

## Part A: Generic

DCUSA Change Proposal (DCP)		At what stage is this document in the process?
<h1>DCP 388:</h1> <h2>DCP Title: Amendments to Facilitate Appropriate Residual Charging for Sites with a Mix of Final and Non-Final Demand.</h2> <p><b>Date raised:</b> 13th April 2021</p> <p><b>Proposer Name:</b> Lee Stone</p> <p><b>Company Name:</b> E.ON Energy Solutions Limited</p> <p><b>Company Category:</b> Supplier</p>		<p><b>01 – Change Proposal</b></p> <p>02 – Consultation</p> <p>03 – Change Report</p> <p>04 – Change Declaration</p>
<p><b>Purpose of Change Proposal:</b></p> <p>The intent of this modification is to define “Mixed Demand” Sites and apply a proportionate Residual charge where a Site meets the mixed demand definition.</p>		
	<p><b>Governance:</b></p> <p>The Proposer recommends that this Change Proposal should:</p> <ul style="list-style-type: none"> <li>• be treated as a Part 1 Matter;</li> <li>• be treated as a Standard Change; and</li> <li>• proceed to the definition stage via a Working Group</li> </ul> <p>The Panel will consider the proposer’s recommendation and determine the appropriate route.</p>	
	<p>Impacted Parties: DNOs, IDNOs and Suppliers</p>	
	<p>Impacted Clauses: Schedule 32</p>	

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9	Recommendations		Other: Insert name
<b>Indicative Timeline</b>			 email address.
<b>The Secretariat recommends the following timetable:</b>			 telephone
Initial Assessment Report	21 April 2021		Other: Insert name
Consultation Issued to Industry Participants	TBC		 email address.
Change Report Approved by Panel	18 August 2021		 telephone
Change Report issued for Voting	20 August 2021		Other: Insert name
Party Voting Closes	10 September 2021		 email address.
Change Declaration Issued to Authority	14 September 2021		 telephone
Authority Decision	19 October 2021		Other: Insert name
			 email address.
			 telephone

## 1 Summary

In November 2019 OFGEM published its [decision and Impact Assessment on the Targeted Charging Review \(TCR\) Significant Code Review \(SCR\)](#) which outlined that residual charges should be recovered from final demand consumers and be fixed charges. Section 3.58 of the direction outlined a number of aspects that network licensees should consider and states:

“Network licensees, or the DNOs or ESO only where specified, must consider and seek to identify the most appropriate arrangements in relation to the following aspects and develop modification proposals consistent with the SCR Decision Principles set out above in relation to:

- 1) *The frequency of the charge, considering a proposal of a p/site/day structure.*
- 2) *A mechanism for identifying which sites should be classified as final demand (as opposed to generation or intermediate demand) for the purpose of determining their applicable contribution to residual charges. An appropriate process must be established to assess and identify or, where a practical and proportionate approach cannot be identified, to robustly estimate sites with final demand for the purposes of residual charging. Industry should consider and build on thinking undertaken through development of the proposed solution being considered under CMP280 and CMP281 and DCP341 and DCP342, as well as considerations under the approach developed by the Low Carbon Contracts Company (LCCC) when estimating charges for a CfD generator and work undertaken by Elexon and the LCCC on how to charge Final Consumption, as they consider relevant. Where necessary, network licensees should also consider possible methodologies for robustly estimating sites with final demand, including potential numerical approaches such as considering the relative proportions of import to export at a site.*
- 3) *The approach to establishing appropriate and proportionate arrangements for residual charges for Independent Distribution Network Operator (IDNO) network customers, customers connected with private wires and complex sites, considering relative charging arrangements on IDNO networks and the customer’s voltage of connection.”*

DCUSA Change Proposal ([DCP 359: OFGEM Targeted Charging Review Implementation – Customers: Who should Pay?](#)) was brought forward to modify the DCUSA to introduce definitions for the new terms for ‘Final Demand’ and ‘Single Site’. The change report outlines that the workgroup de-scoped complex sites and private networks agreeing that [DCP328 - Use of system charging for private networks with competition in supply](#) is best placed to deal with those arrangements once DCP359 has been implemented. In its final decision on DCP 359, published on 30<sup>th</sup> September 2020, Ofgem outlined its reasons for decision:

*“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”.*

The intent of DCP328 is to ensure that use of system charging remains cost-reflective when supply competition on a private network is in place. Since recommencing after a short delay, the scope of this modification has not changed so only addresses private wires. It should also be noted that the term “complex site” in the of the TCR relates to sites that have a mix of final & non-final demand.

## What?

- 1.1 Further development is required to determine a consistent approach to the application of the residual charge over both transmission and distribution charging, ensuring mixed use sites are charged consistency over both codes. It should be noted CMP363 & CMP364: TNUoS Demand Residual charges for transmission connected sites with a mix of Final and non-Final Demand have

been raised by NGESO to clarify the TNUoS Demand Residual charging arrangements for transmission connected sites that have a mix of Final and non-Final Demand in the CUSC.

## Why?

1.2 This CP has been raised to enable DNOs to satisfy specific requirements set out in the TCR Direction. The DCUSA and the CUSC are increasingly likely to become inconsistent regarding the treatment of the residual charge over transmission and distribution, leading to inappropriate charging arrangements in terms of how the residual charge calculation is set out for mixed use sites over both transmission & distribution connections and to ensure that the network companies are fully compliant with Ofgem's TCR direction and SCR principles.

## How?

1.3 A 'Mixed Demand' definition should be introduced that clarifies that this is a combination of Final and Non-Final Demand. A Mixed Demand Site will have the Demand Residual methodology applied based on the sum of its Final and Non-Final demand. This will enable the Non-Final Demand to be excluded in the residual charge only if it is separately identifiable as part of a connection agreement and through the use of metering equipment.

## 2 Governance

### Justification for Part 1 Matter

2.1 This proposal is to address emerging residual charging variations between both distribution and transmission connected providers of reactive power and to ensure a consistent approach is taken for the treatment of mixed-use sites in accordance with the TCR direction.

### Requested Next Steps

- 2.2 This Change Proposal should:
- Be treated as a Part 1 Matter;
  - Be treated as a Standard Change; and
  - Proceed to a Working Group

## 3 Why Change?

3.1 This Change Proposal seeks to align the two codes by ensuring a consistent approach is developed for the treatment of the residual charge for mixed use sites over both transmission & distribution charging to ensure that the network companies are fully compliant with Ofgem's TCR SCR direction and principles.

## Part B: Code Specific Details

### 4 Solution and Legal Text

#### Legal Text

4.1 Create new definitions to the table contained in paragraph 8.2 of Schedule 32 as follows:

“Mixed Use Sites” shall be defined as Single Sites that meet both “Final Demand” and “Non-Final Demand” criteria, that final and non-final demand can be separately identified by metering and a certificate has been provided to the DNO/IDNO Party.

### 5 Code Specific Matters

#### Reference Documents

- 5.1 <https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp363-cmp364>  
[https://www.ofgem.gov.uk/system/files/docs/2019/12/full\\_decision\\_doc\\_updated.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/12/full_decision_doc_updated.pdf)

### 6 Relevant 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	Positive
<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	None
<input type="checkbox"/> 4 that, so far as is consistent with Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party’s Distribution Business	None

<input type="checkbox"/> 5 that compliance by each DNO Party with the Charging Methodologies facilitates compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None
<input type="checkbox"/> 6 that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	Positive
The fundamental benefit of this change to ensure consistency of treatment of final and non-final demand in relation to the definition of mixed use sites for Residual charges across transmission and distribution.	

## 7 Impacts & Other Considerations

7.1 The cross-code implications is minimal as this Change proposal aims to align the residual charging arrangements over the DCUSA I and the he CUSC.

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

7.2 This proposal does not affect the Access & Forward Looking Charges SCR however, it is making the implementation of the Targeted Charging Review SCR direction consistent between transmission and distribution.

### Does this Change Proposal Impact Other Codes?

- BSC
- CUSC
- Grid Code
- MRA
- SEC
- Other
- None

### Consideration of Wider Industry Impacts

7.3 This Change proposal aims to rectify issues that have been raised with the DCMDG prior to being raised as a proposal. Please see the minutes to DCMDG meeting 036 & 037 respectively.

## Confidentiality

7.4 This proposal is not confidential.

## 8 Implementation

### Proposed Implementation Date

8.1 As soon as practicable and in any case, no later than by 1 April 2022 in accordance with the TCR SCR direction.

## 9 Recommendations

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