DCUSA

| DCUSA Consultation | At what stage is this document in the process? |
|---|---|
| # DCP 387: Amendment to the Definition of Non-Final Demand Site to Align with CUSC<br>*Date raised:* ***06 April 2021***<br>*Proposer:* ***Matthew Tucker***<br>*Company Name:* ***Welsh Power Group Limited***<br>*Company Category:* ***Designated Party*** | 01 – Change Proposal<br>02 – Consultation<br>03 – Change Report<br>04 – Change Declaration |

**Purpose of Change Proposal:**

To remove consumers of active power when this consumption is only for the provision of eligible services.

| | |
|---|---|
| | This document is a Consultation issued to DCUSA Parties and any other interested Parties in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 387.<br>Parties are invited to consider the questions set in section 10 and submit comments using the form attached as Attachment 1 to dcusa@electralink.co.uk by **04 August 2021.**<br>The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the CP to the Change Report phase. |
| | Impacted Parties: DNOs, IDNOs, Suppliers and CVA Registrants |
| | Impacted Clauses: Schedule 32 |


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DCUSA

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Any questions?

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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 | 21 April 2021 |
| Consultation issued to Parties | 14 July 2021 |
| Change Report issued to Panel | 08 September 2021 |
| Change Report issued for Voting | 17 September 2021 |
| Party Voting Ends | 08 October 2021 |
| Change Declaration issued to Authority | 12 October 2021 |
| Authority Decision | TBC |
| Implementation Date | TBC |



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# 1 Summary

## What?

1.1 On 21 November 2019 the Authority published its Targeted Charging Review (TCR) Significant Code Review (SCR) Decision (the 'TCR Decision')[1]. At the same time, the Authority Directed that Distribution Network Operators (DNOs) raise one or more modifications to the Distribution Connection and Use of System Agreement (the 'DCUSA'), to implement the TCR Decision on 01 April 2022 (the 'TCR Direction')[2].

1.2 A similar direction was given to National Grid Electricity System Operator (NGESO) to modify the Connection and Use of System Code (CUSC).

1.3 Paragraph 34 of the TCR Direction set out the Authority's expectation that a consistent approach was to be utilised across the charging arrangements to both the DCUSA and the CUSC:

> *"34. In preparing the Proposal(s), the DNOs must:*
>
> *a. work and cooperate with NGESO (who are subject to a similar direction to bring forward a proposal to modify the Connection and Use of System Code (CUSC) to give effect to the TCR Decision (the CUSC Direction)) to ensure that a consistent approach is taken to issues or matters common to both Directions and to facilitate the timely progression of their respective code modifications proposals. Issues or matters common to both Directions include but are not limited to i) final demand; ii) single site; and iii) the review of charging bands. Such co-operation might include (but would not be limited to) participation in the working groups for the modification proposals being developed under the respective Directions;*
>
> *b. include such modifications to Section 1A (Definitions and Interpretation) of DCUSA and any other associated provisions as required as a result of the Proposal(s); and*
>
> *c. have regard to (and to the fullest extent practicable comply with) the SCR Decision Principles as defined in paragraph 3.53 of the TCR Decision."*

1.4 A number of changes were raised to both the DCUSA and to the CUSC in order to implement Ofgem's TCR decision. Whilst efforts were made to ensure consistency of solutions developed for both distribution and transmission, a divergence has arisen with respect to the arrangements for providers of reactive power services. This change proposal, DCP 387 has been raised to align the DCUSA with Workgroup Alternative CUSC Modification Proposal (WACM)1 associated with CMP334.

[1] https://www.ofgem.gov.uk/publications-and-updates/targeted-charging-review-decision-and-impact-assessment
[2] https://www.ofgem.gov.uk/system/files/docs/2019/11/dcusa_direction_1.pdf


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1.5 The specifics of the divergence are detailed further in section 3 below, however, there appears to be no reason why providers of reactive power services connected to the transmission system are not subject to residual charges, whereas such providers connected to the distribution system are liable to such charges. This proposal would standardise the treatment of such users.

## Why?

1.6 The DCUSA Change Proposals were approved by Ofgem in September 2020 and more specifically, in the document setting out Ofgem's decision to approve DCP 359 '*Targeted Charging Review Implementation – Customers: Who should Pay?*'[3] [4] the following was noted:

> *"We note that one of the options for one of the equivalent CUSC modification 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. Please note that nothing in this decision in any way fetters our discretion with respect to our decision on those CUSC modification proposals."*

1.7 In November 2020, the Authority also approved the equivalent CUSC Modification Proposal (CMP) *CMP334: 'Transmissions Demand Residual – consequential definition changes (TCR)'*[5]. Like DCP 359, CMP334 also sought to define the terms to determine 'Final Demand' on a 'Site' basis in a manner that was consistent with both the TCR definition as well as those which had been proposed for implementation into the DCUSA.

1.8 During the workgroup stage of CMP334, the Proposer raised WACM1, to expand the definition of 'Non-Final Demand Site' to include sites that import active power from the transmission network solely for voltage support, defined as an 'Eligible Services Facility'.

1.9 In their decision[6] to approve WACM1 associated with CMP334, Ofgem stated:

> *"Following the Workgroup Consultation, a number of respondents raised concerns about the definition of 'Final Demand' in the Original Proposal. Their concern was that the proposal would treat some market participants, which are not final users of electricity as 'Final Demand', making them liable for the TDR. Specifically, they argued that users that solely provide reactive power services for voltage support should not be captured within the 'Final Demand' definition and should be excluded from paying the TDR.*
>
> *The Proposer raised an alternative proposal to the Workgroup to address this. The Workgroup agreed to support the Workgroup Alternative CUSC Modification ('WACM1'). WACM1 proposes that a specific type of service provider (those providing 'Eligible Services') would not be liable to*

[3] https://www.ofgem.gov.uk/publications-and-updates/dcp359-ofgem-targeted-charging-review-tcr-implementation-customers-who-should-pay
[4] https://www.dcusa.co.uk/change/ofgem-targeted-charging-review-implementation-customers-who-should-pay/
[5] https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp343-and-cmp340
[6] https://www.ofgem.gov.uk/publications-and-updates/cmp334-transmission-demand-residual-consequential-definition-changes


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*pay the TDR. This would be achieved by amending the definition of 'Final Demand Site' and 'Non-Final Demand Site' such that those 'Single Sites' that import 'Active Power' from the transmission network solely for voltage support would be excluded from paying the TDR. This would mean that users that solely import active power for voltage support ('reactive power assets' for the purpose of this document) would be excluded from paying the TDR."*

1.10 With the approval of CMP334, the DCUSA and the CUSC are now inconsistent as to who is exempt from the residual charge. At the transmission level, providers of reactive power are not liable for the transmission residual. At the distribution level, providers of reactive power are liable for the distribution residual. There is no reason why this differential should exist. There is also a distortion in competition between reactive power assets that are currently obliged to pay the residual component of distribution charges and other competitors that will not be charged as of 01 April 2022.

1.11 Competition is being distorted between transmission-connected sources of reactive power and distribution-connection sources of reactive power. The specifics of the divergence are detailed further in section 3 below.

### How?

1.12 The definition of "Non-Final Demand site" contained in Schedule 32 'RESIDUAL CHARGING BANDS' is amended to include an "Eligible Services Facility". This would then enable the owner of such a site to certify that it should be excluded from the liability to pay distribution residual charges. It would also be necessary to add a definition of "Eligible Services' and "Eligible Services Facility".

**Question 1: Do you understand the intent of the Change Proposal?**

## 2 Governance

### Justification for Part 1 Matter

2.1 This proposal is to address a distortion that exists between distribution and transmission connected providers of reactive power services. As such, it affects competition between providers of reactive power services and should therefore be treated as a Part 1 Matter.

### Next Steps

2.2 The Working Group will review the responses to this consultation and then work to finalise the solution and producing a Change Report.

## 3 Why Change?

3.1 As noted in section 1 above, following Ofgem's decision on the TCR, a number of changes were raised to implement the decision and it was DCP 359: '*Ofgem Targeted Charging Review Implementation – Customers: Who should Pay?'* which was brought forward to modify the DCUSA to introduce new defined terms as specified in the decision document. Specifically, DCP 359 introduced the terms 'Final Demand', Single Site' and an additional defined term to tie the two together, namely 'Final Demand Site'. The Proposal stated that all sites with metered import consumption shall be considered a Final Demand Site, and therefore liable for a fixed residual charge, unless they meet the criteria to be classed as a 'Non-


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Final Demand Site'. This was intended to capture stand-alone storage and generator sites. DCP 359 was approved by the Authority in September 2020.

3.2 NGESO raised modification CMP334: *'Transmissions Demand Residual – consequential definition changes (TCR)'* on 16 January 2020, to incorporate definitions relevant for the proposals set out in CMP343, as a consequential modification. CMP334 sought to define the terms to determine 'Final Demand' on a 'Site' basis in a manner which is consistent with the TCR Direction and the Distribution Connection and Use of System Agreement (DCUSA). It was progressed as part of a Joint Workgroup alongside the equivalent proposed modification to distribution residual charges (DCP 359).

3.3 CMP334 identified which customers are liable for a residual charge at transmission level. In line with the TCR Direction, the Original Proposal would amongst other things introduce new defined terms for 'Final Demand' and 'Single Site'. It would also:

3.4 Following the Workgroup Consultation, a number of respondents raised concerns about the definition of 'Final Demand' in the Original Proposal. Their concern was that the proposal would treat some market participants, which are not final users of electricity as 'Final Demand', making them liable for the residual charge at transmission level. Specifically, they argued that users that solely provide reactive power services for voltage support should not be captured within the 'Final Demand' definition and should be excluded from paying the residual charge at transmission level.

3.5 The Proposer raised an alternative proposal to the Workgroup to address this. The Workgroup agreed to support WACM1. WACM1 proposed that a specific type of service provider (those providing 'Eligible Services') would not be liable to pay the residual charge at transmission level. This would be achieved by amending the definition of 'Final Demand Site' and 'Non-Final Demand Site' such that those 'Single Sites' that import 'Active Power' from the transmission network solely for voltage support would be excluded from paying the TDR. This would mean that users that solely import active power for voltage support ('reactive power assets' for the purpose of this document) would be excluded from paying the residual charge at transmission level.

3.6 In November 2020, the Authority approved CMP334 WACM1 and in their decision document, Ofgem stated:

> *"We note that the exclusion for reactive power assets from paying the TDR would not extend to the equivalent Distribution Use of System (DUoS) residual charge. In our decision on DCP359, we noted that it would be open to DCUSA Parties to bring forward a further modification proposal to align the two codes in this respect (if we were to approve the WACM)."*

3.7 This proposal seeks to align the two codes by amending the definition of Non-Final Demand Site to include those sites providing voltage support services by adding the concepts of 'Eligible Services' and 'Eligible Services Facility'.

3.8 There appears to be no reason why providers of reactive power connected to the transmission system are not subject to residual charges, whereas such providers connected to the distribution system are liable to such charges. This proposal would standardise the treatment of such users.

**Question 2: Are you supportive of the principles that support this CP, which is to address distortion that exists between distribution and transmission connected providers of reactive power services?**


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# 4 Working Group Assessment

## DCP 387 Working Group Assessment

4.1 The DCUSA Panel established a Working Group to assess/develop the DCP 387. This Working Group consists of representatives from DNOs, Suppliers, IDNOs, Generators and National Grid Electricity System Operator (NGESO) as well as observers from a consultancy and Ofgem. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.

4.2 The Working Group developed this consultation document to gather information and feedback from market participants on this CP.

## Additional Background to DCP 387

4.3 To start the process of refining and developing the solution for DCP 387, the Working Group gave consideration to the reason why the change had been raised. The Working Group noted the reference to a differential in the newly introduced definition of 'Non-Final Demand Site' between the CUSC and the DCUSA. What wasn't clear, was how the divergence was allowed to come about, when the intent of both the DCP 359 Working Group and the CMP334 Workgroup had been to develop a consistent solution.

4.4 The Working Group hypothesised that the divergence was likely related to the fact that the timelines associated with the development phase of DCP359 and CMP334 became out of sync towards the end. However, it was agreed that some investigation should be carried out to confirm whether there had been any responses received with respect to the consultation issued for DCP359 and if there had been, what that Working Group had determined at the time.

4.5 The result of the investigation uncovered two respondents to the consultation had indeed raised a point regarding the treatment of such sites and that paragraph 6.15 of the DCP 359 Change Report provides the reason why a solution wasn't developed at that time. The applicable text from the abovementioned paragraph is provided below:

> *"….the suggestion to include any device that consumes electricity but has the sole purpose of maintaining or improving the network voltage (Ancillary Services) should be treated in the same way as a generator or energy storage device was discounted as out of scope of this CP."*

4.6 Whilst it was understood that the divergence was almost certainly related to the above, there was a question on whether the timelines associated with the development phase of DCP359 and CMP334 became out of sync towards the end. Therefore, the Working Group agreed to include a timeline of events associated with the development of both DCP 359 and CMP334. The table below captures the main events for each group up to the same point in time and shows that the divergence wasn't fully attributable to the timelines for the changes.


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| Date | DCP 359 Activity | CMP334 Activity |
|---|---|---|
| 30 January 2020 | DCP 358/359/360/361 Joint WG | - |
| 04 February 2020 | DCP 359 Working Group Meeting | - |
| 20 February 2020 | DCP 359 Working Group Meeting | - |
| 02 March 2020 | DCP 359 / CMP 334 Joint Working Group Meeting | DCP 359 / CMP 334 Joint Working Group Meeting |
| 11 March 2020 | DCP 359 / CMP 334 Joint Working Group Meeting | DCP 359 / CMP 334 Joint Working Group Meeting |
| 20 March 2020 | DCP 359 Consultation Issued | CMP 334 Consultation Issued |
| 20 April 2020 | DCP 359 / CMP 334 Joint Working Group Meeting | DCP 359 / CMP 334 Joint Working Group Meeting (a potential WACM was first discussed) |
| 21 April 2020 | DCP 359 / CMP 334 Joint Working Group Meeting | DCP 359 / CMP 334 Joint Working Group Meeting |
| 28 April 2020 | DCP 359 legal text issued to legal advisors for review (solution development ends) | - |
| 07 May 2020 | DCP 359 Working Group Meeting (reviewed comments from legal advisor and Change Report) | CMP 334 Working Group Meeting (agreed to proceed with original solution and WACM1) |
| 13 May 2020 | Issued DCP 359 Change Report to DCUSA Panel | CMP 334 Working Group Meeting |
| 20 May 2020 | DCUSA Panel approved Change Report to progress to the Party voting phase | CMP 334 Modification Report issued to CUSC Panel |
| 29 May 2020 | | CUSC Panel approved Modification Report to progress to the Code Administrator consultation phase |

4.7 As can be seen in the table, it was only after the consultation period for both changes that a WACM was introduced, and it was at this point that the respective Working Groups made different decisions regarding their proposed solutions.

## DCP 387 Solution Development

4.8 The Working Group reviewed the information contained in the Change Proposal form, including the proposed legal text that had been included. It was noted that DCP 387 proposes to introduce two new definitions under paragraph 8.1 of Schedule 32, which for reference, are set out below:

| | |
|---|---|
| **Eligible Services** | shall mean any Balancing Service or Ancillary Service which imports or exports Reactive Energy but does not result in the production or export of any Active Power to the distribution grid. |
| **Eligible Services Facility** | for the purposes of DCUSA section 32 shall mean a Single Site that can only and solely provide Eligible Services to a |


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| | |
|---|---|
| | DNO and does not undertake Electricity Storage or Electricity Generation or consume any Active Power other than for the provision of the Eligible Services. |

***Eligible Services***

4.9 The Working Group determined that as proposed, the definition for 'Eligible Services' needed some refinement for it to work as intended and therefore set out to make the necessary amendments such that it would work as intended.

4.10 It was noted that the definition included what appeared to be capitalised terms that were not defined in the DCUSA or were defined but only applicable to a certain Schedule. These terms were:

- Balancing Service;
- Ancillary Service;
- Reactive Energy; and
- Active Power.

4.11 The Working Group agreed to add the terms 'Balancing Service' and 'Ancillary Service' as defined terms in Schedule 32, and also agreed that these should be aligned as closely as possible to the same defined terms in the CUSC. Following a review of the defined terms in the CUSC, the Working Group concluded that following definitions should be used with respect to the abovementioned terms:

| | |
|---|---|
| **Ancillary Services** | has the meaning to that term in the CUSC. |
| **Balancing Services** | has the meaning to that term in the Transmission Licence |

4.12 In agreeing that the term 'Active Power' should be added as a defined term in the list of defined terms in Schedule 32, it was noted that the term was only used in Schedules 17 and 18 of the DCUSA currently. Therefore, it was considered prudent to retain the existing definition for 'Active Power' and to add to the list of defined terms in Schedule 32. The proposed definition is set out below:

| | |
|---|---|
| **Active Power** | the product of the voltage, current and cosine of the phase angle between them, measured in watts. |

4.13 With respect to the term 'Reactive Energy' the Working Group noted that term was not currently defined in the DCUSA, although the term 'Reactive Power' is defined in Schedules 17 and 18 as *"The product of the voltage and current and the sine of the phase angle between them, measured in units of voltamperes reactive.".*

4.14 Following some discussion on whether to use the term *'Reactive Power'* or *'Reactive Energy'* the Working Group agreed to retain *'Reactive Energy'* as this aligns to what is contained in the CUSC and was set out in CMP334. For the definition itself, the Working Group agreed to mirror what was contained in the CUSC, which is set out below:

| | |
|---|---|
| **Reactive Energy** | has the meaning to that term in the Balancing & Settlement Code |


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4.15 The Working Group are seeking views on whether industry believe their proposed definitions for 'Ancillary Service', 'Balancing Service', 'Active Power' and 'Reactive Energy' are appropriate for what DCP 387 is seeking to achieve.

**Question 3: Do you agree with the Working Groups proposed definitions for 'Ancillary Service', 'Balancing Service', 'Active Power' and 'Reactive Energy'? Please provide the rationale behind your response.**

4.16 Finally, the Working Group turned their thinking to the definition of 'Eligible Services' and in the first instance decided to compare what was developed under CMP334 and has since been implemented into the CUSC. The CUSC definition for 'Eligible Services' is set out below:

| | |
|---|---|
| ***Eligible Services*** | *Shall mean any **Balancing Service** or **Ancillary Service** which imports or exports **Reactive Energy** but does not result in the production or export of any **Active Power** to the **NETS**.* |

4.17 The Working Group noted that the only difference between the CUSC definition and the version contained in the Change Proposal form for DCP 387 was that 'NETS' had been replaced by 'distribution grid'. The consensus of the Working Group was that the words 'distribution grid' were not in keeping with the language used throughout the DCUSA and had no assigned meaning. The Working Group were also of the view that the minor divergence from the definition contained in the CUSC was necessary in order to make it applicable for the purposes of the DCUSA. Therefore, the Working Group agreed that replacing the words 'distribution grid' with 'DNO/IDNO Party's Distribution System' would better align to the terminology used in Schedule 32.

4.18 The Working Group's proposed definition for Eligible Services is:

| | |
|---|---|
| **Eligible Services** | shall mean any Balancing Service or Ancillary Service which imports or exports Reactive Energy but does not result in the production or export of any Active Power to the DNO/IDNO Party's Distribution System. |

4.19 The Working Group are seeking views on whether industry believe their proposed definition for 'Eligible Services' is appropriate for what DCP 387 is seeking to achieve.

**Question 4: Do you believe that the Working Groups proposed definition of 'Eligible Services' is appropriate for what DCP 387 is seeking to achieve? Please provide the rationale behind your response.**

### ***Eligible Services Facility***

4.20 As a point of reference, the Working Group decided to compare what was developed under CMP334 and has since been implemented into the CUSC. The CUSC definition for 'Eligible Services Facility' is set out below:

| | |
|---|---|
| ***Eligible Services Facility*** | *For the purposes of CUSC Section 14 shall mean a **Single Site** that can only and solely provide **Eligible Services** to **The Company** and does not undertake **Electricity Storage** or **Electricity Generation** or consume any **Active Power** other than for the provision of the **Eligible Services**.* |


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4.21 The Working Group noted that there were a couple of differences between the CUSC definition, and the version contained in the Change Proposal form for DCP 387. These differences were the inclusion of the wording at the beginning, being '*for the purposes of DCUSA section 32 shall'* and that the CUSC definition referred to '*The Company*' which had been replaced by '*DNO*'.

4.22 The Working Group agreed to remove *'for the purposes of DCUSA section 32 shall'* as the definition is housed in Schedule 32 and therefore the inclusion of such wording was unnecessary.

4.23 The consensus of the Working Group was that the original reference to services being provided to a '*DNO*' should be broadened to include both DNOs and IDNOs as well as the National Electricity Transmission System Operator (NETSO). It was noted that this was because there are sites that are due to come online in the future, which will be connected to the distribution network but whose sole purpose will be to provide a very specific service to the NETSO and also not to preclude a future scenario where such a site may provide the same service a DNO or IDNO.

4.24 The Working Group were also of the view that the small divergence from the definition contained in the CUSC was necessary in order to make it applicable for the purposes of the DCUSA.

4.25 Therefore, the Working Group's proposed definition for Eligible Services Facility is:

| | |
|---|---|
| **Eligible Services Facility** | means a Single Site that can only and solely provide Eligible Services to a DNO/IDNO Party or to the National Electricity Transmission System Operator and does not undertake Electricity Storage or Electricity Generation or consume any Active Power other than for the provision of the Eligible Services. |

4.26 The Working Group are seeking views on whether industry believe their proposed definition for Eligible Services Facility is appropriate for what DCP 387 is seeking to achieve.

**Question 5: Do you believe that the Working Groups proposed definition of 'Eligible Services Facility' is appropriate for what DCP 387 is seeking to achieve? Please provide the rationale behind your response.**

# 5 Code Specific Matters

## Reference Documents

5.1 Attachment 4: Ofgem letter dated 1st April 2021 on their decision on request of a third party for designation to raise a DCUSA modification proposal.

# 6 Solution and Legal Text

6.1 Amend the definition of "Non-Final Demand Site" and add two supporting definitions with an additional four definitions for terms to specify the scope of the new terms.

## Legal Text

6.2 Amend definition of "Non-Final Demand Site" as contained in paragraph 8.2 of Schedule 32, by the addition of paragraph (b) "or is an Eligible Services Facility"


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| | |
|---|---|
| **Non-Final Demand Site** | is a Single Site at which either or both Electricity Storage and/or Electricity Generation occurs (whether the facility(ies) at the site are operating or being commissioned, repaired or decommissioned), and that:<br>(a) has an export MPAN and an import MPAN with associated metering equipment which only measures export from Electricity Storage and/or Electricity Generation and import for or directly relating to Electricity Storage and/or Electricity Generation (and not export from another source and/or import for another activity); or<br>(b) is an Eligible Services Facility; and<br>(i) if registered in an MPAS Registration System, is subject to certification from a Supplier Party that the site meets the criteria in paragraph (a) above, which certificate has been provided to the DNO/IDNO Party; or<br>(ii) if registered in CMRS, is subject to certification from the Customer (or its CVA Registrant) that the site meets the criteria in paragraph (a) above, which certificate has been provided to the DNO/IDNO Party. |

6.3 Add the following definitions to the table contained in paragraph 8.2 of Schedule 32:

| | |
|---|---|
| **Active Power** | the product of the voltage, current and cosine of the phase angle between them, measured in watts. |
| **Ancillary Services** | has the meaning to that term in the CUSC. |
| **Balancing Services** | has the meaning to that term in the Transmission Licence |
| **Eligible Services** | shall mean any Balancing Service or Ancillary Service which imports or exports Reactive Energy but does not result in the production or export of any Active Power to the DNO/IDNO Party's Distribution System. |
| **Eligible Services Facility** | means a Single Site that can only and solely provide Eligible Services to a DNO/IDNO Party or to the National Electricity Transmission System Operator and does not undertake Electricity Storage or Electricity Generation or consume any Active Power other than for the provision of the Eligible Services. |
| **Reactive Energy** | has the meaning to that term in the Balancing & Settlement Code |


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## Text Commentary

6.4 The proposal seeks to replicate the process and wording that was agreed by Ofgem when it approved WACM1 of CMP334. This would allow a provider of "Eligible Services" to certify as such, and therefore avoid residual charges in the way that generation only and storage only sites will be able to do.

**Question 6: Do you have any comments on the draft legal text for DCP 387?**

# 7 Relevant Objectives

## Assessment Against the DCUSA Objectives

7.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. There are five General Objectives and six Charging Objectives. The full list of objectives is documented in the DCUSA.

7.2 The rationale provided by the Proposer as to which of the following DCUSA Objectives are better facilitated by DCP 387 is set out in the CP form, provided as Attachment 2 and also detailed below.

7.3 Competition is currently being distorted between transmission connected reactive power sites and distribution connected reactive power sites. Ofgem has long been concerned that there are competitive distortions between active generators, so the same would be true for reactive generators. The transmission version of this proposal (CMP334) has already been approved by Ofgem.

7.4 The list of DCUSA General Objectives is set out in the table below.

| DCUSA General Objectives | Identified impact |
|---|---|
| 1. The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks. | Positive |
| 2. The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity. | Positive |
| 3. The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences. | None |
| 4. The promotion of efficiency in the implementation and administration of the DCUSA. | None |
| 5. 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 |

**Question 7: Do you consider that DCP 387 better facilitates the DCUSA General Objectives?**

**If so, please detail which of the General Objectives you believe are better facilitated and provide supporting reasons.**

**If not, please provide supporting reasons.**


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# 8 Impacts & Other Considerations

8.1 It should be noted that the issue that DCP 387 seeks to resolve was raised with the Distribution Charging Methodologies Development Group (DCMDG) prior to being submitted into the formal DCUSA Change Control process.

## Significant Code Review (SCR) Impacts

8.2 This proposal does not affect an SCR as such. However, it is making the implementation of the Targeted Charging Review consistent between transmission and distribution.

## Impacts on other Industry Codes

8.3 The Proposer and Working Group agree that they do not believe there are any other cross-code implications other than bringing the DCUSA into line with the CUSC.

| | | | |
|---|---|---|---|
| BSC | ☐ | SEC | ☐ |
| CUSC | ☐ | Other | ☐ |
| Grid Code | ☐ | None | ☒ |
| MRA | ☐ | | |

## Environmental Impacts

8.4 In accordance with DCUSA Clause 11.14.6, the Working Group assessed whether there would be a material impact on greenhouse gas emissions if DCP 387 were to be implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

**Question 8: Are you aware of any wider industry developments that may impact upon or be impacted by this CP?**

## Engagement with the Authority

8.5 Ofgem has been fully engaged throughout the development of the CP as an observer of the Working Group and regular attendee of the TCR Implementation Steering Group and the DCMDG.

# 9 Implementation Date

9.1 The Proposer indicated their view that if approved, DCP 387 should be implemented as soon as practicable and in any case by no later than 01 April 2023, i.e., the next scheduled issuing of the DNO tariffs.

9.2 The Working Group considered this further and did not believe that a lead time for implementation to 01 April 2023 was required since there is no impact to tariffs and the models do not need to be updated as a consequence of this change. The Working Group agreed to seek industry views on a proposed implementation date, considering the necessary processes to obtain certification and ensure the correct tariffs can be applied from 01 April 2022.

**Question 9: What implementation date do you believe to be most appropriate for DCP 387?**


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# 10 Consultation Questions

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

| No. | Questions |
|---|---|
| 1 | Do you understand the intent of the CP? |
| 2 | Are you supportive of the principles that support this CP, which is to address distortion that exists between distribution and transmission connected providers of reactive power services? |
| 3 | Do you agree with the Working Groups proposed definitions for 'Ancillary Service', 'Balancing Service', 'Active Power' and 'Reactive Energy'? Please provide the rationale behind your response. |
| 4 | Do you believe that the Working Groups proposed definition of 'Eligible Services' is appropriate for what DCP 387 is seeking to achieve? Please provide the rationale behind your response. |
| 5 | Do you believe that the Working Groups proposed definition of 'Eligible Services Facility' is appropriate for what DCP 387 is seeking to achieve? Please provide the rationale behind your response. |
| 6 | Do you have any comments on the draft legal text for DCP 387? |
| 7 | Do you consider that DCP 387 better facilitates the DCUSA General Objectives?<br>If so, please detail which of the General Objectives you believe are better facilitated and provide supporting reasons.<br>If not, please provide supporting reasons. |
| 8 | Are you aware of any wider industry developments that may impact upon or be impacted by this CP? |
| 9 | What implementation date do you believe to be most appropriate for DCP 387? |
| 10 | Do you have any further comments on DCP 387? |

10.2 Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk **no later than, close of play on 04 August 2021**.

10.3 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.

# 11 Attachments

- Attachment 1 – DCP 387 Consultation Response Form
- Attachment 2 – DCP 387 Change Proposal Form
- Attachment 3 – DCP 387 Draft Legal Text
- Attachment 4 – Ofgem Designation Letter


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