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| Modification proposal: | Distribution Connection and Use of System Agreement (DCUSA) DCP375 – Amendments to the Unmetered Supplies National Terms of Connection (DCP375) | | |
| Decision: | The Authority ¹ directs that this modification be made ² | | |
| Target audience: | DCUSA Panel, Parties to the DCUSA and other interested parties | | |
| Date of publication: | 15 December 2021 | Implementation date: | The next DCUSA standard release date following this decision |

Background

Currently, generators and suppliers trade electricity in the wholesale market in half-hourly periods, but most customers are settled on a 'non-half-hourly' basis, using usage estimates that are based on profiles of average customers and meter readings. There can be considerable variances between these estimates and actual usage.

Market-Wide Half-Hourly Settlement (MHHS) will utilise the potential of smart meters to send accurate signals to suppliers about the cost of serving their customers throughout each day. This will place incentives on suppliers to offer new tariffs and products that encourage more flexible use of energy and help consumers to lower their bills. This will increase competition and innovation in the market and reduce costs, with numerous benefits to consumers and to wider society. We estimate that it will bring net benefits for consumers of £1.6bn-£4.5bn over the period 2021-2045.³

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ See our [MHHS Final Impact Assessment](#) for full details.

The modification proposal

This Change Proposal will amend the National Terms of Connection (NTC) relating to unmetered supplies (UMS) by generalising the language used, especially those relating to terms used within the BSC and to clean up redundant clauses. The obligations are to be amended to make them generic in nature rather than specific to the non half-hourly or half-hourly market. In addition, some redundant historic clauses are considered for removal together with some housekeeping changes.

This change proposal is directly linked to the MHHS Significant Code Review (SCR), to facilitate implementation of half-hourly settlement for unmetered supplies, and should better facilitate General Objective 3 'The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences.' This is because the revisions to the NTCs will allow the proposed MHHS Target Operating Model (TOM) solution to be implemented for UMS and ensure a smooth transition between existing and new market roles.

DCUSA Parties' recommendation

In each party category where votes were cast (no votes were cast in the CVA Registrant party category),⁴ there was unanimous support for the proposal and for its proposed implementation date. In accordance with the weighted vote procedure, the recommendation to the Authority is that DCP375 is accepted. The outcome of the weighted vote is set out in the table below:

| DCP375 | WEIGHTED VOTING (%) | | | | | | | |
|---------------------|---------------------|--------|------------------------|--------|----------|--------|--------------------------------|--------|
| | DNO ⁵ | | IDNO/OTSO ⁶ | | SUPPLIER | | CVA ⁷ REGISTRANT | |
| | Accept | Reject | Accept | Reject | Accept | Reject | Accept | Reject |
| CHANGE SOLUTION | 100% | 0% | 100% | 0% | 100% | 0% | N/A | N/A |
| IMPLEMENTATION DATE | 100% | 0% | 100% | 0% | 100% | 0% | N/A | N/A |

⁴ There are currently no gas supplier parties.

⁵ Distribution Network Operator.

⁶ Independent Distribution Network Operator/Offshore Transmission System Operator.

⁷ Central Volume Allocation.

Our decision

We have considered the issues raised by the proposal and the Change Declaration and Change Report received on 24 September 2021. We have considered and taken into account the vote of the DCUSA Parties on the proposal which is attached to the Change Declaration. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the Applicable DCUSA objectives;⁸ and
- directing that the modification is approved is consistent with our principal objective and statutory duties.⁹

Reasons for our decision

We consider this modification proposal will better facilitate DCUSA objective (c) and has a neutral impact on the other applicable objectives.

Applicable DCUSA Objective (c) - the efficient discharge by the licensee of the obligations imposed upon it by its licence

We agree that these changes will facilitate the future changes required by market-wide half-hourly settlement for unmetered supplies. This will help licensees continue to meet their code and licence obligations in relation to the Market-wide Half-hourly Settlement SCR.

We note that discussion on the modification covered some concerns around the potential consumer impact if all customers were to be required to update their inventory on a monthly basis. However we consider that DCP375 has addressed this concern by only requiring updates on an annual basis unless the inventory has changed or an alternative schedule has been agreed.

⁸ The Applicable DCUSA Objectives are set out in Standard Licence Condition 22.2 of the Electricity Distribution Licence.

⁹ The Authority's statutory duties are wider than matters that the Parties must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

Decision notice

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, the Authority hereby directs that modification proposal 'DCP375: Amendments to the Unmetered Supplies National Terms of Connection' be made.

Rachel Clark

Deputy Director and Senior Responsible Owner for Electricity Settlement Reform

Signed on behalf of the Authority and authorised for that purpose