





DCUSA Change Declaration		At what stage is this document in the process?
<h1>DCP 380:</h1> <h2>TCR alignment changes</h2> <p><b>Date raised:</b> 9 December 2020</p> <p><b>Proposer Name:</b> Lee Wells</p> <p><b>Company Name:</b> Northern Powergrid</p> <p><b>Company Category:</b> DNO</p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<p><b>Purpose of Change Proposal:</b></p> <p>The intent of this Change Proposal is to ensure that relevant legal text is aligned with the intent and requirement of both the Authority's TCR decision and subsequent Change Proposals raised to implement that decision. The scope is twofold: (i) to align the legal text with the post-DCP 361 CDCM model, and therefore the TCR decision; and (ii) to ensure that the review of the charging bands is aligned with the intended timeline.</p>		
	<p>DCUSA Parties have voted on DCUSA Change Proposal (DCP) 380 with the outcome being a decision on whether or not the Change Proposal (CP) is to be accepted and the proposed variation to the DCUSA made accordingly.</p> <p>The DCUSA Parties consolidated votes are provided as Attachment 3.</p>	
	<p><b>For DCP 380, DCUSA Parties have voted to:</b></p> <ul style="list-style-type: none"> <li>• Accept the proposed variation (solution); and</li> <li>• Accept the implementation date.</li> </ul>	
	<p><b>Impacted Parties:</b> DNOs, IDNOs and Suppliers</p>	
	<p><b>Impacted Clauses:</b> Clause 1, Schedules 16, 17, 18 and 32</p>	

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Any questions?

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Timeline

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

Change Proposal timetable

Activity	Date
Initial Assessment Report	16 December 2020
Change Report Approved by Panel	20 January 2021
Change Report issued for Voting	22 January 2021
Party Voting Closes	12 February 2021
Change Declaration Issued to Parties	16 February 2021
Implementation – Stage 1	25 February 2021
Implementation – Stage 2	01 April 2022

# 1 Summary

## What?

### Aligning the DCUSA to reflect the intent of DCP 361

- 1.1 DCP 361 '*Ofgem Targeted Charging Review (TCR) Implementation – Calculation of Charges*' was raised to implement certain aspects of the Authority's TCR decision, specifically the calculation of the residual fixed charge. DCP 361 was approved by the Authority on 30 September 2020<sup>1</sup>.
- 1.2 DCP 361 sets out the basis for calculating residual fixed charges for Non-Domestic Premises, which, as set out in Schedule 32 (except for Unmetered Supplies) is on a charging band basis<sup>2</sup>.
- 1.3 A residual fixed charge for Non-Domestic Premises applies where it is a Final Demand Site, as defined in Schedule 32. As currently defined, a Final Demand Site can only be a Non-Domestic Premises<sup>3</sup>.
- 1.4 DCP 361 also sets out the basis for calculating residual charges for Domestic Premises, which are allocated to a single charging band.
- 1.5 In effect, Unmetered Supplies also represent a single charging band, albeit the residual is recovered on a volumetric (p/kWh) basis.
- 1.6 The TCR decision requires that the residual be allocated according to net consumption volumes. Therefore, to determine the amount of CDCM (Common Distribution Charging Methodology) residual each charging band should recover – regardless of the recovery mechanism (i.e. fixed or volumetric) – the residual is allocated to the charging bands based on the relative proportion of net consumption in each charging band<sup>4</sup>.
- 1.7 Paragraph 92 of Schedule 16 sets out how this is achieved, but unfortunately it does so on the incorrect assertion that Domestic Premises are Final Demand Sites. However, as noted in paragraph **Error! Reference source not found.**, Domestic Premises cannot be a Final Demand Site based on the existing definitions.

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<sup>1</sup> <https://www.ofgem.gov.uk/publications-and-updates/dcp361-ofgem-targeted-charging-review-tcr-implementation-calculation-charges>

<sup>2</sup> The charging bands are sub-categories based on percentiles of customers in one of the following groups: (i) Designated EHV Properties; (ii) Designated Properties connected at HV; (iii) Designated Properties connected at LV and with a Maximum Import Capacity as the basis for their current Use of System Charge; and (iv) Designated Properties connected at LV and without a Maximum Import Capacity as the basis for their current Use of System Charge.

<sup>3</sup> The definition of Final Demand Site refers to Single Site, which "means one of more Non-Domestic Premises that are connected to the distribution system pursuant to a single Connection Agreement (whether a Bespoke Connection Agreement or one created via the National Terms of Connection)".

<sup>4</sup> For example, assuming the total net consumption of the domestic charging band represented 50% of all relevant CDCM consumption, then the domestic charging band should recover 50% of the CDCM residual.

- 1.8 Paragraph 92 does clarify that, in addition to Final Demand Sites, Unmetered Supplies consumption needs to be included.
- 1.9 Therefore, changes are needed to ensure that: (i) the residual is allocated to Domestic Premises, and (ii) provide clarity that a Final Demand Site includes Domestic Premises. Therefore, the proposed solution to this issue extends beyond the scope of DCP 361, without altering the outcome.

#### **Aligning the DCUSA to reflect the intent of DCP 358**

- 1.10 DCP 358 '*Ofgem Targeted Charging Review (TCR) Implementation – Determination of Banding Boundaries*' was raised to implement certain aspects of the Authority's TCR decision, specifically to determine the charging bands and future review of them. DC P358 was approved by the Authority on 30 September 2020<sup>5</sup>.
- 1.11 Together with DCP 360 '*Ofgem Targeted Charging Review (TCR) Implementation – Allocation to Bands and Interventions*', and DCP 359 '*Ofgem Targeted Charging Review (TCR) Implementation– Customers: Who Should Pay?*', DCP 358 introduced Schedule 32 ('Residual Charging Bands') to the DCUSA.
- 1.12 The charging bands that will be used up to and including 31 March 2026 have been determined<sup>6</sup>, and paragraph 3 of Schedule 32 sets out how they will be reviewed for future price control periods.
- 1.13 Paragraph 3.1 of Schedule 32 prescribes when the data will be collated and provided to the Banding Agent, being "*on or before 31 March in the Regulatory Year (t-2) two years prior to the commencement of the onshore electricity transmission owner price control period (t)*".
- 1.14 As such, the data for the charging bands to be used in the period commencing 1 April 2026 (Regulatory Year 2026/27, i.e. the first year of the RIIO-ET3 period), would be sent to the Banding Agent no later than 31 March 2025 (Regulatory Year 2024/25). However, DNOs will publish 2026/27 Use of System Charges in December 2024, and therefore would need to know the charging bands in advance of doing so.
- 1.15 Whilst paragraph 3.1 specifies "*on or before 31 March*", and therefore could be considered appropriate, paragraphs 3.1(a) and 3.1(b) set out requirements to use data (to determine the charging bands) relative to periods after December in that Regulatory Year; therefore, it is incompatible.
- 1.16 In its DCP 358 decision, the Authority noted that a change should be raised to amend the wording in paragraph 3.1 of Schedule 32 from (t-2) to (t-3).

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<sup>5</sup> [https://www.ofgem.gov.uk/system/files/docs/2020/09/dcp358-360\\_d.pdf](https://www.ofgem.gov.uk/system/files/docs/2020/09/dcp358-360_d.pdf)

<sup>6</sup> <https://www.nationalgrideso.com/document/179706/download>

## Why?

### Aligning the DCUSA to reflect the intent of DCP 361

- 1.17 The CDCM model produced following approval of DCP 361 implements the TCR decision as it is intended, therefore correctly allocates the residual to the domestic charging band and the non-domestic charging bands (including Unmetered Supplies).
- 1.18 A change to the legal text is required to align it with the CDCM model that is carrying out the requirement, and where the CDCM model is aligned to the requirement set out in the TCR decision.
- 1.19 Unless it is changed, the legal text will not satisfy the directed requirement on DNOs to implement the TCR decision, and nor will the CDCM model be correctly discharging Schedule 16 as it is written – and where, as it is written, the domestic charging band should be allocated zero residual.

### Aligning the DCUSA to reflect the intent of DCP 358

- 1.20 As noted in paragraph **Error! Reference source not found.**, the Authority requested that this change is made, which is needed to meet the intention of the process detailed in DCP 358.
- 1.21 If it is not made, when setting Use of System Charges for the first Regulatory Year in any new onshore electricity transmission owner price control period, DNOs will not know the final charging bands that will be effective during that period.

## How?

### Aligning the DCUSA to reflect the intent of DCP 361

- 1.22 Although the failure to allocate the residual to the domestic charging band can be remedied by changing Schedule 16 alone, doing so in isolation would retain the limitation that a Final Demand Site can only be a Non-Domestic Premises.
- 1.23 Amending the definition of Final Demand Site to include Domestic Premises, would remove the limitation, and would not otherwise impact Schedule 32 – as it is clear as to which type of Final Demand Site Schedule 32 otherwise applies i.e., paragraph 1.4 of that schedule.
- 1.24 This approach would also have cross-code benefits such as for Balancing and Settlement Code (BSC) modification P402 '*Enabling reform of residual network charging as directed by the Targeted Charging Review*'. The benefit being the ability to reference a single defined term which captures both chargeable Domestic Premises and Non-Domestic Premises, for a solution which provides the information needed to facilitate TNUoS (Transmission Network Use of System) billing post-TCR for Domestic Premises and Non-Domestic Premises.
- 1.25 It is implicit that all Domestic Premises are currently considered to be Final Demand Sites (i.e. receive a residual fixed charge), where DCP 361 did not introduce a zero-residual tariff unlike the non-domestic charging bands.

- 1.26 Paragraph 92A of Schedule 16 makes it clear that the Domestic Aggregated (Related MPAN) tariff does not attract a residual charge, however, the consumption associated with Related MPAN tariffs is included when allocating the residual to charging bands as set out in paragraph 92(a), because the 'primary MPAN' is considered to be a Final Demand Site (i.e., it should receive a residual fixed charge).
- 1.27 Therefore, there is no need to amend the definition of Single Site, as unlike for Non-Domestic Premises, Domestic Premises are a Final Demand Site in accordance with the intention of the four TCR Change Proposals (i.e., DCPs 358-361) and therefore cannot be a Non-Final Demand Site.
- 1.28 In addition to amending the definition of Final Demand Site to include Domestic Premises, changes are required to paragraph 92(a) of Schedule 16 to ensure that Final Demand Sites that are not covered by Schedule 32 (i.e., Domestic Premises) are accounted for, otherwise the consumption associated with Domestic Premises would still not be included for the purposes of allocating the residual.

#### **Aligning the DCUSA to reflect the intent of DCP 358**

- 1.29 Paragraph 3.1 of Schedule 32 should refer to the "*Regulatory Year (t-3) three years prior to the commencement of the onshore electricity transmission owner price control period (t)*", as opposed to "*Regulatory Year (t-2) two year prior...*" as it currently specifies.

## **2 Governance**

### **Justification for treatment as a Part 2 Matter**

- 2.1 This Change Proposal will not impact Use of System Charges in any way that has not already been implemented because of the TCR Change Proposals (i.e., DCPs 358-361).
- 2.2 It will simply correct errors in the drafting of the legal text, which will bring the drafting in line with the CDCM model produced because of the approval of the TCR Change Proposals.

### **Next Steps**

- 2.3 DCUSA Parties voted to accept DCP 380 and as such, it will be implemented in line with Section 8 below.

## **3 Why Change?**

### **Background of DCP 380**

#### **Aligning the DCUSA to reflect the intent of DCP 361**

- 3.1 Unless the relevant legal text is changed, the changes to the DCUSA to implement the TCR in line with the requirements directed by the Authority on DNOs, will: (i) not comply with that direction; and (ii) will not align to the (correct) basis on which the CDCM model has been produced to calculate post-TCR Use of System Charges.

#### **Aligning the DCUSA to reflect the intent of DCP 358**

- 3.2 As noted in paragraph 1.16, the Authority requested that this change is made, which is needed to meet the intention of the process detailed in DCP 358.
- 3.3 If it is not made, when setting Use of System Charges for the first Regulatory Year in any new onshore electricity transmission owner price control period, DNOs will not know the final charging bands that will be effective during that period.

## Part B: Code Specific Details

### 4 Code Specific Matters

#### Reference Documents

- 4.1 Links to reference documents are included in footnotes throughout.

### 5 Solution

#### Aligning the DCUSA to reflect the intent of DCP 361

- 5.1 The proposed solution for DCP 380 is to amend paragraph 92(a) of Schedule 16 (as will be implemented by DCP 361 on 01 April 2022) to ensure that the residual is allocated to the domestic charging band, and where the proposed reference to that band has been used consistently with that in paragraph 92A (in relation to the residual charge allocated to the Domestic Aggregated tariff).
- 5.2 However, the definition of 'Final Demand Site' in Schedule 32 defines (by reference to the term 'Single Site' that only non-domestic premises can be Final Demand Sites. Therefore, it is likely be a source of confusion if the current wording is retained, and so in this respect DCP 380 proposes a change in this area.
- 5.3 The proposed solution is to remove the defined terms '*Final Demand Site*' and '*Domestic Premises*' from Schedule 32 and introduce them to the main list of defined terms under Clause 1. At the same time the term '*Final Demand Site*' will be updated to include '*Domestic Premises*' within the definition whilst accounting for the fact that the term '*Single Site*' and paragraphs 1.10 and 5 are contained in Schedule 32.
- 5.4 It should also be noted that DCP 361 will, upon implementation, introduce the defined term of 'Final Demand Site' with the meaning '*as defined in Schedule 32*' into Schedules 16, 17 and 18. Therefore, to avoid an incorrect definition being added, DCP 380 proposes to remove these terms, effectively cancelling out the introduction of the defined term that would otherwise have been included as a result of the implementation of DCP 361.







#### Aligning the DCUSA to reflect the intent of DCP 358

- 5.5 The proposed solution for DCP 380 is to amend paragraph 3.1 of Schedule 32 to ensure that the charging bands are reviewed in advance of DNOs publishing Use of System Charges for the first Regulatory Year in which they will be used.

## 6 Relevant Objectives

### Assessment Against the DCUSA Objectives

- 6.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. There are five General Objectives and six Charging Objectives. The full list of objectives is documented in the DCUSA.
- 6.2 The Proposer considers that the following DCUSA Charging Objectives are better facilitated by DCP 380.

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

- 6.3 Of the DCUSA Charging Objectives contained in the table above, we believe that this Change Proposal will better facilitate the following Charging Objectives:

- **Charging Objective one:** will be better facilitated by ensuring that the DNOs are compliant with licence requirements in relation to a Significant Code Review (SCR), by properly implementing the specific requirements set out in the Authority's TCR direction.



- **Charging Objective two:** will be better facilitated by ensuring that the residual is allocated to Domestic Premises as well as Non-Domestic Premises.
- **Charging Objective six:** better facilitated by aligning the legal text with the CDCM model produced because of the Authority approving the TCR Change Proposals (DCP 358-361).

## 7 Impacts & Other Considerations

- 7.1 This Change Proposal will (in theory) impact DNOs, IDNOs and Suppliers, but it should be noted that it will not change the way that Use of System Charges are calculated because the CDCM model is already calculating the charges as if this Change Proposal had already been implemented.

### Impacts on any Significant Code Review (SCR) or other significant industry change projects

- 7.2 This change will not impact an existing (or known probable) SCR or any other significant industry change project.

### Consideration of Wider Industry Impacts

- 7.3 This change has been discussed at the December 2020 Distribution Charging Methodologies Development Group (DCMDG) meeting.

### Impacts on Other Industry Codes

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

- 7.4 This Change Proposal can benefit the BSC, as noted in paragraph **Error! Reference source not found.**, by making efficient use of defined terms.
- 7.5 This Change Proposal will impact the CUSC (Connection and Use of System Code) as it will no longer be required to accommodate the fact that, currently, a Final Demand Site excludes Domestic Premises.

### Consumer Impacts

- 7.6 This change does not impact consumers.

### Environmental Impacts

- 7.7 In accordance with DCUSA Clause 11.14.6, the Proposer assessed whether there would be a material impact on greenhouse gas emissions if DCP 380 were implemented. The Proposer did not identify any material impact on greenhouse gas emissions from the implementation of this Change Proposal.

## 8 Implementation

- 8.1 As the intent of this Change Proposal is to correct errors in amendments to Schedule 16 that will not be implemented until 01 April 2022 (due to the approval of DCP 361), the changes to Schedule 16, as well as those to Schedules 17 and 18, should also be implemented on 01 April 2022.
- 8.2 However, this Change Proposal also intends to change defined terms and other text in Schedule 32, which were implemented immediately following approval of the TCR Change Proposals (DCP 358-360) on 30 September 2020. As such, the amendments to Schedule 32 should be implemented at the earliest opportunity and given the February 2021 DCUSA release is due on 25 February 2021, it is proposed that the amendments are made as part this release.
- 8.3 Therefore, DCP 380 will be implemented using a phased approach, which for changes impacting Schedule 32 and Clause 1, will be 25 February 2021 and for changes impacting Schedules 16, 17 and 18, will be on 01 April 2022.

## 9 Legal Text

### Text Commentary

- 9.1 The legal text for DCP 380 has been recommended by the Proposer and reviewed by the DCUSA legal advisor and is provided as Attachment 1.

#### **Aligning the DCUSA to reflect the intent of DCP 361**

- 9.2 It is proposed that paragraph 92(a) of Schedule 16 be amended as follows to ensure that the residual is allocated to the domestic charging band, and where the proposed reference to that band has been used consistently with that in paragraph 92A (in relation to the residual charge allocated to the Domestic Aggregated tariff):

*“apportioning the total value of the residual surplus or residual shortfall to be returned or recovered respectively, via a fixed charge to (i) the Domestic LV-Connected Charging Band and (ii) the specific charging bands set out in paragraph 2.4 of Schedule 32 on the basis of (iA) the aggregated consumption of all Final Demand Sites in that band (including the consumption of any Related MPANs where applicable), relative to (iB) the combined total net consumption for all Final Demand Sites (including the consumption of any Related MPANs where applicable) plus the total consumption for unmetered customers.”*

- 9.3 It is also proposed that the definition of ‘Final Demand Site’ in Schedule 32 should be removed and a slightly amended version be included under the main list of definitions under Clause 1, both of which are set out below:

**Remove the following definitions under paragraph 8 in Schedule 32 as follows:**

<b>Final Demand Site</b>	<del>means a Single Site at which there is Final Demand, as determined in accordance with Paragraphs 1.10 and 5 of Schedule 32.</del>
<b>Domestic Premises</b>	<del>means premises at which a supply of electricity is taken wholly or mainly for domestic purposes.</del>

**Add the following definitions under Clause 1 of Section 1A as follows:**

<b><u>Final Demand Site</u></b>	<u>means: (a) Domestic Premises; or (b) a Single Site (as defined in Schedule 32) at which there is Final Demand, as determined in accordance with Paragraphs 1.10 and 5 of Schedule 32.</u>
<b><u>Domestic Premises</u></b>	<u>means premises at which a supply of electricity is taken wholly or mainly for domestic purposes.</u>

- 9.4 In addition to the above and as noted in Section 5 of this Change Declaration, DCP 380 will remove the definition of 'Final Demand Site' that DCP 361 was to introduce into Schedules 16, 17 and 18 upon its implementation on 01 April 2022. This amendment is set out below:

**Remove the following definition from:**

- **the Glossary of Terms in Schedule 16;**
- **paragraph 3 of 'Annex 1 – Implementation Guide' of Schedule 17; and**
- **paragraph 3 of 'Annex 1 – Implementation Guide' of Schedule 18**

<b>Final Demand Site</b>	<del>as defined in Schedule 32.</del>
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**Aligning the DCUSA to reflect the intent of DCP 358**

- 9.5 It is proposed that paragraph 3.1 of Schedule 32 should be amended as follows to ensure that charging bands are reviewed in advance of DNOs publishing Use of System Charges for the first Regulatory Year in which they will be used:

*"On or before 31 March in the Regulatory Year (t-~~32~~) threetwo years prior to the commencement of the onshore electricity transmission owner price control period (t), each DNO/IDNO Party shall provide to the Banding Agent the following information (and shall take reasonable steps to ensure that such information is accurate)"*

## 10 Voting

10.1 The 380 Change Report was issued to DCUSA Parties for Voting on 22 January 2020.

### Part 2 Matter: Authority Decision is not Required

#### DCP 380 Proposed Variation (Solution) Decision

10.2 For the majority of the Party Categories that were eligible to vote:

- the number of groups in each Party Category which voted to accept the proposed variation was more than 65% of the total number of Groups in that Party Category which voted; and
- the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the proposed variation was more than 65%

10.3 DCUSA Parties have voted to **accept** the proposed variation (solution) of DCP 380.

#### DCP 380 Implementation Date Decision

10.4 For the majority of the Party Categories that were eligible to vote:

- the number of groups in each Party Category which voted to accept the implementation date was more than 65% of the total number of groups in that Party Category which voted; and
- the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the implementation date was more than 65%.

10.5 DCUSA Parties have voted to **accept** the implementation date of DCP 380.

The table below sets out the outcome of the votes that were received in respect of the DCP 380 Change Report that was issued on 22 January 2021 for a period of 15 working days.

DCP 380	WEIGHTED VOTING				
	DNO	IDNO	SUPPLIER	CVA REGISTRANT	GAS SUPPLIER
CHANGE SOLUTION	Accept	Accept	None Received	Not Eligible	Not Eligible
IMPLEMENTATION DATE	Accept	Accept	None Received	Not Eligible	Not Eligible

## 11 Recommendations

### DCUSA Parties

11.1 DCUSA Parties have voted on DCP 380, with the outcome being a decision to accept the Change Proposal and thus the proposed variation to the DCUSA will be made accordingly.

## 12 Attachments

- Attachment 1 – DCP 380 Legal Text
- Attachment 2 – DCP 380 Change Proposal Form
- Attachment 3 – DCP 380 Consolidated Party Votes