## DCP 361 Collated Consultation Responses with Working Group Comments

| Company | Confidential / Anonymous | Question 1- Do you understand the intent of DCP 361? | Working Group Comments |
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| E.ON/Npower | Non-confidential | Yes | Noted |
| Electricity North West Limited | Non-confidential | Yes. | Noted |
| Energy Assets Networks | Non-confidential | Yes. | Noted |
| ESP Electricity Ltd | Non-confidential | Yes. | Noted |
| Haven Power Ltd | Non-confidential | Yes. | Noted |
| Leep Electric Networks Ltd | Non-confidential | Yes. | Noted |
| Northern Powergrid | Non-confidential | Yes. | Noted |
| Opus Energy Ltd | Non-confidential | Yes. | Noted |
| OVO Energy | Non-confidential | We do not agree with the TCR decision, though we recognise this change is in line with it. We believe that the implementation of the TCR decision should align with the implementation of changes arising from the ongoing Access and Forward Looking Charges SCR. | For discussion. Not sure why they do not agree unless it is just the implementation date which is a different issue.<br>The Working Group noted this response and that it appears the respondent elaborates further in response to other questions and therefore the Working Group will review during their comments against later questions. |
| Scottish and Southern Electricity Networks | Non-confidential | Yes | Noted |
| SP Distribution / SP Manweb | Non-confidential | Yes SPEN understand the intent of DCP 361. | Noted |
| SSE Energy Supply Limited | Non-confidential | Yes, SSE Energy Supply Limited understands the intent of DCP 361. | Noted |
| The ADE | Non-confidential | Yes | Noted |

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| The Electricity Network Company Limited | Non-confidential | Yes | Noted |
| UK Power Networks | Non-confidential | Yes | Noted |
| WPD | Non-confidential | Yes | Noted |
| Anonymous | Anonymous | Yes. | Noted |

**Summary:**
The Working Group noted that sixteen of the seventeen respondents understood the intent of DCP 361 change, with the remaining respondent not stating that they didn't understand but that they disagreed with the TCR Decision in general and that the implementation date should be deferred twelve months to align with the Access and Forward Looking Charges SCR.

| Company | Confidential / Anonymous | Question 2- Are you supportive of the principles that support this CP, which are to address the elements required for the calculation of residual charges within the Charging Methodologies, to implement the TCR Decision? | Working Group Comments |
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| E.ON/Npower | Non-confidential | We are supportive of this CP in so far as it is required to meet the TCR direction. | Noted |
| Electricity North West Limited | Non-confidential | Yes, we are supportive of the principles. | Noted |
| Energy Assets Networks | Non-confidential | Yes | Noted |
| ESP Electricity Ltd | Non-confidential | Yes. | Noted |
| Haven Power Ltd | Non-confidential | Yes. We are supportive of the principles that support this CP but have concerns around the implementation timetable which are outlined in our response to Q13. | The Working Group noted the concern raised over the implementation date, which will be addressed when reviewing responses to Question 13. |
| Leep Electric Networks Ltd | Non-confidential | Yes. | Noted |
| Northern Powergrid | Non-confidential | Yes. | Noted |
| Opus Energy Ltd | Non-confidential | Yes. We are supportive of the principles that support this CP but we do have some concerns regarding the proposed implementation timetable as set out in our response to Q13. | The Working Group noted the concern raised over the implementation date, which will be addressed when reviewing responses to Question 13. |
| OVO Energy | Non-confidential | We believe that the implementation of the TCR decision should align with the implementation of changes arising from the ongoing Access and Forward Looking Charges SCR. | The Working Group noted the concern raised over the implementation date, |

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| | | We believe that the definition of a "residual charge" is still under review in this SCR and therefore the impact of this change will result in an arbitrary and unnecessary step change in costs until the SCR is implemented. In particular, we note the significant increase in costs to consumers in Northern Scotland and London will face as a result of these changes as indicated in the impact assessment performed for DCP361. | which will be addressed when reviewing responses to Question 13.<br><br>The Working Group discussed the respondents concern over significant increase to costs to consumers in Northern Scotland and London, noting that the residual pot is just being re-allocated but the same amount will be recovered therefore any change to the allocation of network costs to users is somewhat arbitrary. |
| Scottish and Southern Electricity Networks | Non-confidential | Yes | Noted |
| SP Distribution / SP Manweb | Non-confidential | Yes SPEN are supportive of the principles that support this CP. | Noted |
| SSE Energy Supply Limited | Non-confidential | Yes, SSE Energy Supply Limited is supportive of the principles that support this CP. | Noted |
| The ADE | Non-confidential | Yes | Noted |
| The Electricity Network Company Limited | Non-confidential | Yes | Noted |
| UK Power Networks | Non-confidential | Yes | Noted |
| WPD | Non-confidential | Yes | Noted |
| Anonymous | Anonymous | Yes | Noted |

**Summary:**

The Working Group noted that sixteen of the seventeen respondents were supportive of the principles of the change, with the one that wasn't supportive, citing that the implementation date should be deferred twelve months to align with the Access and Forward Looking Charges SCR due to the definition of "residual charge" being still under review in that SCR. In addition, two further respondents had concerns over the implementation date, which the Working Group agreed to discuss within their comments against responses to Question 13 covering this area.

There was also a concern raised by the same respondent over "the significant increase in costs to consumers in Northern Scotland and London", to which the Working Group noted that the residual pot is just being re-allocated but the same amount will be recovered therefore any change to the allocation of network costs to users is aligned with the solution to address the issues identified in the SCR. This re-allocation will therefore result in some consumers paying more and others less.

| Company | Confidential / Anonymous | Question 3- Are you comfortable with the approach to combine the residual fixed charge with the existing fixed charge? If not, then please provide your rationale. | Working Group Comments |
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| E.ON/Npower | Non-confidential | We are supportive of this approach, We do not feel it is necessary to change any element of the DUoS tariff structures as it would increase the costs to industry to implement this CP with little benefit to the end consumer. | Noted |
| Electricity North West Limited | Non-confidential | Yes, we are comfortable with this, and agree this is the best approach. | Noted |
| Energy Assets Networks | Non-confidential | Yes. The combination of the residual fixed charge with the existing fixed charge negates the potential system changes which could have been required should an additional charge have been proposed. | Noted |
| ESP Electricity Ltd | Non-confidential | We are comfortable with the approach to combine the residual charge with the existing fixed charge. This approach results in a single fixed charge and minimal changes to the legal text and charging models. However, we note that there are benefits in separating the fixed charges in terms of providing clarity on the proportion of the bill/charge/tariff that stems from residual charges which may be of interest to some parties for analysis purposes. | Noted<br><br>The Working Group discussed the respondent's comment that is highlighted and noted that this information will be evident within the CDCM model, but not for the EDCM model, given these are not published. The Working Group concluded that for EHV Connectees, they should be able to confirm the amount of residual charge applicable to their site but noting that it would be up to the DNOs to make such information available. Therefore, the Working Group agreed to include a recommendation within the Change Report that the DNOs utilise the LC14 statement to include charging bands and level of charge for each band such that EHV Connectees can determine which charge would be applicable to them, given they should have an understanding of their agreed capacity. |
| Haven Power Ltd | Non-confidential | We support the approach of combining the residual fixed charge with the existing fixed charge. Adopting this approach will mean significantly less changes to internal systems as the structure of DUoS tariffs will be unaltered, | Noted |

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| Leep Electric Networks Ltd | Non-confidential | Yes | Noted |
| Northern Powergrid | Non-confidential | Yes. We do not currently separate out the residual element of the unit rates, from which it is recovered. It will be no less transparent than the status quo. | Noted |
| Opus Energy Ltd | Non-confidential | Yes, we agree with the Working Group that the approach to combine the residual fixed charge with the existing fixed charge is the most suitable option, given that the industry is used to receiving a standard set of charges and that to deviate from this approach by adding a further change would result in a greater level of internal system changes. | Noted |
| OVO Energy | Non-confidential | Yes, as long the residual fixed charge is transparent and traceable through the models then this can be combined. | The Working Group noted that this response is similar to that of ESP Electricity Ltd's above, and therefore their comments against that response are applicable to this response. |
| Scottish and Southern Electricity Networks | Non-confidential | Yes – there's no defined, or perceived, benefit in splitting the Fixed Charge to show "Base" and "Residual" elements | Noted |
| SP Distribution / SP Manweb | Non-confidential | Yes SPEN are comfortable with the approach to combine the residual fixed charge with the existing fixed charge. | Noted |
| SSE Energy Supply Limited | Non-confidential | Yes. SSE Energy Supply Limited is comfortable with this approach. | Noted |
| The ADE | Non-confidential | Yes, the ADE is comfortable with this approach. | Noted |
| The Electricity Network Company Limited | Non-confidential | Yes. To separate out the residual fixed charge from the existing fixed charge may require industry parties to change systems to accommodate the tariff structure. It may also lead to changes in industry data flows (for example the D0242). There may also be further complications for flows, data and systems where the residual charge is negative. | Noted<br><br>The Working Group gave consideration to the highlighted text, during which the respondent clarified that this comment not about a specific issue with data flows (meaning negative value can be used) but that internal systems may have to be changed if hardcoded to only be a positive value |
| UK Power Networks | Non-confidential | Yes | Noted |
| WPD | Non-confidential | Yes | Noted |

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| Anonymous | Anonymous | Yes. The combination of the residual fixed charge with the existing fixed charge negates the potential system changes which could have been required should an additional charge have been proposed. | Noted |

**Summary:**
The Working Group noted that all seventeen respondents agreed with the Working Group's approach to combine the residual fixed charge with the existing fixed charge as weas set out within the consultation.

Some respondents cited the following reasons:

*"We do not feel it is necessary to change any element of the DUoS tariff structures as it would increase the costs to industry to implement this CP with little benefit to the end consumer."*

*"The combination of the residual fixed charge with the existing fixed charge negates the potential system changes which could have been required should an additional charge have been proposed"*

*"This approach results in a single fixed charge and minimal changes to the legal text and charging models";*

*"there's no defined, or perceived, benefit in splitting the Fixed Charge to show "Base" and "Residual" elements"*

Additional comments:

*"there are benefits in separating the fixed charges in terms of providing clarity on the proportion of the bill/charge/tariff that stems from residual charges which may be of interest to some parties for analysis purposes"; and*

*"as long the residual fixed charge is transparent and traceable through the models then this can be combined".*

**Working Group comments:**
The Working Group noted the residual element will be evident within the CDCM model, but not for the EDCM model, given the EDCMs are site specific and are not published. The Working Group concluded that for EHV Connectees, they should be able to confirm the amount of residual charge applicable to their site but noting that it would be up to the DNOs to make such information available. Therefore, the Working Group agreed to include a recommendation within the Change Report that the DNOs utilise the LC14 statement to include charging bands and level of charge for each band such that EHV Connectees can determine which charge would be applicable to them, given they should have an understanding of their agreed capacity.

| Company | Confidential / Anonymous | Question 4- Do you agree with the Working Groups approach of allocating costs to the existing tariff structure before revenue matching and then applying the relevant charging bands at the revenue matching step to create the all-the-way tariffs? If not, then please provide your rationale? | Working Group Comments |
|---|---|---|---|
| E.ON/Npower | Non-confidential | No comments. | Noted |
| Electricity North West Limited | Non-confidential | Yes, we support this approach. | Noted |
| Energy Assets Networks | Non-confidential | Yes, we agree with this approach | Noted |
| ESP Electricity Ltd | Non-confidential | We agree with the rationale behind the option selected for allocating costs to the tariff structures. | Noted |
| Haven Power Ltd | Non-confidential | Yes. We agree with the Working Groups approach of allocating costs to the existing tariff structure before revenue matching and then applying the relevant charging bands at the revenue matching step to create the all-the-way tariffs. This approach is the lightest-touch approach possible but still effective in achieving the required result. | Noted |
| Leep Electric Networks Ltd | Non-confidential | No view | Noted |
| Northern Powergrid | Non-confidential | Yes. A different solution would be overly complicated and inefficient. | Noted |
| Opus Energy Ltd | Non-confidential | Yes. We agree with the Working Group's approach of allocating costs to the existing tariff structure before revenue matching and then applying the relevant charging bands at the revenue matching step to create the all-the-way tariffs. We agree with the Working Group's conclusions that this approach is the lightest-touch approach possible but is still as effective as other options considered in achieving the required result. | Noted |
| OVO Energy | Non-confidential | Yes | Noted |
| Scottish and Southern Electricity Networks | Non-confidential | Yes – it seems to be an efficient and less complex solution to meet the requirements set out in the TCR Direction | Noted |
| SP Distribution / SP Manweb | Non-confidential | Yes SPEN agree with the Working Groups approach of allocating costs to the existing tariff structure as detailed in the consultation document. | Noted |
| SSE Energy Supply Limited | Non-confidential | Yes, SSE Energy Supply Limited agrees with the Working Group's approach. | Noted |
| The ADE | Non-confidential | Yes. | Noted |

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| The Electricity Network Company Limited | Non-confidential | Yes, this seems to apply the simplest solution which will reduce the scope for errors in the modelling and also reduce the complexity for parties analysing or assuring the models. | Noted |
| UK Power Networks | Non-confidential | Yes | Noted |
| WPD | Non-confidential | Yes | Noted |
| Anonymous | Anonymous | Yes. By allocating costs to the existing tariff structure before revenue matching, the need for much more complex modelling has been negated. This approach also reduces the changes required to existing legal text, which can only be beneficial considering the timescales for implementation. | Noted |

**Summary:**

The Working Group noted that fifteen out of seventeen agreed with the Working Groups approach of allocating costs to the existing tariff structure before revenue matching and then applying the relevant charging bands at the revenue matching step to create the all-the-way tariffs. The two remaining respondents indicated that they had either no comment or no view.

Some respondents cited the following reasons:

*"the lightest touch approach possible but still effective in achieving the required result";*

*"A different solution would be overly complicated and inefficient";*

*"it seems to be an efficient and less complex solution to meet the requirements set out in the TCR Direction";*

*"the simplest solution which will reduce the scope for errors in the modelling and also reduce the complexity for parties analysing or assuring the models";*

*"reduces the changes required to existing legal text, which can only be beneficial considering the timescales for implementation".*

**Working Group comments:**

The Working Group agreed to maintain the approach of allocating costs to the existing tariff structure before revenue matching and then applying the relevant charging bands at the revenue matching step to create the all-the-way tariffs as set out in the consultation.

| Company | Confidential / Anonymous | Question 5- Are you comfortable with the Working Groups approach of combining bands when a minimum number of Final Demand Sites would be in a particular band? If not, please provide your rationale. | Working Group Comments |
|---|---|---|---|
| E.ON/Npower | Non-confidential | We agree with workgroups assessment that if a banding has less than two sites in a band in a distribution region, then the bandings should be merged. However, we are concerned that the workgroup has not considered how to treat the uncoupling of merged bandings should other site connect within a charging year, as well as the reverse situation where sites disconnect. Whilst we assume that this would be addressed via the annual charging reviews networks carry out so would become visible when the annual tariff setting processes are completed and published, we do feel that this should considered and clarified through workgroups future considerations. | The Working Group gave consideration to the concern outlined in the highlighted text, noting that the status quo approach means that for new mid-year EHV connections would have their charges calculated based on the number of days they are connected in a charging year, but DNOs **do not** then recalculate all other EHV connectees at that point in time so there are no mid-year changes to charges. Any additional connectees would be picked up as part of the annual charge/tariff setting process, which will potentially result in the movement (or unpicking) of merged bands at that point in time. The Working Group agreed to review this area as part of any updates to the legal text, with the suggestion to include some text to the effect of *"this will be reviewed on an annual basis"* where it stipulates the merging of bands. |
| Electricity North West Limited | Non-confidential | Yes, we are comfortable with this approach if combining of bands is undertaken. | Noted |
| Energy Assets Networks | Non-confidential | Yes, we agree with the approach to combine bands where the number of customers is low. | Noted |
| ESP Electricity Ltd | Non-confidential | Yes, we support the combining of bands where only one Final Demand Site would be in a particular band as there is a risk that the site pays a materially high residual charge in the absence of this approach. | Noted |
| Haven Power Ltd | Non-confidential | Yes. We are comfortable with the Working Groups approach of combining bands when a minimum number of Final Demand Sites would be in a particular band. | Noted |
| Leep Electric Networks Ltd | Non-confidential | Yes. | Noted |

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| Northern Powergrid | Non-confidential | Yes. The TCR Direction makes it clear that we need to consider where there may be a low number of Final Demand Sites in a given charging band (potentially resulting in disproportionately high residual charges), and the only (obvious) alternative would be to introduce regional banding boundaries e.g. a Final Demand Site with 10MVA in one Distribution Services Area may be in one band, but if that Final Demand Site was in a different Distribution Services Area is may be in a different band.<br>The proposed approach helps to ensure that the charging bands will have consistent upper and lower boundaries for all residual distribution and transmission use of system charges. | Noted |
| Opus Energy Ltd | Non-confidential | Yes. We are comfortable with the Working Group's approach of combining bands when a minimum number of Final Demand Sites would be in a particular band. | Noted |
| OVO Energy | Non-confidential | - | Noted |
| Scottish and Southern Electricity Networks | Non-confidential | Yes | Noted |
| SP Distribution / SP Manweb | Non-confidential | Yes SPEN are comfortable with the Working Groups approach of combining bands when a minimum number of Final Demand Sites would be in a particular band. | Noted |
| SSE Energy Supply Limited | Non-confidential | Yes. SSE is comfortable with this approach. | Noted |
| The ADE | Non-confidential | Yes. | Noted |
| The Electricity Network Company Limited | Non-confidential | Yes | Noted |
| UK Power Networks | Non-confidential | Yes, this is a practical solution to the problem which could potentially occur for a very small number of customers who find themselves in a particular band either on their own or with one other. | Noted |
| WPD | Non-confidential | No. It means that a customer could be charged more than they would have by a significant amount. If a customer is in EHV band 3 and is on its own within the band it could be charged based on the EHV band 4 sites which could significantly increase its charge. Our suggestion is for the customer to be moved into a lesser band or for an EHV you could have 1 customer in its own band. As the EDCM models are not published this won't be giving away any customer specific data. | The Working Group discussed the suggestion put forward by this respondent, of having a single connectee in a band on their own. From which it was concluded that this may potentially be problematic if the residual element of charges are to be published as was discussed in response to questions above. |

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| | | | There was also a question mark over whether allowing a single customer within a band may mean that the customer could potentially be able to 'game' the charge.<br><br>It was noted that the reasoning for Ofgem's request that DNOs assess the materiality of any potential issues of having very low numbers of customers within some bands was stated as *"we recognise there may be a concern that applying segmentation at a GB level could give rise to issues under the SCR Decision Principles, such as commercial sensitivity or charging volatility."*. Therefore, the Working Group gave consideration to whether, either their proposed solution or the respondents suggestion would allay any concerns related to commercial sensitivity, and concluded that neither solution can fully address such a concern, as some areas may see the same customer with a number of sites, resulting in only one other identifiable customer within that band.<br><br>The Working Group also considered a suggestion for mixed approach (e.g. no less than two sites but at the discretion of DNOs as to whether there is a need to do differently). However, it was generally agreed that consistency should be prioritised, and such an approach could lead to individual DNOs taking different |

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| | | | approaches and therefore ruled out this approach.<br><br>The Working Group then considered whether either solution could address the potential concern related to 'charging volatility' and again concluded that neither solution their original solution or the suggestion by the respondent can address this concern. With the rationale being that the merging into a band above might result in increased costs for that connectee, but that whilst that connectee may see a decrease in their charges if merged with a lower band, it may result in an increase in the level of charge for connectees in the lower band, if there were only a limited number in that band in the first instance. |
| Anonymous | Anonymous | Yes. The working group have addressed the directive from the TCR Decision which states that alternative modification proposals could include 'combining bands when a minimum number of consumers would be in a particular band'. The proposed wording covers all scenarios including that the highest band, can be combined with lower bands so that no band would be left with one customer. | Noted |

**Summary:**

The Working Group noted that fifteen of seventeen respondents were comfortable with the Working Groups approach of combining bands when a minimum number of Final Demand Sites would be in a particular band. With respect to the remaining two respondents, one did not agree, and the other did not provide a response.

Those in favour cited the following reasons:

*"there is a risk that the site pays a materially high residual charge in the absence of this approach";*

*"The proposed approach helps to ensure that the charging bands will have consistent upper and lower boundaries for all residual distribution and transmission use of system charges".*

*"The working group have addressed the directive from the TCR Decision which states that alternative modification proposals could include 'combining bands when a minimum number of consumers would be in a particular band'".*

The one that didn't support the approach, suggested that EHV connectees could:

- remain in a band by themselves, as merging into a band above may increase costs for that connectee, however during the Working Group discussions, the respondent noted that their stance had changed and no longer believes this to be appropriate given that the level of charge for each band is likely to be published;
- move down a band rather than up a band, with the rationale being that the merging into a band above might result in increased costs for that connectee, however the Working Group agreed that whilst that connectee may see a decrease if merged with a lower band, it may result in an increase in the level of charge for connectees in the lower band, if there were only a limited number in that band in the first instance.

Other areas of concern:

- One respondent voiced a concern related to the whether the uncoupling of merged bandings (where a new site connects within a charging year), as well as the reverse situation where a site disconnects, had been properly considered by the Working Group and if it was expected to form part of the annual charge/tariff setting process.

The Working Group gave consideration to the concern, noting that the status quo approach means that for new mid-year EHV connections would have their charges calculated based on the number of days they are connected in a charging year, but DNOs do not then recalculate charges for all other EHV connectees at that point in time so there are no mid-year changes to charges. Any additional connectees would be picked up as part of the annual charge/tariff setting process, which will potentially result in the movement (or unpicking) of merged bands at that point in time. The Working Group agreed to review this area as part of any updates to the legal text, with the suggestion to include some text to the effect of "this will be reviewed on an annual basis" where it stipulates the merging of bands.

**Working Group comments:**
The Working Group agreed that to fully resolve the topic of merging bands, it would be necessary to review the responses to Question 6 which relates to the views of respondents on the specific minimum number of Final Demand Sites within a charging band that would result in the combining of bands and to then consider their final solution in the round.

| Company | Confidential / Anonymous | Question 6 What do you believe should be the specific minimum number of Final Demand Sites within a charging band that would result in the combining of bands process being applied? Please provide your rationale for whatever number you believe should be applied as a minimum. | Working Group Comments |
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| E.ON/Npower | Non-confidential | We agree with the workgroups view that less than two sites should be combined. | Noted |
| Electricity North West Limited | Non-confidential | It is our view that Ofgem's guidance on the combining of bands was principally intended to be only relevant to EHV connected customers. If the combining of bands is to be applied within this change, then two might be an acceptable minimum number. | During discussions during the review of responses to this question, some indicative bandings were reviewed by those involved in the process of obtaining/collating the |

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| | | Future impact analysis once future band boundaries are better understood could highlight the relevance of this and provide some insight to the optimal minimum number of final demand sites in a band. This might be best determined with reference to the statistical distribution of site characteristics (i.e. the variation of properties used in the calculation of residual charges). For example, clustering of small numbers of sites at extremes of a distribution (of volume or capacity) would indicate a larger number of sites than that might be required. Such analysis might be undertaken by using simple judgement, rather than the application of formal statistical techniques. However, we recognise the timing of the industry changes mean such analysis might not be possible. | data that it is not believed that there will be an issue as the indicative workings have shown that, at least at this stage, no DNO has any instances of single sites in a band, although it was noted that this is subject to change. Further to this, where there are instances of only two sites within a band, these are only seen in the top two bands at the EHV level, and then, only for a very limited number of DNO areas. |
| Energy Assets Networks | Non-confidential | We believe that the DNO should have some discretion to pick the minimum number of customers to make up the band. This allows the DNO the flexibility to identify and resolve distortions in an appropriate manner. | The Working Group considered the suggestion for an approach that would be at the discretion of each DNO. However, it was generally agreed that consistency should be prioritised, and such an approach could lead to individual DNOs taking different approaches and therefore ruled this out. |
| ESP Electricity Ltd | Non-confidential | We do not see any clear rationale for why the minimum number of Final Demand Sites within a charging band that would call for the combination of bands should be any different from that set out provisionally, i.e. less than two. It may be beneficial to get a clearer view of how many instances of this scenario may occur to form a clearer position. We note that this choice will always run the risk of disadvantaging customers who fall just outside the band combination threshold for their respective bands (as this would likely result in lower fixed charges for the customers who have moved to a combined band). | During discussions during the review of responses to this question, some indicative bandings were reviewed by those involved in the process of obtaining/collating the data that it is not believed that there will be an issue as the indicative workings have shown that, at least at this stage, no DNO has any instances of single sites in a band, although it was noted that this is subject to change. Further to this, where there are instances of only two sites within a band, these are only seen in the top two bands at the EHV level, and then, only for a very limited number of DNO areas. |
| Haven Power Ltd | Non-confidential | We agree with the provisional recommendation by the workgroup that the minimum number of customers (Final Demand Sites) within a band that would necessitate the application of the process should be set at 'less than two'. | Noted |
| Leep Electric Networks Ltd | Non-confidential | No view. | Noted |

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| Northern Powergrid | Non-confidential | Two Final Demand Sites is a sensible threshold. This is consistent with the impact assessment published along with the TCR Direction. It is also sufficient to prevent identifying the capacity and consumption of any given Final Demand Site. | Noted |
| Opus Energy Ltd | Non-confidential | We agree with the provisional recommendation by the workgroup that the minimum number of Final Demand Sites within a charging band that should result in the combining of bands process should be set at 'less than two'. | Noted |
| OVO Energy | Non-confidential | - | Noted |
| Scottish and Southern Electricity Networks | Non-confidential | Agree with the Working Group – "less than two". | Noted |
| SP Distribution / SP Manweb | Non-confidential | SPEN agrees with the Working Group that the specific minimum number of Final Demand Sites within a charging band that would result in the combining of bands process being applied, should be two. | Noted |
| SSE Energy Supply Limited | Non-confidential | SSE Energy Supply Limited does not currently have a view on the minimum number. | Noted |
| The ADE | Non-confidential | It is important that very small numbers of sites do not comprise a single band and therefore, pay very significantly towards the residual in their area compared to those in the band elsewhere. The ADE would provisionally support 'minimum' being defined slightly higher than only 1-2 to prevent this from happening.<br>This notwithstanding, the ADE considers that a stronger rationale needs to be set out by which this will be decided; else, the choice regarding the number of sites at which bands are combined seems relatively arbitrary. At its most simple, the intention here is to reduce excessive distortion between what a site pays in one band and what another pays in an adjacent band. The ADE would support the working group developing criteria to determine when bands should be combined that reflect this intention: for example, a % difference in the charge sites pay of two adjacent bands. | The Working Group discussed this response and noted that the arbitrary nature of the choice and the rationale for giving consideration to the topic in general is covered off by their comments made against WPDs response to Question 5. |
| The Electricity Network Company Limited | Non-confidential | No preference | Noted |
| UK Power Networks | Non-confidential | Understanding the materiality of such a decision is difficult due to the size of residual which is being recovered for a particular tariff and / or band, however the two or less proposal seems reasonable and would ensure that a small number of customer are not unfairly disadvantaged. | Noted |
| WPD | Non-confidential | 2 for the CDCM or 1 in the case of the EDCM. | It was noted that during the Working Group discussions, the respondent noted |

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| | | | that their stance had changed with respect to 1 for the EDCM and no longer believes this to be appropriate given that the level of charge for each band is likely to be published. |
| Anonymous | Anonymous | The minimum number of Final Demand Sites within a charging band should be set at 'less than two' for the reason stated in Question 5 – to avoid a band being left with only one customer. | Noted |

**Summary:**

The Working Group noted that a majority of respondents believe 'less than two' should be the specific minimum number of Final Demand Sites within a charging band that would result in the combining of bands process being applied. The split of responses to this question was as follows:

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| Less than 2 | Ten respondents support this approach |
| CDCM 2 and EDCM 1 | One respondent suggested this approach but as part of the discussions during the review of responses concluded that 1 for EDCM was no longer appropriate |
| Less than 2 via a set criterion | One respondent suggested this approach |
| DNO discretion | One respondent suggested this approach |
| No preference or view provided | Four respondents |

The Working Group noted some other comments, such as:

*"be best determined with reference to the statistical distribution of site characteristics";*

*"beneficial to get a clearer view of how many instances of this scenario may occur to form a clearer position"*

**Working Group decision:**

The Working Group agreed to maintain the specific minimum number of Final Demand Sites within a charging band that would otherwise require the combining of bands process to be applied at no less than two as indicatively set out in the consultation. In the main, this was due to it being the favoured number among respondents to the consultation but also because it is consistent with the approach used in the original impact assessment, published alongside the TCR Decision on 21 November 2019, calculated a residual fixed charge per charging band, and where the minimum number of Final Demand Sites in a given charging band was two. The Working Group considers that this, together with the broad range of MIC/annual consumption (as appropriate) within a given charging band, as presented in the Ofgem impact assessment, means that two Final Demand Sites represents a sufficient minimum threshold in any charging band to protect identification of those sites. For example, the Ofgem impact assessment highlights a difference of 355% and 91%, between the upper and lower boundary in EHV charging bands two and three respectively. Based on indicative analysis since publication of the TCR Decision, the Working Group believe the range for EHV bands one and four to be significantly higher. Therefore, two Final Demand Sites in the same charging band could be very different in reality.

| Company | Confidential / Anonymous | Question 7 - Are you comfortable with the Working Group's interpretation of the way in which the allocation of the residual revenue to charging bands is applied; being that residual revenue is allocated proportional to sites which are classed as Final Demand Sites only, based on the consumption in each band relative to the total consumption for all Final Demand Sites and not the consumption from all sites (i.e. including Non-Final Demand Sites) connected to any given voltage level? | Working Group Comments |
|---|---|---|---|
| E.ON/Npower | Non-confidential | We agree that the workgroups interpretation that the allocation of the residual revenue to charging bands for final demand sites meets the TCR direction. | Noted |
| Electricity North West Limited | Non-confidential | Yes, we are comfortable with this approach. | Noted |
| Energy Assets Networks | Non-confidential | Yes, we agree that the bands should be based upon an allocation of the residual between final demand sites only. | Noted |
| ESP Electricity Ltd | Non-confidential | Yes, we are comfortable with this interpretation as this will not lead to a margin of error in recovery of residual charges | Noted |
| Haven Power Ltd | Non-confidential | Yes. We are comfortable with the Working Group's interpretation of the way in which the allocation of the residual revenue to charging bands is applied; being that residual revenue is allocated proportional to sites which are classed as Final Demand Sites only, based on the consumption in each band relative to the total consumption for all Final Demand Sites and not the consumption from all sites (i.e. including Non-Final Demand Sites) connected to any given voltage level. | Noted |
| Leep Electric Networks Ltd | Non-confidential | Yes | Noted |
| Northern Powergrid | Non-confidential | Yes. It should be noted that the residual needs to be allocated to a charging band based on the consumption for all Final Demand Sites in that charging band, relative to the total consumption for all Final Demand Sites, including consumption for any related MPANs (secondary MPANs) plus consumption relating to unmetered supplies (which are not a class of Final Demand Site), and where all consumption relates to a 'site' that falls under the same charging methodology (e.g. CDCM consumption as a proportion of the relevant CDCM 'sites').<br>We believe the legal text achieves this requirement, but wish to make it clear in the context of the question asked and the relevant section of the consultation. | Noted |
| Opus Energy Ltd | Non-confidential | Yes. | Noted |
| OVO Energy | Non-confidential | We view this approach to be proportional. | Noted |

| | | | |
|---|---|---|---|
| Scottish and Southern Electricity Networks | Non-confidential | Yes | Noted |
| SP Distribution / SP Manweb | Non-confidential | Yes SPEN are comfortable with the Working Group's interpretation of the way in which the allocation of the residual revenue to charging bands is applied. | Noted |
| SSE Energy Supply Limited | Non-confidential | SSE Energy Supply Limited is comfortable with the interpretation of the way in which the allocation of the residual revenue to charging bands is applied. However, we are unclear on how any recalculations of site charges for future years would be done. For example, if there was a band with 5 sites and 2 closed, how would the charges be reallocated across the rest of the band, as it would seem unfair on the remaining sites in the band? Spreading the cost across all sites would seem to be fairer.<br>Also, from year to year and between price controls, the residual tariff will change every year, and so we would like clarity on how this would be dealt with. Would all sites be flexed by a percentage, or could different rules on rate changes apply in different network areas, with some networks allocating changes to specific bands. There may need to be a review of charges on an annual basis. | The Working Group noted that there were two specific questions within the comments made by this respondent which they should address. The first was a question on how charges for future years would be reallocated and/or recalculated across the rest of the band in the scenario where a band with 5 sites, has 2 sites that close, leaving 3 remaining. The Working Group explained that this scenario would potentially result in an under-recovery of revenue for that year and therefore be picked up via an under-recovery mechanism and by all customers for the calculation of charges for the following year.<br>With respect to the question of how annual changes to the amount of residual revenue that is to be recovered will be dealt with, the Working Group note that this is similar to the comments made by the Working Group in against the **E.ON/Npower response to Question 5** above, and therefore refer readers to those comments. |
| The ADE | Non-confidential | Yes. | Noted |
| The Electricity Network Company Limited | Non-confidential | Yes | Noted |
| UK Power Networks | Non-confidential | Yes, as this aligns to what we believed the Ofgem direction had been initially and also what they have subsequently confirmed to be the case. | Noted |
| WPD | Non-confidential | Yes | Noted |

| | | | |
|---|---|---|---|
| Anonymous | Anonymous | Yes. In order to recover 100% of the residual value, the allocation should not include the sites which should not pay a residual fixed charge, ie Final Demand Sites only. | Noted |

**Summary:**
The Working Group noted that all seventeen respondents to the consultation were comfortable with the Working Group's interpretation of the way in which the allocation of the residual revenue to charging bands is applied; being that residual revenue is allocated proportional to sites which are classed as Final Demand Sites (plus unmetered supplies) only, and under the same charging methodology, and based on the consumption in each band relative to the total consumption for all Final Demand Sites (plus unmetered supplies) under the same charging methodology, and not the consumption from all sites (i.e. including Non-Final Demand Sites) connected to any given voltage level. Some respondents included supporting rationale within their responses, such as:

*"this will not lead to a margin of error in recovery of residual charges"*

*"aligns with the Ofgem direction had been initially and also what they have subsequently confirmed to be the case"*

The Working Group agreed to continue with the solution as based on their original interpretation of the way in which the allocation of the residual revenue to charging bands is applied.

| Company | Confidential / Anonymous | Question 8- With respect to the two approaches to deal with any negative scaling within the CDCM that have been put forward by the Working Group, do you prefer Option 1 or Option 2 or do you have an alternative approach which you believe the Working Group should consider? Whichever option you select, please provide your rationale. | Working Group Comments |
|---|---|---|---|
| E.ON/Npower | Non-confidential | We believe that option 2 should be taken forward as it meets the TCR direction.<br><br>The direction set by Ofgem aims to ensure that all users of the network contribute their fair share to the upkeep of the network. Option 1 would result in some users effectively receiving a payment for being connected to the network on the basis of location and voltage level of connection. We feel that would encourage behaviour which would increase overall costs and is therefore not a suitable option. | The Working Group noted that this respondent had a preference for **Option 2** and that the respondent provided rationale for their preference as compared to Option 1. |
| Electricity North West Limited | Non-confidential | We prefer option 2. While we recognise that residual charges are not intended to be cost reflective, it is our view that negative fixed charges could provide perverse economic incentives that would result in economically inefficient use of the network (potentially in terms of decisions made to remain connected or energised, when an energised connection is no longer required). | The Working Group noted that this respondent had a preference for **Option 2** and that the respondent provided rationale for their preference as compared to Option 1. |
| Energy Assets Networks | Non-confidential | We believe that the fixed charge should be allowed to go negative (option 1). This ensures a consistent approach between DNOs and is consistent with the principles underlying the TCR. | The Working Group noted that this respondent had a preference for **Option 1** and that the respondent provided rationale for their preference |

| | | | |
|---|---|---|---|
| ESP Electricity Ltd | Non-confidential | With a lack of clear advantages or disadvantages of either option, we would support Option 2 on the basis that credits in charges/negative tariffs (under option 1) could potentially cause confusion as these are typically associated with generation. | The Working Group noted that this respondent had a preference for **Option 2** and that the respondent provided rationale for their preference as compared to Option 1. |
| Haven Power Ltd | Non-confidential | We prefer Option 2. Negative fixed charges are difficult to implement in some internal systems and as such we would want to avoid them. It should also be noted that a methodology which generates negative fixed Demand tariffs will very probably be revised as a consequence of the access and forward-looking charges work due for implementation in April 2023 and if flooring was not implemented in April 2022 then customers impacted would see significant tariff disturbance in both years which would be difficult to plan for and manage. | The Working Group noted that this respondent had a preference for **Option 2** and that the respondent provided rationale for their preference as compared to Option 1. |
| Leep Electric Networks Ltd | Non-confidential | Option 1: We see more users falling into the Non-Domestic aggregated and LV Site Specific, so consider that this Option affects fewer users. | The Working Group noted that this respondent had a preference for **Option 1**. |
| Northern Powergrid | Non-confidential | We prefer option 1, to allow negative fixed charges (total or residual element alone). This would appear to be consistent with the impact assessment published alongside the TCR Direction, and therefore we infer to be the Authority's intent.<br>If it was not the Authority's intent, regardless, we believe a solution that may require use of a non-fixed charge residual contradicts the policy intent of the TCR.<br>Alternative solutions are also significantly complex, in particular to ensure that a negative residual is returned proportionally to customers within each charging band, and to ensure that a cross-subsidisation distortion does not manifest. | The Working Group noted that this respondent had a preference for **Option 1** and that the respondent provided rationale for their preference as compared to Option 2. |
| Opus Energy Ltd | Non-confidential | Option 2 is our preferred approach. Negative fixed charges would be difficult to implement in some internal systems and as such we would wish to avoid them. It is likely also, that an approach which generates negative fixed Demand tariffs will need to be revised as a consequence of the access and forward-looking charges work due for implementation in April 2023 and if flooring was not implemented in April 2022 then customers impacted would see significant tariff disturbance in both years which would be difficult to plan for and manage. | The Working Group noted that this respondent had a preference for **Option 2** and that the respondent provided rationale for their preference as compared to Option 1. |
| OVO Energy | Non-confidential | We believe that Option 1 is preferable that any negative residual fixed charges will be allowed to flow through any remaining calculations and into the resultant charges. The flooring of negative demand residual introduces distortion and impacts the forward looking. It is also contrary to Ofgem's intention in the TCR decision (I,e, in the Impact Assessment modelling). | The Working Group noted that this respondent had a preference for **Option 1** and that the respondent provided rationale for their preference as compared to Option 2. |

| | | | |
|---|---|---|---|
| Scottish and Southern Electricity Networks | Non-confidential | Option 2 – avoids -ve DUoS charge | The Working Group noted that this respondent had a preference for **Option 2**. |
| SP Distribution / SP Manweb | Non-confidential | Option 2, apply negative residual fixed charges against the total fixed charges but floor at zero. | The Working Group noted that this respondent had a preference for **Option 2**. |
| SSE Energy Supply Limited | Non-confidential | SSE Energy Supply Limited has a preference for Option 1. This is because the Option 1 approach results in the correct mathematical result for charges, whereas Option 2 requires adjustment which may be open to discretion. However, future changes due to the Network Access Project and reform of locational charges could result in future costs for sites being very different from what they are today. They may result in charges that could be very different for customers in different bands, causing distortion based on locational differences.<br>How would this be managed within the residual if locational charges in a band become very expensive, would the residual drop for these sites. It is difficult to know the impacts of all of these changes until all changes are implemented and the tariffs themselves come out. | The Working Group noted that this respondent had a preference for **Option 1** and that the respondent provided rationale for their preference as compared to Option 2. |
| The ADE | Non-confidential | The ADE supports Option 2. | The Working Group noted that this respondent had a preference for **Option 2**. |
| The Electricity Network Company Limited | Non-confidential | We prefer option 2, that the charges are floored at zero and the balance recovered through the unit rates in the existing mechanism. We note that in paragraph 3.52 of the TCR decision document Ofgem state "As per today we would expect appropriate arrangements to prevent perverse incentives to hoard capacity or increase through negative charges". We think that it is possible that customers may be perversely incentivised to remain connected to the system if the residual charge is not floored and, therefore, hoard capacity. We note that this is unlikely to develop under the current charging as only a single DNO has negative charging and it is low enough as to not incentivise that action but this cannot be guaranteed into the future and so we believe that flooring the fixed charge is the preferable option. | The Working Group noted that this respondent had a preference for **Option 2** and that the respondent provided rationale for their preference as compared to Option 1. |
| UK Power Networks | Non-confidential | We believe that import charges (to represent the costs of a party on using the network) should not be negative, as such we have a preference for option 2, which retains a zero floor cap on all import elements of the charges, and applies any additional negative scaling to other parts of the customers charge (such as unit rates) and then other customers who have that tariff if further steps are necessary. | The Working Group noted that this respondent had a preference for **Option 2** and that the respondent provided rationale for their preference as compared to Option 1. |
| WPD | Non-confidential | Option 1 as it fit better with the decision. | The Working Group noted that this respondent had a preference for **Option 1**. |

| | | | |
|---|---|---|---|
| Anonymous | Anonymous | Option 1 would appear to be the more straightforward option in that any negative residual fixed charges would follow the same process, and flow through to the resultant charges. | The Working Group noted that this respondent had a preference for **Option 1** and that the respondent provided rationale for their preference. |

**Summary:**

With respect to the way in which any negative scaling is dealt with within the CDCM, the Working Group noted that **ten** respondents to the consultation had a preference for approach set out under Option 2 and seven had a preference for approach set out under Option 1. Some respondents included supporting rationale within their responses in support of Option 1, such as:

*"a consistent approach between DNOs and is consistent with the principles underlying the TCR";*

*"affects fewer users"*

*"the correct mathematical result for charges";*

*"the more straightforward option in that any negative residual fixed charges would follow the same process, and flow through to the resultant charges"*

For those that did not support Option 1, the Working Group noted the following comments:

*"some users effectively receiving a payment for being connected to the network on the basis of location and voltage level of connection"*

*"could provide perverse economic incentives that would result in economically inefficient use of the network"*

*"could potentially cause confusion as these are typically associated with generation"*

*"are difficult to implement in some internal systems and as such we would want to avoid them"*

*"if flooring was not implemented in April 2022 then customers impacted would see significant tariff disturbance in both years which would be difficult to plan for and manage"*

For those that supported Option 2, the following rationale was provided:

*"meets the TCR direction by ensuring that all users of the network contribute their fair share to the upkeep of the network";*

*"avoids -negative DUoS charge"*

For those that did not support Option 2, the Working Group noted the following comments:

*"flooring of negative demand residual introduces distortion and impacts the forward looking. It is also contrary to Ofgem's intention in the TCR decision"*

*"requires adjustment which may be open to discretion"*

**Working Group decision:**

The Working Group agreed to proceed with Option 2, noting that the arguments made on both sides were valid and therefore it was purely a matter of choice and as there was a small majority of respondents who favoured Option 2, the Working Group will abide by the majority.

| Company | Confidential / Anonymous | Question 9- Notwithstanding the two options with respect to the approach to negative residual revenues in the CDCM, do you agree with the Working Group's proposed solution for DCP 361? | Working Group Comments |
|---|---|---|---|
| E.ON/Npower | Non-confidential | We agree the workgroups proposed solution will meet the TCR direction. | Noted |
| Electricity North West Limited | Non-confidential | Yes | Noted |
| Energy Assets Networks | Non-confidential | Yes. | Noted |
| ESP Electricity Ltd | Non-confidential | Yes, we agree with the proposed solution for DCP 361. | Noted |
| Haven Power Ltd | Non-confidential | Yes. We agree with the Working Group's proposed solution for DCP 361. As mentioned in our response to Q8, we believe this is the most pragmatic approach which limits tariff disturbance to Customers. We have no alternative solution to put forward. | Noted |
| Leep Electric Networks Ltd | Non-confidential | Yes. | Noted |
| Northern Powergrid | Non-confidential | Yes. | Noted |
| Opus Energy Ltd | Non-confidential | Yes. We agree with the Working Group's proposed solution for DCP 361. As outlined in our response to Q8, we believe this to be a logical approach and one which should limit tariff disturbance to customers. | Noted |
| OVO Energy | Non-confidential | In line with our response to question 2, we believe this change should be aligned to the Access and Forward Looking SCR outcomes. | Noted |
| Scottish and Southern Electricity Networks | Non-confidential | Yes | Noted |
| SP Distribution / SP Manweb | Non-confidential | Yes, SPEN agree with the Working Group's proposed solution for DCP 361 | Noted |
| SSE Energy Supply Limited | Non-confidential | SSE Energy Supply Limited is supportive of the proposed solution. | Noted |
| The ADE | Non-confidential | Subject to comments above, yes. | Noted |
| The Electricity Network Company Limited | Non-confidential | Yes | Noted |

| | | | |
|---|---|---|---|
| UK Power Networks | Non-confidential | Yes, accepting that a decision still needs to be made on the two options detailed in Q8. | Noted |
| WPD | Non-confidential | Yes | Noted |
| Anonymous | Anonymous | Yes | Noted |

**Summary:**

The Working Group noted that sixteen of the seventeen respondents to the consultation agreed with the Working Group's proposed solution. The one that didn't, stated that the implementation date should be deferred twelve months to align with the Access and Forward-Looking Charges SCR due to the definition of "residual charge" being still under review in that SCR.

| Company | Confidential / Anonymous | Question 10- Do you have any comments on the proposed legal text for DCP 361? If so, then please provide examples or supporting rationale. | Working Group Comments |
|---|---|---|---|
| E.ON/Npower | Non-confidential | No comments | Noted |
| Electricity North West Limited | Non-confidential | None. | Noted |
| Energy Assets Networks | Non-confidential | We believe that the proposed change to paragraph 26.11 of Schedule 17 and 18 should be considered further. Under the current arrangements, the residual element of charges for a customer is split 80% into the capacity charge and 20% into the fixed charge. The original rationale for this was that 80% of the residual related to asset-based charges and should therefore be recovered through the capacity charge. Where an IDNO supplies an EHV customer, a 50% discount is applied to the 20% residual that is recovered through the fixed charge to allow the IDNO to recover their residual costs and the customer not to be disadvantaged.<br>The implementation of the TCR and the principles underlying it mean that 100% of the residual will be recovered as a fixed charge from the implementation date. However, the 50% IDNO discount is only provided on 20% of this fixed charge.<br>The TCR states that the residual is a balancing item that allows a network company to recover its allowed revenue once forward-looking charges have been levied. As the residual is not a cost reflective charge it would be more appropriate to provide the 50% IDNO discount to the whole of the fixed charge rather than just 20% of it. This will enable IDNOs to compete on a level playing field with DNOs, particularly where IDNOs are providing more than 20% of the network to a EHV customer. | The working group note that the modifications to this text have been made in such a way as to be cost neutral impact to IDNOs as was specified within the TCR decision document. If the respondent believes that this should now be changed as a result, then a further change will need to be raised to address it. |
| ESP Electricity Ltd | Non-confidential | No comments | Noted |
| Haven Power Ltd | Non-confidential | No. | Noted |

| | | | |
|---|---|---|---|
| Leep Electric Networks Ltd | Non-confidential | None. | Noted |
| Northern Powergrid | Non-confidential | Paragraph 92 of Schedule 16 references paragraph 2.4 of the new schedule – however this paragraph references paragraph 1.5 of that schedule, which also applies to Designated EHV Properties. We believe paragraph 92 of Schedule 16 would benefit from clarity that this is not the case, rather than by inference that Schedule 16 does not apply to Designated EHV Properties.<br>The above applies to paragraph 18 of Schedule 17 and Schedule 18, however where the reference would appear to include Designated Properties by default and not just Designated EHV Properties.<br><br>Paragraph 92C of Schedule 16 should be consistent with paragraph 92 of the same schedule, and where reference to proportioning the residual relative to the net consumption for all Final Demand Sites, it should also reference *"including the consumption of any Related MPANs where applicable"*. | The Working Group considered whether there would be any benefit from the amendments suggested by the respondent. It was noted that Schedule 16 Paragraph 1A states that this schedule is only applicable to Designated Properties, and the view of the Working Group was that this text should be sufficient, therefore, the Working Group sought confirmation from the respondent as to whether this new information changed their mind on the need for clarity. The respondent was comfortable that Paragraph 1A covers it off sufficiently.<br><br>The Working Group agreed to this suggestion and added the words *"including the consumption of any Related MPANs where applicable"*.<br>after the use of Final Demand Sites in paragraph 92C to align with Para 92. |
| Opus Energy Ltd | Non-confidential | No, not at this time. | Noted |
| OVO Energy | Non-confidential | No comments | Noted |
| Scottish and Southern Electricity Networks | Non-confidential | No | Noted |
| SP Distribution / SP Manweb | Non-confidential | No comments on the proposed legal text for DCP 361. | Noted |
| SSE Energy Supply Limited | Non-confidential | SSE Energy Supply Limited does not have any comments, but recognises that the final outcomes of DCPs 358, DCP 359 and DCP 360 may impact the DCP 361 legal text. | Noted |
| The ADE | Non-confidential | No. | Noted |
| The Electricity Network Company Limited | Non-confidential | None | Noted |

| | | | |
|---|---|---|---|
| UK Power Networks | Non-confidential | No we are comfortable with the proposed legal text. | Noted |
| WPD | Non-confidential | No | Noted |
| Anonymous | Anonymous | No | Noted |

**Summary:**

The Working Group noted that fifteen of the seventeen respondents to the consultation did not have any comments on the proposed legal text. Of the two respondents who did, the following areas were identified within those specific responses:

- That further consideration be given to the proposed change to paragraph 26.11 of Schedule 17 and 18 as the respondent was of the view that maintaining the 50 percent scaling down of the 20% share of residual revenue that is applied as a fixed adder should be amended such that the now 100% share of residual revenue that is applied as a fixed adder should be scaled down by 50%.
- Paragraph 92 of Schedule 16 references paragraph 2.4 of the new schedule – however this paragraph references paragraph 1.5 of that schedule, which also applies to Designated EHV Properties. We believe paragraph 92 of Schedule 16 would benefit from clarity that this is not the case, rather than by inference that Schedule 16 does not apply to Designated EHV Properties.
- Paragraph 92C of Schedule 16 should be consistent with paragraph 92 of the same schedule, and where reference to proportioning the residual relative to the net consumption for all Final Demand Sites, it should also reference "including the consumption of any Related MPANs where applicable".

**Working Group comments:**

The Working Group discussed each of the items raised by the two respondents. It was agreed to only move forward with the suggestion to add the words "including the consumption of any Related MPANs where applicable" after the use of Final Demand Sites in paragraph 92C to align with paragraph 92.

On the first point, the Working Group stated that the modification to this text have been made in such a way as to have a cost neutral impact to IDNOs as was specified within the TCR decision document. If the respondent believes that this should now be changed then a further change proposal will need to be raised to address it.

On the second point, Schedule 16 Paragraph 1A states that this schedule is only applicable to Designated Properties, and the view of the Working Group was that this text should be sufficient. The Working Group sought confirmation from the respondent as to whether this new information changed their mind on the need for clarity. The respondent was comfortable that Paragraph 1A covers it off sufficiently.

The Working Group noted that their final draft of the legal text has taken account of the responses to this specific question alongside other suggestions made in response to other consultation questions when they finalised the legal text. The Working Groups final conclusions on the legal text can be found in section 10 of the Change Report.

| Company | Confidential / Anonymous | Question 11- Which of the DCUSA Charging Objectives does DCP 361 better facilitate? Please provide supporting comments. | Working Group Comments |
|---|---|---|---|
| E.ON/Npower | Non-confidential | We agree that charging objective 1 is better facilitated, objective 2 may be better facilitated subject to clarification in our response to Q5. | Noted |
| Electricity North West Limited | Non-confidential | We are broadly in agreement with the view of the workgroup regarding the facilitation of the charging objectives:<br>DCUSA Charging Objective One is better facilitated by ensuring DNOs are compliant with licence requirements in relation to SCRs, by implementing specific requirements set out in the TCR Direction.<br>DCUSA Charging Objective Two is 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. | Noted |
| Energy Assets Networks | Non-confidential | We believe that this modification better meets charging objectives 1 and 2. | Noted |
| ESP Electricity Ltd | Non-confidential | We agree that DCP 361 better facilitates DCUSA Charging Objectives 1 and 2 by removing distortions in the electricity distribution market for demand and generation customers as prompted by the TCR. | Noted |
| Haven Power Ltd | Non-confidential | DCUSA Charging Objective One is better facilitated by ensuring DNOs are compliant with licence requirements in relation to SCRs, by implementing specific requirements set out in the TCR Direction.<br>DCUSA Charging Objective Two is 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. | Noted |
| Leep Electric Networks Ltd | Non-confidential | Objective 1: Helps ensure parties are compliant with licence conditions following TCR; Objective 1: Ensuring network costs are recovered fairly from users. | Noted |
| Northern Powergrid | Non-confidential | We agree with the proposer that DCUSA Charging Objectives one and two are better facilitated, and for the reasons specified by the proposer. | Noted |
| Opus Energy Ltd | Non-confidential | DCUSA Charging Objective One is better facilitated by ensuring each DNO Party is compliant with licence requirements in relation to SCRs, by implementing specific requirements set out in the TCR Direction.<br>DCUSA Charging Objective Two is 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. | Noted |
| OVO Energy | Non-confidential | - | Noted |

| | | | |
|---|---|---|---|
| Scottish and Southern Electricity Networks | Non-confidential | Agree with the Working Group – 1 & 2. Objective 1 as it appears to meet the requirements of the TCR Direction; 2, as DCP361 introduces the equitable distribution of residual charges applied consistently across the customer groups. | Noted |
| SP Distribution / SP Manweb | Non-confidential | DCUSA Charging Objectives one (ensure DNOs are compliant with licence requirements in relation to the SCR and two (ensure network costs are recovered fairly and to reduce harmful distortions) are better facilitated | Noted |
| SSE Energy Supply Limited | Non-confidential | SSE Energy Supply Ltd agrees with the proposer that DCP 361 better facilitates DCUSA Charging Objectives 1 and 2. | Noted |
| The ADE | Non-confidential | 1: Facilitating the discharge by the DNO Party of its obligations<br><br>6: Compliance with the Charging Methodologies promotes efficiency in its own implementation and administration. | Noted |
| The Electricity Network Company Limited | Non-confidential | We believe that this change proposal better facilitates the first and second DCUSA charging objective. | Noted |
| UK Power Networks | Non-confidential | We are aligned to the working groups view that DCUSA Charging Objective One is better facilitated by ensuring DNOs are compliant with licence requirements in relation to SCRs, by implementing specific requirements set out in the TCR Direction.<br>DCUSA Charging Objective Two is also 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. We do not believe that any of the other DCUSA Charging Objectives are impacted as a result of this change. | Noted |
| WPD | Non-confidential | Charging objective 1 as the DNOs are fulfilling objectives place on them by OFGEM | Noted |
| Anonymous | Anonymous | DCUSA Objective 1 – DCP361 requires implementation to follow the directive set out in the TCR Decision, thereby ensuring compliance of obligations of our Distribution licence.<br>DCUSA Objective 2 – DCP361 implementation is required to implement the TCR decision to address issues associated with current residual charging arrangements. The proposed changes will be appropriate to ensure costs are recovered fairly from network users, thereby preventing the restriction, distortion or prevention of competition of the electricity industry. | Noted |
| | | | |

**Working Group Summary:**

The Working Group noted that all of the respondents who submitted a response to this question agreed that the DCUSA Charging Objectives would be better facilitated by the implementation of DCP 361.

It was also noted that thirteen of the seventeen respondents also highlighted that they believed that DCUSA Charging Objectives 1 and 2 would be better facilitated and therefore, they agreed with the Proposer of the CP. Among the four other respondents, it was noted that one stated that they believed that Charging Objective 1 and 6 are both better facilitated by DCP 361 and two believed that only Charging Objective 1 is better facilitated by DCP 361 and there was one respondent that did not provide a response to the question.

At a high level, the following table sets out whether each respondent considered that the proposal better facilitates the DCUSA Charging Objectives and which they believed to be in scope.

| Respondent | Charging Objective 1 | Charging Objective 2 | Charging Objective 6 |
|---|---|---|---|
| **1.** | Positive | Maybe | |
| 2. | Positive | Positive | |
| 3. | Positive | Positive | |
| 4. | Positive | Positive | |
| 5. | Positive | Positive | |
| 6. | Positive | - | |
| 7. | Positive | Positive | |
| 8. | Positive | Positive | |
| **9.** | No answer | No answer | |
| 10. | Positive | Positive | |
| **11.** | Positive | Positive | |
| 12. | Positive | Positive | |
| 13. | Positive | - | Positive |
| 14. | Positive | Positive | |
| 15. | Positive | Positive | |
| 16. | Positive | | |
| 17. | Positive | Positive | |

The Working Group noted that with respect to the support for DCP 361 better facilitating DCUSA Charging Objective 1, respondents generally stated that this is because it ensures that DNOs are compliant with licence requirements in relation to SCRs, by implementing specific requirements set out in the TCR Direction.

For those that provided rationale for their support for DCP 361 better facilitating DCUSA Charging Objective 2, respondents generally stated that this is because it ensures network costs are recovered fairly from network users and in doing so it reduces harmful distortions which may impact competition and efficiency of the electricity market as well as providing for a more equitable distribution of residual charges which are applied consistently across the customer groups.

| Company | Confidential / Anonymous | Question 12- Are you aware of any wider industry developments that may impact upon or be impacted by DCP 361? | Working Group Comments |
|---|---|---|---|
| E.ON/Npower | Non-confidential | No | Noted |
| Electricity North West Limited | Non-confidential | We believe the working group have given due consideration to all relevant industry developments in the production of their proposals. | Noted |
| Energy Assets Networks | Non-confidential | No. | Noted |
| ESP Electricity Ltd | Non-confidential | We are not aware of any wider industry developments that have not already been accounted for by the working group. | Noted |
| Haven Power Ltd | Non-confidential | We are not aware of any wider industry developments that may impact upon or be impacted by DCP 361. | Noted |
| Leep Electric Networks Ltd | Non-confidential | None | Noted |
| Northern Powergrid | Non-confidential | No. | Noted |
| Opus Energy Ltd | Non-confidential | No. | Noted |
| OVO Energy | Non-confidential | We note that the Access and Forward Looking Charges SCR is still ongoing and believe that the changes here should be aligned to the outcome from that SCR. We note the ongoing impacts of the covid-19 pandemic. We are concerned that as a result of this recent and temporary decreased consumption in the I&C sector and increased consumption by domestic customers, domestic consumers will face an unfairly increased share of residual costs that is driven by a short term distortion to the market but could pervade for a period of years until the bands are reviewed. We also note the use of covid-impacted demand data could drive significant volumes of disputes among non-domestic users, which could increase costs and decrease service quality for all system users. | Noted |
| Scottish and Southern Electricity Networks | Non-confidential | No | Noted |
| SP Distribution / SP Manweb | Non-confidential | SPEN are not aware of any wider industry developments that may impact upon or be impacted by DCP 361. | Noted |
| SSE Energy Supply Limited | Non-confidential | SSE Energy Supply Ltd believes that the changes implemented by DCP 361 may be impacted by any changes to charges as a result of modifications which affect forward-looking charges (including CMP 271, CMP 274 and CMP276), and also | Noted |

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| | | by the Electricity Network Access Project. We also recognise that there is an interdependence with the other DCUSA and CUSC TCR modifications. | |
| The ADE | Non-confidential | Subject to the comments above, yes | Noted |
| The Electricity Network Company Limited | Non-confidential | None | Noted |
| UK Power Networks | Non-confidential | Yes. The other TCR changes, which need to be considered as a package along with DCP361, and the wider discussions under the Forward Looking Charges SCR, which could have a significant impact on how all charges look in future. | Noted |
| WPD | Non-confidential | The SCR will impact on the TCR but the extent of this is unknown. | Noted |
| Anonymous | Anonymous | No. | Noted |

**Summary:**

The Working Group noted that twelve of the seventeen respondents were not aware of any wider industry developments that should be considered by the Working Group.

The remaining five who did provide additional comments, draw upon three separate areas, being:

*"the Access and Forward Looking Charges SCR is still ongoing and believe that the changes here should be aligned to the outcome from that SCR";*

*"the use of covid-impacted demand data could drive significant volumes of disputes among non-domestic users, which could increase costs and decrease service quality for all system users"*

*"The other TCR changes, which need to be considered as a package along with DCP361"*

**Working Group Comments:**

The Working Group stated that they will pick up the points raised due to either or both COVID-19 and/or the Access and Forward-looking charging review SCR in their comments made against responses to Question 13.

With respect to the comment related to the entire package of DCUSA Change Proposals needing to be considered together, the Working Group agree with the respondent and will continue to highlight this point within the final Change Report.

| Company | Confidential / Anonymous | Question 13- The proposed implementation date for DCP 361 is 01 April 2022. Do you agree with the proposed implementation date? If not, the please provide your rationale. | Working Group Comments |
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| E.ON/Npower | Non-confidential | We do not agree with the proposed implementation date since DNOs will be unable to provide 15 months' notice of the new charges. The implementation date needs to provide sufficient time for DNOs to publish tariffs at end Dec 2020; | The Working Group note that the intention is for the DNOs to be publishing tariffs by December 2020 and as such believe the 15 months' notice of the new charges is catered for. |
| Electricity North West Limited | Non-confidential | Yes. | Noted |
| Energy Assets Networks | Non-confidential | Yes | Noted |
| ESP Electricity Ltd | Non-confidential | We agree with this date as the implementation of the TCR reforms. | Noted |
| Haven Power Ltd | Non-confidential | We do not agree with the proposed implementation date of April 2022. Whilst this CP delivers the intent of the TCR it is nonetheless a very challenging time. COVID-19 is causing enormous disruption to businesses and households with many livelihoods at risk. We strongly believe it would be appropriate to delay the implementation of the TCR and this modification to April 2023 to help customers avoid the additional burden of significant tariff disturbance which will result from these changes. We also consider it important that if any delay is granted, we still maintain the current notice period for Network Charges. Maintaining this notice period will avoid the need for Suppliers to price additional risk premia into their contracts. We believe the benefit of a delay to April 2023 (as outlined above) and subsequent alignment to the implementation of the access and forward charging work is far higher to the Suppliers and Customers than implementing these changes in April 2022. | The Working Group note that they have sympathy with the points raised, but believe that it is ultimately with Ofgem to decide whether there should be a delay to the implementation of this and the other CPs raised to implement the TCR Decision due to either or both COVID-19 and/or the Access and Forward-looking charging review SCR |
| Leep Electric Networks Ltd | Non-confidential | Yes. | Noted |
| Northern Powergrid | Non-confidential | Yes. | Noted |
| Opus Energy Ltd | Non-confidential | No. Although this change proposal delivers the intent of Ofgem's TCR Decision, it is nonetheless an exceptionally challenging time. The coronavirus pandemic has created significant disruption to businesses and households with many livelihoods at risk. We strongly believe it would be appropriate to delay implementation of the TCR to April 2023 in order to help customers avoid the additional burden of significant tariff disturbance which will result from TCR | The Working Group note that they have sympathy with the points raised, but believe that it is ultimately with Ofgem to decide whether there should be a delay to the implementation of this and the other |

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| | | changes and that the benefit of such a delay and subsequent alignment to the implementation of access and forward looking charging work is far higher to customers and suppliers than implementing these changes in April 2022. We also believe it important that if any delay is granted, that the current notice period for Network Charges is maintained in order to avoid the need for Suppliers to price additional risk premia into their contracts. | CPs raised to implement the TCR Decision due to either or both COVID-19 and/or the Access and Forward-looking charging review SCR |
| OVO Energy | Non-confidential | No, we believe that the implementation of the TCR decision and therefore associated changes should align with the implementation of changes arising from the ongoing Access and Forward Looking Charges SCR. | The Working Group note that they have sympathy with the point raised, but believe that it is ultimately with Ofgem to decide whether there should be a delay to the implementation of this and the other CPs raised to implement the TCR Decision to align them with the expected implementation date for the Access and Forward-looking charging review SCR. |
| Scottish and Southern Electricity Networks | | Yes | Noted |
| SP Distribution / SP Manweb | Non-confidential | Yes SPEN agree with the proposed implementation date. | Noted |
| SSE Energy Supply Limited | Non-confidential | SSE Energy Supply Limited does not agree with this implementation date for DCP 361. We believe that the implementation date should be delayed until 01 April 2023 partly for the reasons outlined above in our response to Q12, as a delay will allow all aspects of network charging to be developed fully and so allow them to be implemented as a complete package.<br>The Covid-19 outbreak has caused a lot of issues for the implementation of the TCR changes, and it has also caused a delay to other energy industry programmes, including the Ofgem Switching Programme. Whilst this project has yet to be formally re-planned, it has been delayed for at least 6 months, which would push it into early 2022. It is generally recognised that Q1 is not a good time to implement a major project due to the amount of work that has to be done over the Festive period and also the risks associated with implementing major system changes at a time of high energy demand.<br>Xoserve have publicly stated that they are currently working to an implementation date of 01 April 2022 for the Ofgem Switching Programme. It would not be in the industry's interests to have 2 major projects going live at | The Working Group note that they have sympathy with the points raised, but believe that it is ultimately with Ofgem to decide whether there should be a delay to the implementation of this and the other CPs raised to implement the TCR Decision due to either or both COVID-19 and/or the Access and Forward-looking charging review SCR. However, given the other items also raised by the respondent, the Working Group agreed to include the highlighted items from this response as a point for consideration by the Authority to ensure awareness of the many ongoing |

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| | | the same time and, therefore, to avoid any potential issues that this situation could cause a more appropriate implementation date for the TCR modification would be 01 April 2023, by which time the Ofgem Switching Programme would have been implemented and, hopefully, any post implementation issues would have been resolved by the industry. | and interacting workstreams or SCRs such as the Switching Programme / AFLC / Retail Code Consolidation / MHHS. |
| The ADE | | Yes. | Noted |
| The Electricity Network Company Limited | Non-confidential | Yes, this aligns with the direction from the Ofgem TCR decision document. | Noted |
| UK Power Networks | Non-confidential | Yes we do support the proposed implementation date, however we would like to highlight that due to the impact of the Covid-19 pandemic on consumption data, that the appropriateness of the data extract for 2022/23 charges may be detrimental to some customer groups. As such we believe it may be beneficial to use an alternative window for determining the banding. | The Working Group note that window from which data will be used to determine the banding was directly related to DCPs 358 and 360, which are already with Ofgem for their decision. |
| WPD | Non-confidential | The decision to place an obligation on DNOs to implement the TCR was made prior to the situation Covid 19 pandemic. The sales the DNOs customers were observing prior to the lockdown, during the lockdown and following could be very different. Therefore it is recommended the implementation of the TCR be delayed until sales following the pandemic have stabilised. | The Working Group note that window from which data will be used to determine the banding was directly related to DCPs 358 and 360, which are already with Ofgem for their decision. |
| Anonymous | Anonymous | Yes – dependent on Authority approval of DCPs 358 – 360. | Noted |

**Summary:**

The Working Group noted that eleven of the seventeen respondents agree that the implementation date for DCP 361 should be 01 April 2022, subject to Authority approval of DCP 358, DCP 359 and DCP 360.

However, those respondents that did not cited a number of reasons, including the need to delay until 2023; due to the issues faced by industry with respect to the ongoing COVID-19 pandemic; to align with the expected implementation of the Access and Forward-Looking Charging SCR; as well as to allow enough time for Suppliers to properly factor in the updated charges to their contracts with consumers. The following extracts provide a representative sample of responses that did not agree with the proposed implementation date:

*"DNOs will be unable to provide 15 months' notice of the new charges. The implementation date needs to provide sufficient time for DNOs to publish tariffs at end Dec 2020";*

*"COVID-19 is causing enormous disruption to businesses and households with many livelihoods at risk. We strongly believe it would be appropriate to delay the implementation of the TCR and this modification to April 2023 to help customers avoid the additional burden of significant tariff disturbance which will result from these changes."*

*"We believe the benefit of a delay to April 2023 (as outlined above) and subsequent alignment to the implementation of the access and forward charging work is far higher (benefit) to the Suppliers and Customers than implementing these changes in April 2022"*

*"It is recommended the implementation of the TCR be delayed until sales following the pandemic have stabilised."*

**Working Group comments:**

The Working Group stated that they had sympathy with the points raised, but believe that it is ultimately with Ofgem to decide whether there should be a delay to the implementation of this and the other CPs raised to implement the TCR Decision due to either or both COVID-19 and/or the Access and Forward-looking charging review SCR. However, given the other areas also raised by a respondent (such as delays to another SCR on switching which may result in two significant changes going live at the same time), the Working Group agreed to include such areas raised by respondents within the Change Report as a general point for consideration by the Authority to ensure awareness of the many ongoing and interacting workstreams/SCRs such as the Switching Programme / Access and Forward Looking Charges / Retail Code Consolidation / Market-wide Half-Hourly Settlements.

**ICoSS response to CMP 335 & 336**

The Industrial and Commercial Shippers and Suppliers (ICoSS) group is the trade body representing non-domestic industrial and commercial (I&C) suppliers in the GB energy market. Our members collectively supply three-quarters of the gas needs of the non-domestic sector as well as half of the electricity provided by non-domestic independent suppliers.

We are writing, as part of the consultation process on CMP 335 & CMP 336, to set out our views regarding the timing and delivery of the proposed changes to the distribution and transmission charging frameworks.

Since the commencement of the Targeted Charging Review, the market has seen substantial demand destruction from the effects of the COVID-19 pandemic, distorting consumption patterns over the last 3 months. We anticipate that some of these distortions will be permanent, but at this stage the final scale and nature of changed demand patterns in the GB market are impossible to accurately determine. As a result, we have little confidence that the accurate charging bands can be calculated using recent information. Attempts to do so now will result in higher levels of customer disputes and requests for re-banding than otherwise would be the case. Consideration should be given to allowing customers to directly challenge bandings directly with the networks, rather than suppliers (who would be simply notified), as this will improve the speed and efficiency of any appeal. Even if this were to occur however, time needs to be given to allow industry to adjust and for stable working conditions to re-establish.

In addition, supplier preparations for the new regime have been impacted by the COVID-19 pandemic. We welcomed the previous decision to align the transmission and distribution banding changes from 2021 to 2022 to give the industry more time to adjust. Since that decision the impact of the COVID-19 pandemic has become more apparent. As Ofgem has recognised suppliers are currently unable to provide full support to their customers; this situation will continue for some time and suppliers are ill-prepared to prepare for these changes at this time; this problem is exacerbated by the current uncertainty in the final form of the methodology and the charges it will create prevent suppliers from progressing. It would be appropriate to give suppliers and customers more time to prepare for these changes, so increasing cost certainty and reducing risk.

It is our view therefore that the delivery date of 2022 for these changes needs to be re-examined with at least an additional 12 months given to the industry to adequately prepare. As a minimum therefore the TCR changes should not come into effect until April 2023.

Yours sincerely

Chair of the ICoSS Group