_decision.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/11/tcr_final_decision.pdf)

<sup>2</sup> [https://www.ofgem.gov.uk/system/files/docs/2019/11/dcusa\\_direction\\_1.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/11/dcusa_direction_1.pdf)

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

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

<sup>5</sup> There may be sites which comprise multiple MPANs. Where a site has multiple MPANs only a single fixed charge is levied; customers will need to demonstrate that all MPANs are part of a Single Site.

<sup>6</sup> DCUSA Change Proposal (DCP) 341 '*Removal of residual charging for storage facilities in the CDCM*' and DCP 342 '*Removal of residual charging for storage facilities in the EDCM*'

- 1.7. The detailed plan considers some alternatives (section 4.4.2), which the Working Group should consider, for example a Final Demand 'threshold' based on (e.g.) relative import v export capacity, and a definition of Single Site based on relative geographical location.
- 1.8. This CP will consider arrangements for: Licensed Distribution Network Operators (LDNOs); complex sites; and private networks.
- 1.9. This CP will also consider changes to systems and processes to implement the Proposal. In doing, so the DNOs must have regard to paragraph 3.58(4) of the TCR Decision.

## 2 Governance

### Justification for classification as a Part 1 Matter

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

### Requested Next Steps

- 2.2. This CP should:
  - Be treated as a Part 1 Matter
  - Be treated as an Urgent Change
  - Be Treated as an Authority Change
  - Proceed to a Working Group
- 2.3. As noted, this CP has been raised to satisfy specific requirements set out in the TCR Direction and must be progressed in sufficient time to enable this CP to be effective as of 1 April 2022.
- 2.4. This CP cannot be withdrawn without the Authority's consent to do so.
- 2.5. In accordance with Clause 11.9A, the Authority may also, by direction, specify and/or amend the relevant timetable to apply to each stage of the Assessment Process, and where it has determined the implementation date to be 1 April 2022.

## 3 Why Change?

- 3.1. As noted, this CP has been raised in response to specific requirements set out in the TCR Direction, namely which customers will be eligible for residual fixed charges.
- 3.2. Modifications to the DCUSA are required to implement the TCR Decision in order to address the issues associated with current residual charging arrangements; primarily that they provide an incentive to reduce exposure to residual charges which in turn increase costs for others, who may be less able or less willing to change behaviour.
- 3.3. Failure to develop these proposals and implement associated change by 1 April 2022 will result in failure to implement the TCR Decision, and in doing so result in DNOs being in breach of the distribution licence.

## Part B: Code Specific Details

### 4 Solution and Legal Text

#### Legal Text

- 4.1. Insert definition of Final Demand into Part 1 '*Definitions and Interpretation*' of Section 1 '*Governance and Change Control*', being:

*"Electricity which is consumed other than for the purposes of generation or export onto the electricity network"*

- 4.2. Insert definition of Single Site (to be determined by the Working Group) into Part 1 '*Definitions and Interpretation*' of Section 1 '*Governance and Change Control*'.
- 4.3. The legal text will be developed by the Working Group.

#### Text Commentary

- 4.4. This CP, when combined with amended legal text associated with the other modification 'packages' set out in the detailed plan, will seek to ensure that only customers who are eligible for residual fixed charges will receive a residual charge.
- 4.5. In isolation, this CP seeks only to define the necessary terms and processes which will be used to identify those customers, and which will be referred to in the amended legal text associated with the other modifications.

### 5 Code Specific Matters

#### Reference Documents

- 5.1. TCR Decision<sup>7</sup> and TCR Direction<sup>8</sup>.
- 5.2. The detailed plan<sup>9</sup>.
- 5.3. DCUSA CPs to implement the other three 'packages' as set out in the detailed plan.

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<sup>7</sup> See footnote 1

<sup>8</sup> See footnote 2

<sup>9</sup> See footnote 3

## 6 Relevant Objectives

DCUSA Charging Objectives	Identified impact
<input checked="" type="checkbox"/> 1 that compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence	Positive
<input checked="" type="checkbox"/> 2 that compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences)	Positive
<input type="checkbox"/> 3 that compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business	None
<input type="checkbox"/> 4 that, so far as is consistent with Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business	None
<input type="checkbox"/> 5 that compliance by each DNO Party with the Charging Methodologies facilitates compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None
<input type="checkbox"/> 6 that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	None

- 6.1. Charging Objective 1 will be better facilitated by ensuring DNOs are compliant with licence requirements in relation to SCRs, by implementing specific requirements set out in the TCR Direction.
- 6.2. Charging Objective 2 will be better facilitated by removing the existing distortion whereby storage only sites are eligible for use of system charges excluding the residual element, whereas other generators are not.

## 7 Impacts & Other Considerations

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

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

## Does this Change Proposal Impact Other Codes?

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

- 7.2. As noted, NGENSO has also been directed to raise modifications to the CUSC to implement the TCR Decision. A key requirement of the TCR Directions is to ensure consistency between the DCUSA and the CUSC in certain areas, and this CP falls into this category. Therefore, changes as a result of this CP need to be consistent across both codes.
- 7.3. As set out in the detailed plan, it is possible that changes associated with this CP will impact the Master Registration Agreement (MRA), to provide consistency and transparency as to which customers are eligible for residual fixed charges and which are not.
- 7.4. A change to the Balancing and Settlement Code (BSC) may also be required, primarily to facilitate provision of information to NGENSO.

## Consideration of Wider Industry Impacts

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

## Confidentiality

- 7.6. This CP is non-confidential.

## 8 Implementation

### Proposed Implementation Date

- 8.1. As noted, the Authority has decided that implementation will be 1 April 2022.

## 9 Recommendations

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