

DCP359 defined Final Demand and Non Final Demand on a binary basis. Any demand on a site is a final demand customer unless it is to assist the generator (be it start up or general services associated with that stand alone generation)

DCP328 is using the same definitions (if there is a mix of generation or demand within the site it is classed as a Final Demand Site).

There is no distinction between a complex site or a private wire. A private wire with multiple customers of different usage be they demand or generation is no different to that of a complex site apart from the connection agreement.

The national terms of connection are with the private network owner and not directly with customers contained within them.

When you consider the ofgem definition of site this can apply equally to a complex site and a private wire site.

“One or a collection of buildings, structures or pieces of land in close geographical proximity, owned or occupied by one customer within a defined curtilage on one site, where each building, structure or piece of land serves the other in some necessary or reasonably useful way.”

The new DCP is introducing a new term of mixed demand. Effectively netting off the non final demand **if it is separately identifiable as part of a connection agreement and through the use of metering equipment**. If netting off it must be the connection agreement with the customer but is the metering settlement meeting or non settlement? Is this similar to the BSC discussion?

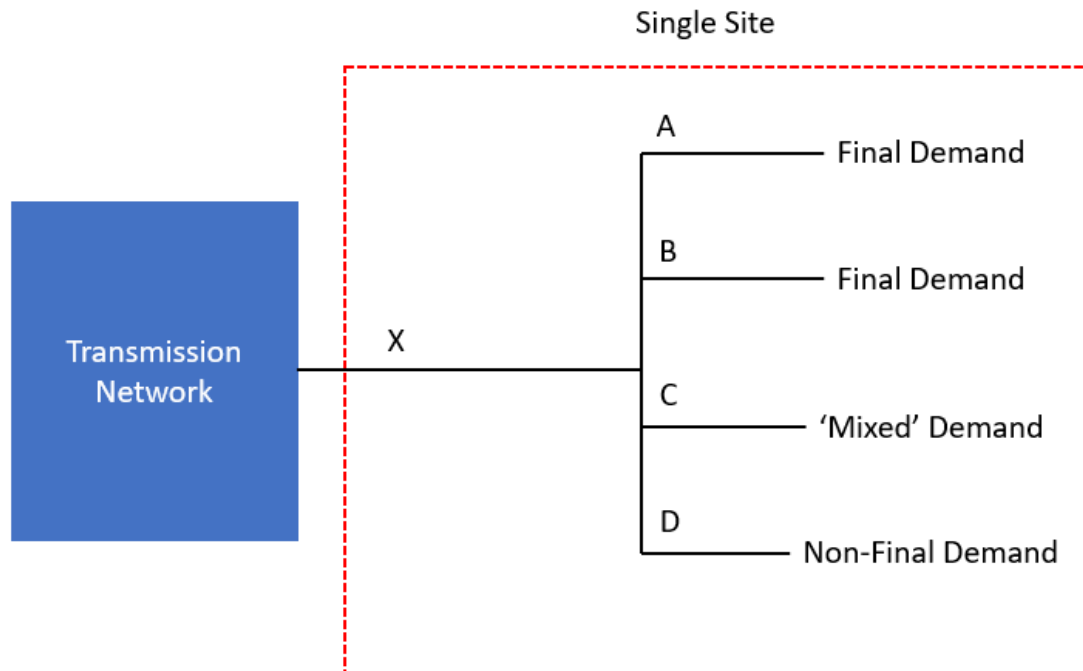
CUSC has also raised a change (CMP363) to cater for private wires and complex sites. **A Single Site with mixed demand will have the TNUoS Demand Residual methodology applied based only the sum of its Final and mixed demand. i.e. Non Final Demand will not be included if it is separately identifiable via a meter or BMU.**

Key driver is the Ofgem decision document para 3.58 (2)

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.

The counter argument is in para 37 1) Final demand: This must be defined as electricity which is consumed other than for the purposes of generation or export onto the electricity network. Generation only and storage only sites will therefore be exempt from 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 final demand for the purposes of residual charging.

1. Single Site with combination of Final and non-Final Demand



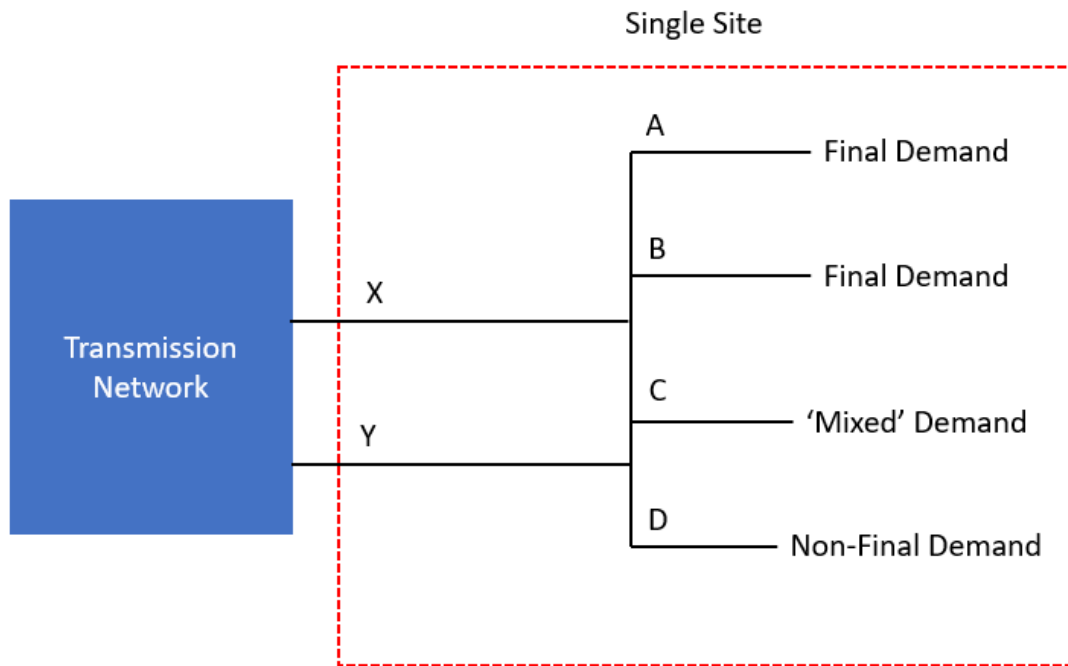
The above diagrams have been taken from the CUSC paper. The overall site is classed as a final demand site based on the current definitions. However, if x is the boundary metering point and either C or D has a supplier of choice is the difference metering approach still valid if Ofgem approve the new change proposal and the CUSC change proposal?

Similarly, on a fully settled site, even though D is a Non Final Demand site within a private network the connection agreement is with the private network owner and not the end consumer so based on the current legal text of Final Demand Site it would be classed in the round as a Final Demand Site for all of the consumers within the site and there is no way of netting off.

If the CUSC change and the new DCUSA change are approved what is the likely impact on this change if any?

With both the CUSC and the new DCUSA change following similar approaches this means DCP328 needs to consider its position and justification for its approach within the next consultation

2. Single Site with combination of Final and non-Final Demand and multiple connection points



With multiple feeder connections the approach is no different to above since in the difference metering approach the sites are still classed as Final Demand. Any netting off depends on which feeder A-D is connected to. Are there such connections with distributors as per the diagram or do each feeder have separate connections with a switchover connection should one feeder be down?

Direction issued by the Gas and Electricity Markets Authority (the Authority) to the holders of an electricity distribution licence in relation to the Significant Code Review under the Targeted Charging Review (21 November 2019)

Further arrangements

- 30) appropriate arrangements to develop the following:
- a. the frequency and relevant units of the fixed charge, considering a proposal of a pence/site/day structure;
 - b. the mechanism to identify which sites should be classified as final demand for the purposes of determining residual charges. In doing so, the DNOs must have regard to paragraph 3.55(2) of the TCR Decision;
 - c. any consequential changes that may be required in relation to residual charges for Independent Distribution Network Operators (IDNOs), consumers connected to private wire and complex sites, noting that the Authority expects that the IDNO charging regime (which operates via a Relative Price Control) to continue to function as it does today; and
 - d. the systems and processes to implement the Proposal(s). In doing so the DNOs must have regard to paragraph 3.55(4) of the TCR Decision.

- 12) The Proposal(s) must set out:

Final demand

- 13) that applicable residual charges must be applied to final demand consumers only.
- 14) the definition of 'final demand' is as follows "Final Demand means electricity which is consumed other than for the purposes of generation or export onto the electricity network". Therefore, generation only and storage only sites will not pay residual charges

Single site

- 15) that the residual fixed charge is to be levied on a single site basis.
- 16) the definition of 'site', having regard to paragraph 3.54 (10) of the TCR Decision

Targeted charging review: decision and impact assessment

3.34 We also set out further detail on aspects of our proposals. We indicated that:

By final demand, we explained that this meant electricity which is consumed other than for the purposes of generation or export onto the electricity network. In practice, this would exclude electricity imported from the grid which is necessary for the operation of generation or, in the context of storage, which is imported for the purposes of re-exporting, including any which may be lost through waste in doing so.

We confirmed that we considered a fixed residual charge should be applied on a per site basis as is currently the case for both CDCM and EDCM models. We had indicated this in the minded-to consultation and clarified further at the January Charging Futures Forum. We recognised that multiple meter points (known as MPANs) can sometimes be associated with a single site. In general, we said it was not our policy intention to apply multiple fixed charges to single sites.

3.38) Final demand, **complex sites** and unmetered supplies: Some respondents felt further clarity was needed on what is meant by 'final demand', to ensure that charges for complex sites are calculated correctly and applied fairly. **Some respondents emphasised charges should account for unlicensed generation and on site generation or storage, while others raised practicality concerns relating to how this demand would be identified.** One respondent noted the wide diversity of unmetered customers, noting any averaging would significantly impact those at the extremes. Another supported retaining the existing charging basis for unmetered customers.

3.54

10) Per site basis: A fixed charge is to be levied on a single site basis. An appropriate definition of a site should be established. A proposed definition of a site which should be considered when formulating the proposal is as follows: "One or a collection of buildings, structures or pieces of land in close geographical proximity, owned or occupied by one customer within a defined curtilage on one site, where each building, structure or piece of land serves the other in some necessary or reasonably useful way."

3.57. The network licensees must bring forward modification proposals which deliver the following specific requirements, as set out in the Direction published alongside this decision document -
1) Final demand: This must be defined as electricity which is consumed other than for the purposes of generation or export onto the electricity network. Generation only and storage only sites will therefore be exempt from 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 final demand for the purposes of residual charging.

3.58 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:

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

3.59. Through the consultation and assessment phases of the SCR, we have identified four specific issues which we believe merit further consideration. Accordingly, NGESO and the DNOs, engaging other industry parties as needed, are being directed to give proper consideration to each of the issues set out below whilst preparing and progressing modification proposals to implement the terms of the Directions. If, following such consideration and having regard to the SCR Decision Principles, NGESO and / or the DNOs are of the view that alternative modification proposals should be raised to address one or more of these issues then such alternative proposals must be raised. NGESO and the DNOs shall ensure that any alternative proposals raised are consistent with the SCR Decision Principles. The issues are as follows - 1. Distribution of users at high voltages:

We understand transmission-connected sites are likely to have a relatively narrow % range in size compared to other voltage levels, so our direction is for a single transmission band. But we are aware there may be small numbers of substantially smaller sites connected, for example as part of complex sites or private networks. Although agreed capacity data does not exist for these customers, it may be that a derived capacity level could better inform an assessment of the range of these customers. It is possible that this further analysis may suggest more than one charging band should apply at the transmission level

The ESO should consider the materiality of this potential issue, having regard to the SCR Decision Principles, and develop and bring forward alternative proposals to address any identified concerns, should they consider the range of transmission sites suggests that (as at other voltage levels) some degree of segmentation is warranted. This should include considering i) a similar basis for banding as at EHV, and alternatively ii) an exceptions mechanism to address very small or complex sites at transmission level.

DCP359 change report

Note: complex sites and private wires have been descope from this CP because the solution is likely to impact the forward-looking charge as well as the residual charge. The Working Group agreed that an existing change proposal (DCP328) is best placed to deal with this once this CP has been completed

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, 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 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.

DCP 359 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”.

New DCUSA change proposal

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 only if it is separately identifiable as part of a connection agreement and through the use of metering equipment.

Proposed definition

"Mixed Use Sites" shall be defined as sites that meet both "Final Demand" and "Non-Final Demand" criteria and a certificate has been provided to the DNO/IDNO Party.

CMP363 change proposal

What is the proposer's solution?

The proposal is to update CUSC Section 14 along with supporting modification CMP364 which updates CUSC Section 11 so that the following points are clear;

1. The Charging methodology explicitly states that if there is 'mixed demand' (combination of Final and non-Final Demand), it will be treated as Final Demand.
2. A Single Site with mixed demand will have the TNUoS Demand Residual methodology applied based only the sum of its Final and mixed demand. i.e. Non Final Demand will not be included if it is separately identifiable via a meter or BMU.
3. The charge is applied on a Single Site basis irrespective of the number of connection points that site may have to the transmission network or other networks. Applicability of the methodology will be based on the sum of all connection points to the transmission network.
4. Transmission connected unlicensed networks will have no special treatment in the TNUoS methodology and so will be treated as transmission connected. To be classed as 'embedded', a Site would need to be connected to the Transmission System via a licensed distribution network