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Date: 1 April 2021

Dear Matthew,

Decision on request of a third party for designation to raise a DCUSA modification proposal

We have received your email dated 17 February 2021 requesting that the Authority designate Welsh Power Group Limited ("Welsh Power") to raise a Distribution Connection and Use of System Agreement (DCUSA) modification proposal. This request is in relation to the raising of a specific proposal entitled '*Amendment to definition of Non-Final Demand Site to align with CUSC*'. The intent of the draft proposal is to align the definitions of 'Final Demand' in the DCUSA with the CUSC in respect to the exclusion of reactive power assets from paying demand residual charges.

Distribution Licence SLC 22.5a sets out those parties that may make proposals to modify the DCUSA. This includes "such other persons or bodies as may be designated by the Authority". In respect of the DCUSA Charging Methodologies, the scope of this provision is further set out in SLC 22A.18, which specifies that 'proposals for modifying a Relevant Charging Methodology may be raised by (a) any Authorised Electricity Operator; or (b) any other person whose interests are materially affected by the Relevant Charging Methodology'. This is repeated in DCUSA clause 10.2.4.

Background

This modification has been proposed in response to the decision we made on DCP359 in which we said '*We note that one of the options for one of the equivalent CUSC modification [CMP334] would exclude reactive power providers from residual charges. In the event that*

we were to approve that proposal, it would be open to industry parties to bring forward a further modification proposal to the DCUSA to align the treatment under both codes, if appropriate'.¹

We approved the CUSC modification CMP334² which will exclude reactive power providers from residual charge and we understand the intention of the modification is to align the DCUSA with the CUSC as set out above.

We note that there is support from the members of the Distribution Charging Methodology Development Group for this modification to proceed.

Our Decision

We have considered your request and have decided to grant Welsh Power the designation required to raise this modification proposal. The reasons for this include:

- We are satisfied that the interests of Welsh Power are materially affected by the DCUSA charging methodology as set out in DCUSA clause 10.2.4. We note that Welsh Power has stated that it is one of very few providers of reactive power connected to the distribution network and would be directly impacted by the proposed change to the charging methodology. This particular issue concerns non-code parties, such as Welsh Power, and we therefore consider it appropriate to grant this permission in order that they can propose a modification.

For the avoidance of doubt, in granting permission for this modification to be raised, we have made no assessment of the merits of the proposal and nothing in this letter in any way fetters our discretion in respect of the proposal.

Decision notice

Pursuant to DCUSA clause 10.2 and Distribution Licence conditions SLC 22.5a and 22A.18, for the reasons set out above, the Authority hereby designates Welsh Power Group Limited, to raise a modification proposal entitled '*Amendment to definition of Non-Final Demand Site to align with CUSC*' in accordance with the DCUSA modification rules.

Yours sincerely,

Harriet Harmon

Head of Electricity Network Charging
Energy Systems Management & Security

¹ Our decision on DCP359 https://www.ofgem.gov.uk/system/files/docs/2020/09/dcp359_d.pdf

² <https://www.ofgem.gov.uk/system/files/docs/2020/11/cmp334d.pdf>