






DCUSA Consultation		At what stage is this document in the process?
<h2>DCP 328</h2> <h3>Use of system charging for private networks with competition in supply</h3> <p><i>Raised on 15<sup>th</sup> August 2018 as a Standard Change</i></p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<b>Purpose of Change Proposal:</b> The intent of this change is to ensure that use of system charging remains cost-reflective when competition in supply on a private network is in place.		
<div>  <p>The Workgroup recommends that this Change Proposal should: proceed to Consultation</p> </div> <div>  <p>Parties are invited to consider the questions set in section 9 and submit comments using the form attached as Attachment 3 to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> by XXX.</p> <p>DCP 328 has been designated as a Part 1 Matter and a standard change.</p> <p>The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the Change Proposal (CP).</p> </div>		
<div>  <p><b>Impacted Parties:</b></p> <p>DCUSA parties: Suppliers, DNOs and IDNOs</p> <p>Others: private network operators and customers connected to private networks.</p> </div>		
<div>  <p><b>Impacted Clauses:</b></p> <p>Clause 1 – definitions</p> <p>Clause 29 – metering equipment and metering data</p> <p>Schedule16 - Common Distribution Charging Methodology</p> <p>Schedule 17 - EHV Charging Methodology (FCP Model)</p> <p>Schedule18 - EHV Charging Methodology (LRIC Model)</p> <p>Schedule 19 –Portfolio Billing; and</p> <p>Schedule 20 – Production of Annual Review Pack</p> </div>		
		 <b>Any questions?</b>

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## Timetable

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

### Change Proposal timetable

Activity	Date
Initial Assessment Report Approved by Panel	08 August 2018
First Consultation issued to Parties	01 February 2019
Second Consultation Issued to Parties	March 2021
Change Report issued to Panel	14 July 2021
Change Report issued for Voting	23 July 2021
Party Voting Ends	13 August 2021
Change Declaration Issued to Parties	17 August 2021
Authority Decision	21 September 2021
Implementation	01 April 2022

## 1 Summary

### What?

- 1.1. There are several scenarios in which multiple customers can be connected to an electricity distribution system (private network) operated by a licence exempt distributor (known throughout this document as a Private Network Operator (PNO)) with that private network then connected to the local Distributor's<sup>1</sup> network further upstream.
- 1.2. Where such private networks exist, there is only one connection to the Distributor's network at the point where the private network connects to the wider network. The private network then serves multiple customers, generally operating under an exemption from holding a Distribution licence. In some circumstances, the PNO will appoint an electricity Supplier, and will pay a single electricity bill in respect of a single Meter Point Administration Number (MPAN) at the ownership boundary between the Distributor and the PNO, which is then shared amongst the customers connected to the private network through some agreed contractual framework (potentially using some private metering on each customer's connection to the private network to determine that customer's share of the total bill).
- 1.3. The Electricity and Gas (Internal Markets) Regulations 2011<sup>2</sup> 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. This means that, rather than the customer paying their share of the total electricity bill for the entire private network, the customer can enter into contract with their chosen Supplier to provide their electricity and pay a separate electricity bill to that Supplier. The DNO Use of System (UoS) charges were explored during an earlier change to DCUSA, DCP158 – "DNO DUoS re EDNOs" which was rejected by the Authority. Documentation detailing the timeline of regulatory events and the obligations on parties, which formed part of that CP, is in Attachment 4.
- 1.4. In order to facilitate competition in supply, Distributors are required to provide additional MPANs to be used for customers who have requested competition in supply in order to differentiate units which relate to that customer from the remainder of the customers connected to the private network. This creates complications for UoS charging. For half hourly site-specific settled customers (i.e. those in measurement class C, D or E), Distributors receive usage data by MPAN in order to invoice UoS charges, with an invoice being issued per MPAN per month. Hence when competition in supply is in

<sup>1</sup> A licensed distributor is either a Distribution Network Operator or an Independent Distribution Network Operator, collectively known in this consultation document as Distributors unless the text is specific to either party.

<sup>2</sup> [http://www.legislation.gov.uk/ukxi/2011/2704/pdfs/ukxi\\_20112704\\_en.pdf](http://www.legislation.gov.uk/ukxi/2011/2704/pdfs/ukxi_20112704_en.pdf)

place, if the Distributor followed standard processes, it would issue an invoice in respect of each MPAN, some of which in fact relate to customers connected to the private network.

- 1.5. 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 connection agreement, detailing the maximum import (and if applicable maximum export) capacities of the private network.

### Why?

- 1.6. Without clarity in the charging methodology, there is a risk that Distributors will take different approaches, undermining the intended commonality of the charging methodologies.
- 1.7. Competition in supply on a private network does not alter the use of the Distributor's network; hence the CP form asserts that the UoS charges faced by the multiple Suppliers involved when competition in supply is in place should sum to the same total as would be applied if a single Supplier were supplying the site as a whole.
- 1.8. When competition in supply is not in place (i.e. there is a single Supplier and one MPAN) fixed and capacity charges would be applied in respect of that single MPAN. Where competition in supply is in place (i.e. there are multiple Suppliers and multiple MPANs), if all tariff elements are applied in respect of all MPANs (as would be expected), multiple fixed and capacity charges would be applied. This undermines the equivalence in charges (which the CP suggests should be seen) faced by the single Supplier (where competition in supply is not in place) and the sum of charges faced by multiple Suppliers (where competition in supply is in place).

### How?

- 1.9. Within the first consultation there were a number of possible solutions to this issue proposed. After consideration of feedback received and further analysis by the Working Group, two solutions have been further defined based on the type of metering arrangement<sup>3</sup> that exists on the PNO network. The only difference between the two is how to charge in the CDCM for fully settled and shared metering installations, by either providing a rebate to the PNO or charging the embedded supplier based on a new tariff arrangement.

#### **Solution A**

For difference metering installations in both the Common Distribution Charging Model (CDCM) and the Extra High Voltage (EHV) Distribution Charging Methodology (EDCM) charge the boundary supplier.

For fully settled and shared metering installations:

- provide a rebate to PNOs in the CDCM; and

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<sup>3</sup> This is explained further in section 3.

- charge the embedded suppliers in the EDCM.

#### **Solution B**

For difference metering installations in both the CDCM and the EDCM charge the boundary supplier.

For fully settled and shared metering installations:

- charge the embedded suppliers in the CDCM; and
- charge the embedded suppliers in the EDCM.

## **2 Governance**

### **Justification for Part 1 Matter**

- 2.1. The Proposer considers that this CP should be considered a Part 1 Matter as it satisfies one or more of the following criteria:
- a) it is likely to have a significant impact on the interests of electricity consumers;
  - b) it is likely to have a significant impact on competition in one or more of:
    - i. the generation of electricity;
    - ii. the distribution of electricity;
    - iii. the supply of electricity; and
    - iv. any commercial activities connected with the generation, distribution or supply of electricity.

### **Current Next Steps**

- 2.2. This Consultation Document is issued for a period of three weeks. The Working Group will review the responses after this period and decide whether to move to the change report stage.

## **3 Why Change?**

### **Background of DCP 328**

- 3.1. Elexon have a guidance document for Third Party Access to Licence Exempt Distribution Networks<sup>4</sup>. This focuses on the Balancing and Settlement Code (BSC) obligations and processes associated with facilitating competition in supply (referred to as 'third party access') for electricity customers connected to private networks. The proposed options detailed in this consultation are designed to

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<sup>4</sup> [Third Party Access to Licence Exempt Distribution Networks](#)

work with the options available for settlement where competition in supply is in place, as summarised in that guidance, namely:

- difference metering;
- fully Settlement metering; or
- shared metering.

3.2. Under all metering options, the Distributor is obliged to provide Meter Point Administration Services to customers on the private network and in so doing provides MPANs against which metering data is recorded in Settlement.

### Difference Metering

3.3. In order for difference metering to be used to facilitate competition in supply for customer 1, metering arrangements as shown in figure 1 would be required.

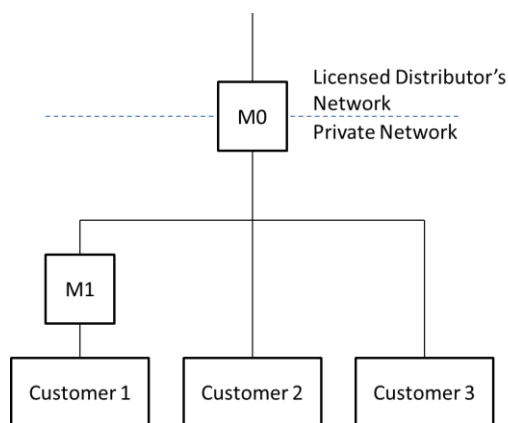


Figure 1 - competition in supply using difference metering

3.4. In order for difference metering to be used, all metering systems involved ('M0' and 'M1' in this example) must be half hourly metering systems.

### Full Settlement Metering

3.5. In order for full Settlement metering to be used to facilitate competition in supply all the customers on the private network would need to have settlement metering and no settlement boundary meter as shown in figure 2 below.

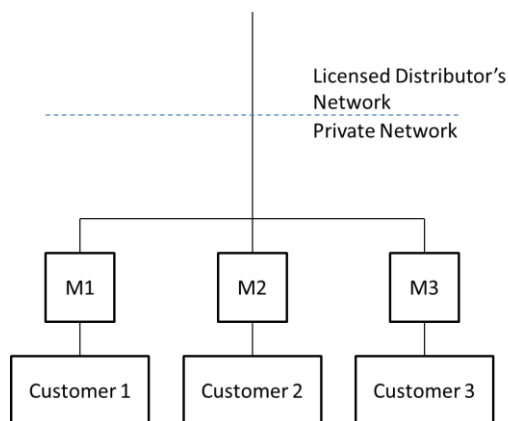


Figure 2 - competition in supply using full Settlement metering

- 3.6. The BSC refers to such an arrangement as an 'Associated Distribution System' and requires all the entry and exit points to be metered. Full Settlement metering can be used with either half hourly metering systems, non-half hourly metering systems, or a combination of the two, and is often used for connections such as blocks of flats, where the ownership boundary between the Distributor and the PNO is at the base of the building whilst each flat is separately metered – the rising mains within the building form a private network or 'Associated Distribution System'.
- 3.7. Under a full Settlement metering approach, Settlements metering that measures the usage of customer 1, customer 2 and customer 3 would be used in Settlement under separate MPANs, with the boundary meter (previously 'SM') no longer used.

### Shared Metering

- 3.8. In order for shared metering to be used to facilitate competition in supply for customer 1, metering arrangements as shown in figure 3 would be required.

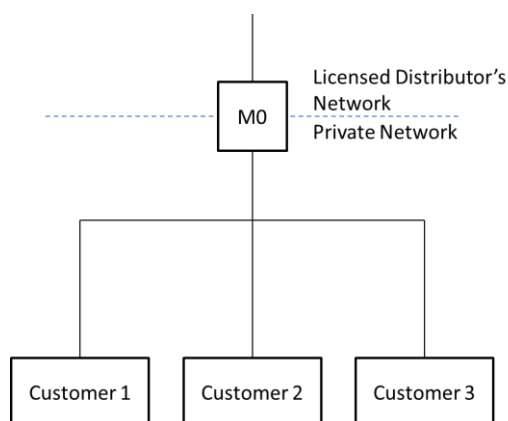


Figure 3 - competition in supply using shared metering

- 3.9. In order for shared metering to be used, all metering systems involved must be half hourly metering systems.
- 3.10. Under a shared metering approach, Settlements metering at the boundary (i.e. measuring the usage of all **three** customers) is used to determine the total units entered into Settlement, with non-Settlement metering measuring the usage of each individual customer being used to determine the proportion of the total units in Settlement which is allocated to each Supplier. The means of allocation is agreed between the Suppliers in question, with the most straightforward mechanism being simply proportional to the units used by each customer.

#### Use of System Charging Implications

- 3.11. Under all metering options, the ownership boundary between the Distributor and the PNO remains unaltered, and the connection agreement is between the PNO and the Distributor, with the agreed capacity reflecting the agreed capacity at the boundary. Assuming each of the customers does not alter their usage in this process, this will remain appropriate, as units through the boundary will not change. Given the boundary arrangements have not changed, and usage of the Distributor's network has also not changed, the CP asserts that total UoS charges should not change.
- 3.12. However, under each of the three metering options there will be multiple MPANs with metering data in Settlement. Under current processes, the Distributor would assign a tariff to each MPAN reflecting the type of customer connected and the voltage of connection, and then invoice the registered Supplier of each MPAN accordingly based on data received through Settlement.
- 3.13. The CP form (Attachment **X**) highlighted a number of issues for UoS charging and associated administration as below:
- a) **Assigning tariffs:** Depending on the tariffs which the Distributor assigns to each customer, there is a risk that the Distributor will be invoicing in respect of assets which are in fact private network assets.
  - b) **Losses within the private network:** Losses within the private network may not be accounted for in the units in Settlement.
  - c) **Fixed charges:** Where competition in supply is not in place, one fixed charge will be applied in respect of the one MPAN at the boundary. Where competition in supply is in place, fixed charges will be applied in respect of all MPANs.
  - d) **Agreed capacity charges:** Where competition in supply is not in place, one agreed capacity charge will be levied at the boundary, based on the capacity agreed between the Distributor and the PNO, formalised in a connection agreement. It is not clear what agreed capacity the Distributor should charge in respect of MPANs which relate to connections to the private network where the Distributor has no commercial relationship with the customer and so no basis on which to determine the agreed capacity.

Commented [RC1]: Review at end



- e) **Excess capacity charges:** Where competition in supply is not in place, one excess capacity charge will be levied at the boundary if the aggregate usage of all customers connected to the private network (as measured by the boundary metering) exceeds the agreed capacity at the boundary; if not, no excess capacity charge will be levied. Simply allocating boundary capacity between end users on the private network may result in excess capacity charges being applied where none would be applied in the scenario where competition in supply is not in place.
- f) **Charging for export sites:** If one of the sites within the private network includes some generation which exports onto the private network, the units exported are likely to be used by other customers within the private network, and so will offset flows at the ownership boundary between the Distributor and the PNO. The import and export units for each customer within the private network will be seen separately in Settlement, and so the Distributor will charge import units and (where applicable) credit export units. Generation credits at a given voltage are not the inverse of demand charges at that voltage, and so the total UoS charge for customers connected to the private network will be different if the import and export from each customer is charged separately to that which would have been charged had all usage been charged at the boundary. This issue is currently resolved by using the BSC complex site mapping exercise.
- g) **Charging for reactive power:** Under the difference metering approach, reactive units metered at customer connections will be deducted from reactive units metered at the boundary. Such differencing will not accurately reflect reactive power flows at the boundary.
- h) **Sites with multiple feeders:** there are complications for the difference metering arrangements where a private network has multiple feeders, each with a Connection Agreement, agreed capacity, and possible different voltages. Under this scenario it may not be clear to which of the multiple feeders the differencing should be applied. This issue is currently resolved by using the BSC complex site mapping exercise.

Commented [RC2]: Review. Is this still up-to-date?

3.14. DCP 328 is seeking to formalise the approach which Distributors should take when invoicing UoS charges in respect of private networks where competition in supply is in place, to ensure commonality between different Distributors and to maintain cost-reflectivity wherever possible.

## 4 Working Group Assessment

### DCP 328 Working Group Assessment

- 4.1 A Working Group has been established to discuss a number of potential solutions of which more than one option may be chosen based on the complexity of the private network.

### DCP 328 first consultation

4.2 To aid the further development of the solution for this CP, the Working Group issued a consultation to parties on 1 February 2019. The aim of the first consultation was to ask the industry for views on the principles of the change and the solution proposed. There were 15 respondents to the first consultation comprising of eight distributors, two suppliers, four PNOs and one consultancy organisation. A copy of the first consultation and the Working Group conclusions can be found in [Attachment 1 and 2](#).

Commented [RC3]: Review at end

4.3 All respondents indicated that they understood the intent of DCP 328.

4.4 The Working Group were keen to seek views on whether an appropriate range of PNOs had been considered. The respondents agreed that an appropriate range of PNOs had been identified by the Working Group, whilst there was acknowledgement that it was not an exhaustive list. Some additional examples were raised, for example other large industrial sites, such as chemical works or steel works with substantial networks 'inside the fence' and other users such as contractor compounds or tenanted industrial activity.

4.5 The majority of the respondents were supportive of the principles of DCP 328. One respondent stated that there was no evidence that competition law requirements had been considered when reviewing the solutions. [The Working Group have considered competition law requirements for the proposed solutions detailed later in this document](#).

Commented [JL4]: Commentary needed below.

4.6 The solutions which the Working Group put forward in the consultation were as below:

- Option 1 – Invoice only the boundary Supplier;
- Option 2 – Invoice all Suppliers based on the tariff which the Distributor would apply if the end user were connected at the ownership boundary between the Distributor and the PNO with a correction to fixed charges and some form of capacity allocation;
- Option 3 – Invoice all Suppliers as if the customer were connected to the Distribution network, with the PNO able to 'claim' some UoS revenue back from the Distributor in respect of private network assets;
- Option 4 – Invoice the PNO direct; and
- Option 5 – Invoice all Suppliers based on new UoS charges which only include elements of charging which relate to voltage levels provided by the Distributor.

## Option 1 – Invoice only the boundary Supplier

4.7 Under this approach, the Distributor would continue to invoice UoS charges only to the Supplier registered to the boundary MPAN in Settlement. In order to invoice all units, this solution requires the Distributor to either receive or be in a position to calculate gross units at the boundary, whereas Settlements will only show net units (i.e. with units used by embedded customers having been differenced from the boundary MPAN).

4.8 The PNOs that responded to the first consultation were supportive of this option, whilst recognising that the solution is not appropriate for all types of PNOs and that it is likely that more than one solution

will be required to cater for all PNO types. One respondent raised concerns in regard to the collection of data and how practical this would be.

- 4.9 The Working Group concluded that this option should be progressed further but could only be part of a solution since it only caters for difference metering.

**Option 2 – Invoice all Suppliers based on the tariff which the Distributor would apply if the end user were connected at the ownership boundary between the Distributor and the PNO with a correction to fixed charges and some form of capacity allocation**

- 4.10 Under this approach, the Distributor would invoice based on units received through Settlement, using the tariff which the Distributor would apply if the customers were connected at the ownership boundary between the Distributor and the PNO UoS charges to:

- both the boundary Supplier and the Supplier of embedded customers (under the difference metering approach); or
- the Suppliers of all embedded customers (under the full Settlement or shared metering approach).

- 4.11 Most of the respondents were not supportive of this option. Concerns were raised regarding the process of allocating fixed and capacity charges to customers. After review of this option the Working Group concluded that it would not consider this option further.

**Option 3 – Invoice all Suppliers as if the customer were connected to the Distributor's network, with the private network operator able to 'claim' some use of system revenue back from the Distributor in respect of private network assets**

- 4.12 Under this approach, the Distributor would invoice both the Supplier of the embedded customers and the boundary Supplier UoS charges as if those end customers were connected direct to its network. As a result, the Distributor would have recovered some UoS charges in respect of assets on the private network, to which the PNO should be entitled, and so the PNO would be eligible to claim back a portion of UoS revenue from the Distributor.

- 4.13 There was support for this option from parties although concerns were raised over how the claim would be administered since this would be outside of DCUSA. It was also suggested that this may be a simple solution where fully settled and shared metering arrangements exist. The Working Group agreed to consider this further.

**Option 4 – Invoice the PNO direct**

- 4.14 Under this approach, the Distributor would invoice UoS charges direct to the PNO based on total units at the boundary, with no charges applied to the units recorded in Settlement against MPANs which relate to customers connected to the private network, or against the boundary MPAN if applicable. The PNO may then directly pass through the Distributor's charges to customers connected to the private network, or recover those costs through another means (e.g. an appropriate commercial agreement).

- 4.15 Respondents were not supportive of this solution and the Working Group concluded that based on the feedback and their initial assessment of this option it would not be progressed further.

**Option 5 – Invoice all Suppliers based on new use of system charges which only include elements of charging which relate to voltage levels provided by the Distributor**

- 4.16 Under this approach, the Distributor would invoice UoS charges to both the boundary Supplier and the Supplier of embedded customers (under the difference metering approach) or the Suppliers of all embedded customers (under the full Settlement or shared metering approach), based on units received through Settlement, using new tariffs calculated for each Distribution network to private network boundary voltage based on the voltage levels which the Distributor provides. This could be carried out using the calculations in the CDCM which are calculated on a voltage level basis prior to being aggregated to tariff level.
- 4.17 Most of the respondents were not supportive of this option. Concerns were raised regarding the process of allocating fixed and capacity charges to customers.

**Alternative Option**

- 4.18 One respondent put forward a potential alternative option relating to a new tariff structure. An example which they considered was whether all PNO customers, whether boundary or embedded, have a fixed charge and unit charges only or unit charges only, with some smearing of capacity/fixed as appropriate.
- 4.19 After Working Group analysis, it was concluded that this alternative option, combined with option 3 or 5 could address the concerns raised in regard to the process of allocating fixed and capacity charges to customers.
- 4.20 On the question relating to the DCUSA Charging Objectives and whether they would be better facilitated, a majority of respondents stated that it was difficult to comment at that stage.

**Second consultation**

- 4.21 The Working Group agreed to progress with two solutions for consideration during this consultation. The solutions are based on the type of metering arrangement. The first solution considers three permutations dependent upon metering type and charging methodology.

Solution A	Difference metering	Fully settled metering	Shared metering
<b>CDCM</b>	Charge the boundary supplier	Rebate the PNO	Rebate the PNO
<b>EDCM</b>	Charge the boundary supplier	Introduce new tariffs and charge the embedded supplier	Introduce new tariffs and charge the embedded supplier

Note:

Charge the boundary supplier being option 1 in the first consultation;

Rebate the PNO being option 3 in the first consultation; and

Introduce new tariffs and charge the embedded customer being a combination of option 5 plus the alternative option suggested in the first consultation.

- 4.22 The second solution is similar to the first with the only difference being that the rebate to the PNO is changed into a tariff to charge the embedded supplier.

Solution B	Difference metering	Fully settled metering	Shared metering
<b>CDCM</b>	Charge the boundary supplier	Introduce new tariffs and charge the embedded supplier	Introduce new tariffs and charge the embedded supplier
<b>EDCM</b>	Charge the boundary supplier	Introduce new tariffs and charge the embedded supplier	Introduce new tariffs and charge the embedded supplier

Note:

Charge the boundary supplier being option 1 in the first consultation; and

Introduce new tariffs and charge the embedded customer being a combination of option 5 plus the alternative option suggested in the first consultation.

## Common to both Solutions

### Difference Metering (CDCM and EDCM)

- 4.23 The proposed solution for difference metering is the same solution proposed for DCP158 "DNO DUoS re EDNOS" which was rejected in February 2014 by the Authority. The main reason for rejection was the lack of interaction with PNOs citing:

"We note that the DCUSA working group tried to involve a number of DEHs<sup>5</sup>, but that only two DEHs were involved in the consultation process. If approved, the proposal will affect a wide variety of DEHs, including small networks such as caravan sites and housing associations as well large networks such as ports and airports. Due to the limited involvement to date with DEHs, we are concerned about introducing new obligations when those affected may be unaware of the changes and their likely impact"

- 4.24 Since then the difference metering solution has been used and may be considered as custom and practice where a boundary meter exists. In addition, the PNOs who responded to the consultation support its introduction to ensure that a common approach is adopted by the industry.
- 4.25 The solution for difference metering means that all UoS is billed to the boundary supplier only. No charges will be applied to any settlement metering data received for MPANs contained within the PNO network. To facilitate this the Distributor will create a non-settlement MPAN and provide it to the supplier. This non settlement MPAN will be used to populate the D0036 or D0275 data flow (contained in the Data Transfer Catalogue) with the gross metering data as if difference metering did

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<sup>5</sup> Distribution Exempt Holder

not exist. An agreement is put in place between supplier parties so that the boundary supplier (or agent) can manipulate the metering data to comply with this obligation.

- 4.26 It is also proposed that the identification of a PNO network is contained within the 'Metering Point address line 1' (as described in the Data Transfer Catalogue and MRA Agreed Procedure 09) for each of the Metering Point Administration Numbers (MPAN)s. This was the solution developed in DCP158; however, it is understood that the Issues Resolution Expert Group under the Master Registration Agreement have been considering introducing a "Licence Exempt Network Indicator" which is one of the requirements of the Ofgem led Switching Programme.
- 4.27 The Working Group would like views on whether to still retain the need for information in 'Metering Point address line 1' or remove it in preference of the introduction of an indicator within the Metering Point Registration System.

## Alternative approach

Q1: What are your views on the method of identifying the MPAN within a PNO network: address line 1; or a flag in MPRS; or both? Please provide your rationale

**Commented [RC5]:** Add this approach. Check question below?

## Fully settled and shared metering arrangements (EDCM)

- 4.28 A common approach is being proposed in both solutions for the EDCM. It is proposed that there is a two-step approach adopted for each relevant PNO network for EDCM connectees.
- 4.29 The first step will be to use the settlement metering data of each embedded customer within the relevant Licence Exempt System to determine the power flow data at the boundary for both import and export charges. No losses are assumed between the boundary and each embedded customers' premises on the relevant Licence Exempt System.
- 4.30 The second step will be the allocation of the fixed charge and capacity charge derived from above to each embedded customer for both import and export charges for the relevant Licence Exempt System. These will be calculated as follows:
- $[\text{embedded customer fixed charge in p/day}] = [\text{fixed charge at the boundary}] \times [\text{installed capacity of the embedded customer's Import MPAN or Export MPAN}] / [\text{total installed capacity of all embedded customers' Import MPANs and Export MPANs}]$ ;
  - $[\text{embedded customer Import capacity charge in p/kVA/Day}] = [\text{Import capacity charge at the boundary}] \times ([\text{the Import agreed capacity at the boundary}] / [\text{total installed Import capacity of all embedded customers}])$ ; and
  - $[\text{embedded customer Export capacity charge in p/kVA/Day}] = [\text{Export capacity charge at the boundary}] \times ([\text{the Export agreed capacity at the boundary}] / [\text{total installed Export capacity of all embedded customers}])$

An example of how this is undertaken is shown in attachment 6.

- 4.31 CDCM Tariffs for customers connected to the PNO network at EHV are determined in accordance with schedule 16, save that lower voltage elements are excluded e.g. where the PNO's network is connected at an EHV/HV substation, the costs associated with the LV customer, LV network, LV substation and HV network levels are excluded.

4.32 To overcome the concern raised over capacity and reactive power charges, an alternative approach suggested in the first consultation is being adopted where both elements form part of the fixed charge as indicated in the following paragraphs.

4.33 The Capacity charge elements (p/kVA/day) for half-hourly site-specific settled customers connected to Licence Exempt Systems are allocated to the fixed charge (in p/day) by multiplying the capacity charge by the average kVA per customer for an equivalent customer, determined from the DNO Party's volume forecast for the equivalent half-hourly metered tariff at that voltage as determined under schedule 16.

4.34 Reactive power charge elements (p/kVArh) for half-hourly site-specific settled customers connected to Licence Exempt Systems are allocated to the fixed charge (in p/day) by multiplying the reactive power charge by the average kVArh per customer for an equivalent customer, determined from the DNO Party's volume forecast for the equivalent half-hourly metered tariff at that voltage as determined under schedule 16, and dividing by the number of days in the charging year.

4.35 < the AE issue re designated customers – anything to add here>

## Specific to Solution A (Fully Settled and Shared Metering CDCM)

4.36 For fully settled metering and shared metering installations solution A is to introduce a rebate to the PNO. This will be produced by initially creating a tariff which is different to the normal CDCM tariffs in three ways:

- the lower voltage elements are excluded as follows e.g. where the PNO network is connected to the HV network, the costs associated with the LV customer, LV network and LV substation levels are excluded;
- the capacity and reactive charge elements form part of the fixed charge (calculated as per paragraph 4.33 and 4.34 above); and

4.37 For NHH settled or HH Aggregate settled users connected to Licence Exempt Systems a rebate is calculated in £/customer/year for each customer group and each voltage of connection of a Licence Exempt System as follows:

- a) The average kWh usage per customer per year in each timeband is determined from the DNO Party's volume forecast for that customer group;
- b) The average charge for that customer group is calculated by applying the DNO Party's tariff to the usage derived under part a).
- c) The average charge applicable for a customer in that customer group connected to a Licence Exempt System with that voltage of connection is calculated by applying the tariff created under paragraph 4.36 above to the usage derived under part a).
- d) The rebate per customer per year is calculated as the result of part b) less the result of part c).

4.38 For HH Site Specific settled users connected to Licence Exempt Systems, a rebate is calculated in £/customer/year for each customer by applying the tariff calculated under paragraphs 4.36 above to that customer's usage data and subtracting this total from the amount billed in respect of that customer.

**Commented [JL6]:** We need to discuss an understanding of this issue. Does it mean that on such connections they would not be applied a discount due to revenue matching having to be applied or is this still the case and needs adding in here.

## Residual Charges

- 4.39 The residual for these rebate tariffs should be calculated by taking the residual for the corresponding all-the-way tariff and multiplying by the ratio of the revenue before matching calculated using the rebate tariffs to the revenue before matching calculated using the all-the-way tariffs for each customer group. This ensures that the reduction in the residual charge aligns to the reduction in the revenue before matching for these customers.

$$[\text{Residual surplus or shortfall for Licence Exempt Systems customers}] = \frac{[\text{Residual surplus or shortfall for all – the – way customers}] \times [\text{Revenue before matching from License Exempt System tariffs}]}{[\text{Revenue before matching from all–the–way tariffs}]}$$

- 4.40 As there are no customers or volumes allocated to the rebate tariffs in the CDCM then this calculation can be performed after the revenue matching step.
- 4.41 The Working Group have considered customers that have export MPANs. The view at this stage is that there will be no charge to PNOs for any export MPANs, because the likelihood is that the charge will be very small.
- 4.42 The Working Group recognise that although the method of calculating the tariffs may be considered within the vires of DCUSA, mandating a process between the PNO and the Distributor would not be since PNOs are not Parties to DCUSA.
- 4.43 The Working Group considered the following in regard to the rebate solution:

### How would a PNO know they could claim a rebate?

- 4.44 It is proposed that the following is added to Schedule 16:

#### Part 5 — Licence Exempt System rebate scheme

This Part 5 sets out the process for providers of Licence Exempt Systems to claim a rebate where the connections within each Licence Exempt System are either Fully Settled or have a Shared Metering arrangement.

The rebate comes into effect on [01 April 2022] and is calculated in accordance with either Paragraph 88E (for NHH settled or HH Aggregate settled users) or Paragraph 88F (for HH Site Specific settled users) of this schedule.

For a rebate to be granted, the provider of each Licence Exempt System must contact the Distribution Business and provide sufficient evidence that they meet the criteria of a Fully Settled or Shared Metering arrangements. For the avoidance of doubt there is no rebate available for Difference Metering arrangements associated with a Licence Exempt System.

Unless otherwise agreed with the Distribution Business, the rebate will be calculated on an annual basis (1st April - 31st March) and payments made shortly after the end of each year.



## Minimum Value of Claim

4.45

### How regularly should the rebate be billed?

4.46 As stated above, the Working Group view is that the rebate will be calculated on an annual basis (1st April - 31st March) and payments made shortly after the end of each year, unless otherwise agreed.

### Retrospective claims

4.47 The Working Group propose that retrospective claims can be made up to six years. No claims can be made prior to the date that this CP is implemented.

### What impact will this have on under and over recovery and how should it be accounted for?

4.48 xxx

### LC14 statement

4.49 The Working Group proposes that this process should form part of the LC14 statement, in order to provide as much visibility as possible.

### NTC

4.50 XXX

Q2: Do you have any suggestions on the process that needs to be put in place to ensure that PNOs are aware of the Rebate and how to claim it?

Q3: Do you have any comments on the rebate solution for fully settled and shared metering installations?

Q4: What are your thoughts on customers that export within the PNO Network, should there be a negative rebate?

## Specific to Solution B (Fully Settled and Shared Metering CDCM)

4.51 For fully settled metering and shared metering installations solution B is to introduce a set of tariffs specific to PNO networks and the level of connection to the Distribution network. These tariffs will be for use by suppliers in addition to the normal tariffs.

4.52 The process is similar to that of the rebate solution apart from the last step i.e. to create the rebate. The tariffs differ to the normal tariffs in three ways:

- the lower voltage elements are excluded as follows e.g. where the PNO network is connected to the HV network, the costs associated with the LV customer, LV network and LV substation levels are excluded;
- the capacity and reactive charge elements form part of the fixed charge (calculated as per paragraph 4.33 and 4.34 above); and

4.53 The tariffs shall be charged to each supplier within the PNO network based on the settlements data received in respect of the settlements meter at each Metering Point within the PNO network, and is dependent on the voltage of the point of connection of the PNO network to the Distribution System,

being either LV network, LV substation or HV. A set of tables have been created within the Schedule 16.

## Residual Charges

- 4.54 For the calculation of the residual the volumes for these customers should be scaled by multiplying by the ratio of the revenue before matching calculated using the new tariffs to the revenue before matching calculated using the all-the-way tariffs for each customer group.

$$= \frac{[\text{Consumption for Licence Exempt Systems customers}]}{[\text{Revenue before matching from Licence Exempt System tariffs}]} \times \frac{[\text{Consumption for Licence Exempt Systems customers for revenue scaling}]}{[\text{Revenue before matching from all – the – way tariffs}]}$$

- 4.55 By scaling the LES volumes in the revenue matching step this removes any unintended consequences of scaling the volumes when the IDNO discount is applied to the volumes and ensures that the reduction in the residual charge aligns to the reduction in the revenue before matching for these customers.

## Complex Sites

Q5: Do you have any comments on the tariff solution for fully settled and shared metering installations?

Q6: Do you agree with the proposed methodology for calculating residual charges? If not, please provide your rationale.

Q7: Are there any unintended consequences associated with either solution with consideration given to any impact on Independent Distribution Network Operators

- 4.56 <Para on competition act raised in first consultation>

Q8:

- 4.57 The Working Group have proposed two solutions and seek views on which one is your preference.

Q9: Which solution do you support and why? Solution A or Solution B.

**Commented [RC7]:** Ofgems decision document  
Pick up complex for PNO but different CP for complex sites  
connected to DNOs  
CUSC Changes  
WG position and changes needed.  
Question on above

DCP 359 decision CMP363/364

**Commented [RC8]:** For consideration

## 5 Legal Text

### Proposed Legal Text

#### Common to both solutions

- 5.1 This change affects clause 29 – metering equipment and metering data by including obligations on distributors to:
- Ensure that the PNO network is identified in the 'Metering Point address line one'; and

- Create a non-settlement MPAN and provide to the supplier.

and on suppliers to:

- Use a specific meter time switch code for MPANs within a PNO network;
- Send gross metering data on the non-settlement MPAN in the same timescale associated with settlement MPANs; and
- Suppliers to allow the boundary supplier to aggregate their metering data.

5.2 A new clause has been added to Schedule 16 regarding difference metering installations and being charged to the supplier at the Distributor's boundary based on the units imported or exported at the boundary between the Distributor's network and the PNO network. No charges will be applied by the Distributor to the boundary settlements data received by the Distributor, or to the settlements data received in respect of any settlement meters within the PNO network.

5.3 New clauses added to Schedule 17 and 18 relating to:

- Difference metering and who is charged and not charged similar to paragraph 5.2 above; and
- The introduction of new tariffs and how they will be derived.

## Specific to Solution A

5.4 Schedule 16 has been amended to cater for how rebates are to be calculated for PNO networks by creating the relevant tariffs and then calculating a £/Customer/year value based on voltage of connection.

5.5 Schedule 16 has been amended to demonstrate that the residual for these rebate tariffs should be calculated by taking the residual for the corresponding all-the-way tariff and multiplying by the ratio of the revenue before matching calculated using the rebate tariffs to the revenue before matching calculated using the all-the-way tariffs for each customer group.

## Specific to Solution B

5.6 Schedule 16 has been amended to cater for how new tariffs are to be calculated for PNO networks with additional tables being included indicating the tariffs at different voltage levels of connection.

5.7 Schedule 16 has been amended to demonstrate that for the calculation of the residual the volumes for these customers should be scaled by multiplying by the ratio of the revenue before matching calculated using the new tariffs to the revenue before matching calculated using the all-the-way tariffs for each customer group.

## Methodology changes

5.8 Changes to the CDCM and EDCM methodologies have been produced (see attachment 7)

Commented [RC9]: Review at end

## Consequential changes

5.9 The Annual Review Pack will be amended to a later version number. Although the legal text will cater for this the actual document will not be amended until the change report stage.

5.10 Schedule 19 has been amended to cater for the inclusion of the meter timeswitch code and its effective from date into the MPAN report.

## 6 Relevant Objectives

### Assessment Against the DCUSA Objectives

6.1. For a DCUSA CP to be approved it must be demonstrated that it better meets the DCUSA Objectives. The objectives impacted by this change are the charging objectives.

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

6.2. The **Proposer** believes that this change will have:

- **Charging Objective one:** no impact.
- **Charging Objective two:** better met, as the change will ensure that competition to supply customers connected to private networks is not distorted by the application of inappropriate UoS charges in respect of some or all customers connected to private networks.
- **Charging Objective three:** better met, as the change will ensure that the charges faced by multiple Suppliers supplying customers on a private network are broadly equivalent to the charges faced by a single Supplier supplying the private network operator on an equivalent site without competition in supply.

Commented [RC10]: WG position

- **Charging Objective four:** better met, as DNOs are seeing increasing volumes of requests to facilitate competition in supply on private networks. Without the change and the regulatory clarity it seeks to create, there is a risk of a divergence in application of the common charging methodologies across DNO licensees.
- **Charging Objective five:** no impact.
- **Charging objective six:** perhaps not as well met, as the change may introduce additional complexity into the charging arrangements. This is considered necessary to ensure cost-reflectivity is maintained.

Q10: Do you believe that the DCUSA Charging Objectives are better facilitated by this CP? Please provide your rationale

## 7 Impacts & Other Considerations

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

Commented [RC11]: Link to other changes

- 7.1. This change does not impact the development of any SCR currently in progress, including the Targeted Charging Review (TCR) SCR and Network Access and Forward Looking Charges Review SCR.

### Impact assessment

- 7.2. <add in summary of impact assessment for each solution here>

## 8 Implementation

- 8.1. The earliest implementation date for this change is April 2022 because it introduces methodology changes in both solutions.

Commented [RC12]: Add text regarding derogation etc

Q11: If this change was approved, when should it be implemented? Please provide your rationale if different to April 2022

## 9 Consultation Questions

- 9.1 The Working Group is seeking industry views on the following consultation questions:

Number	Questions
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	

Commented [RC13]: Add questions once finalised.

- 9.2 Responses should be submitted using Attachment 3 to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than, **XXXX**.
- 9.3 Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate any parts of a response that are to be treated confidentially.

## Attachments

Attachment 1 – DCP 328 First Consultation Document

Attachment 2 – DCP 328 First Consultation Responses and Working Group Feedback

Attachment 3 – DCP 328 Consultation Response Form

Attachment 4 – Timeline and Party Obligations from DCP 158

Attachment 5 – DCP328 change proposal form

Attachment 6 – Example on how capacity and fixed charges are to be apportioned in the EDCM

Attachment 7 – Methodology models