

# DCP 328 Residual Charging Review

## Extract from Ofgem DCP 359 Decision and DCP 359 Change Declaration

---

### Extract from DCP359 Ofgem decision document

“Under DCP359, customers connected to complex sites and private wires that currently receive a residual charge will continue to do so. DCP328 focuses on private networks; if the proposed solution for DCP328 does not apply to complex sites (that are not part of private networks), we would expect a party to propose a modification to address residual charging for such complex sites. For the avoidance of doubt, nothing in this letter in any way fetters our discretion with respect to DCP328.”

### Extract from DCP359 change declaration

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

- 4.57 The ‘standard’ scenario where a residual charge is currently levied is: (i) a site connected directly to a distributor via a single connection; (ii) with Metering Systems dedicated to that site only; (iii) that site is registered with a single electricity Supplier; and (iv) where a fixed charge is levied, a single charge is applied to that site regardless of the number of MPANs identified on the Bespoke Connection Agreement between the owner of that site and the distributor.
- 4.58 There are ‘non-standard’ scenarios where, although there may be a single connection to the distributor’s network, the connection may (e.g.) be for a network owned and operated by a licence exempt distributor, commonly referred to as a ‘private network’ arrangement, or (e.g.) there may be shared metering arrangements with another site in place (being an example of a ‘complex site’).
- 4.59 Such scenarios are generally created in direct response to the request of the customer, and where distributors are bound by certain requirements to (e.g.) provide MPANs and connection offers where requested.
- 4.60 A private network arrangement may reflect a scenario where that network serves multiple end users, but the owner of that network, the Private Network Operator (PNO), may appoint an electricity Supplier and pay a single electricity bill in respect of a single MPAN at the boundary between the distributor and the PNO. That bill may then be shared amongst the end users connected to the private

network. However, the arrangement may reflect a scenario where competition in supply exists on the private network<sup>1</sup>, and where the end user can enter into contract with its chosen electricity Supplier.

- 4.61 In order to facilitate competition in supply, distributors are required to provide additional MPANs to be used for end users who have requested competition in supply in order to differentiate units which relate to that end user from the remainder of end users connected to the private network. This creates complications for Use of System charge, which DCP 328<sup>2</sup> is seeking to address.
- 4.62 In relation to a private network, the distributor only has a relationship with the PNO (as the party which has a connection to the distributor's network), with that relationship likely to be underpinned by a Bespoke Connection Agreement, detailing the maximum import (and if applicable maximum export) capacities of the private network.
- 4.63 Appropriate treatment of private network and complex site Use of System charging arrangements is arguably not provided for under the current arrangements (hence in part why DCP328 was raised), but the scope of the TCR Direction does not provide the vires to resolve these issues in full: in the absence of being able to develop a suitable forward-looking charge arrangement. Further, the Working Group were concerned that, even with sufficient scope to do so, development of these arrangements would likely result in failure to deliver the TCR Directions and specifically in the required timelines.
- 4.64 Without catering for such arrangements in the charging methodologies, there is a risk that distributors adopt different approaches, which may undermine the intended commonality of the charging methodologies. The extent to which different approaches have been adopted is as yet unknown, e.g. where competition in supply exists on a private network, the common sense approach may be to levy a fixed charge per MPAN rather than only at the boundary, but a single fixed charge for the boundary MPAN may be applied instead.
- 4.65 However, the Working Group agreed that, whilst this CP cannot resolve these issues in isolation, it should not seek to create any additional barriers. Whilst distributors may adopt different approaches, the arrangements are at the request of, and agreed with, the customer, and a suitable arrangement has been put in place to accommodate that customer (and potentially end users connected to it). The working Group proposed to allow these arrangements to continue in the absence of appropriate changes to the charging methodologies, which as noted, DCP328 seeks to resolve in part.
- 4.66 In summary, the Working Group proposed that, where a 'forward-looking' fixed charge is currently levied by the distributor, a residual fixed charge will also be levied, providing the site is a Final Demand Site.

---

<sup>1</sup> The Electricity and Gas (Internal Markets) Regulations 2011 introduced new obligations on PNOs and supply undertakings, including a duty to facilitate third party access to their electricity and gas networks. Customers connected to a private network are entitled to request competition in supply. PNOs are obliged to deliver this if requested, although there are some exceptions which are detailed in those regulations.

<sup>2</sup> DCP 328 'Use of system charging for private networks with competition in supply' is currently on 'hold' pending implementation of the TCR CPs, owing to the interaction with residual charges.

---