

## Part A: Generic

DCUSA Change Proposal (DCP)		At what stage is this document in the process?
<h1>DCP 403:</h1> <h2>Clarify the application of the TCR fixed charge</h2> <p><b>Date Raised:</b> 14<sup>th</sup> April 2022  <b>Proposer Name:</b> Andy Pace  <b>Company Name:</b> HARTREE PARTNERS SUPPLY (UK) LIMITED  <b>Party Category:</b> Supplier</p>		<p><b>01 – Change Proposal</b></p> <p><b>02 – Consultation</b></p> <p><b>03 – Change Report</b></p> <p><b>04 – Change Declaration</b></p>
<p><b>Purpose of Change Proposal:</b></p> <p>The intent of this change proposal is to ensure backup connections do not pay the DUoS residual charge when it is already being paid for on another connection that relates to the same capacity.</p>		
	<p><b>Governance:</b></p> <p>The Proposer recommends that this Change Proposal should be:</p> <ul style="list-style-type: none"> <li>• Treated as a Part 1 Matter</li> <li>• Treated as an Urgent Change</li> <li>• Progressed to the Working Group phase</li> </ul> <p>The Panel will consider the proposer’s recommendation and determine the appropriate route.</p>	
	<p><b>Impacted Parties:</b></p> <p>Suppliers/DNOs/IDNOs</p>	
	<p><b>Impacted Clauses:</b></p> <p>Schedule 32</p>	

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Indicative Timeline		
<b>The Secretariat recommends the following timetable:</b>		
Initial Assessment Report	26 April 2022	
Consultation Issued to Industry Participants	TBC	
Change Report Approved by Panel	19 October 2022	
Change Report issued for Voting	21 October 2022	
Party Voting Closes	11 November 2022	
Change Declaration Issued to Parties	15 November 2022	
[Change Declaration Issued to Authority]	15 November 2022	
[Authority Decision]	TBC	

# 1 Summary

## What?

1.1 The criteria for applying the residual charge is to a single site which is defined by a single connection agreement. In some cases, there are sites which import power via multiple connection points and have separate connection agreements in place for each point of connection. However, where the capacity is limited in aggregate (ie one of the connections is considered as backup) it is not reasonable for the customer to pay the residual element on all connections. Ofgem commented on this scenario in their decision<sup>1</sup> on the Targeted Charging Review (TCR) as follows:

9) **Redundant connection capacity:** The process for setting and allocating users to charging bands, for the purposes of calculating the level of fixed charge to apply to a site, should recognise circumstances where a customer retains connection capacity to a site for redundancy purposes only. Redundancy here refers to circumstances where a connection is unused other than when an alternative connection to a customer's site is unavailable. This must be clearly demonstrated, supported by documentary evidence to show that the capacity is not used in parallel with the other connection and the capacity of the primary connection(s) is / are not exceeded. In such cases, total consumption volumes across all connections should be combined for the purposes of allocation of residual charges. A process should be devised where this can be accounted for.

## Why?

1.2 We do not believe that the Ofgem decision has been implemented correctly as the TCR solution within DCUSA only applies where one connection agreement covers the main connection and backup connection. There are many cases where this is not the case, and it is not always practical for multiple connection agreements to be amalgamated into one agreement. Furthermore, when a customer imports via a private network but maintains a backup connection to the DNOs network, the capacity is only reserved once but under the current arrangements will be paid for twice. If this change is not made, there will be sites across GB that are effectively double charged for the residual element of DUoS for the same capacity reserved on the DNO's network.

## How?

1.3 It is proposed that the definition of a non-final demand site is extended to include redundant capacity.

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<sup>1</sup> <https://www.ofgem.gov.uk/publications/targeted-charging-review-decision-and-impact-assessment>

## 2 Governance

### Justification for Part 1 and Part 2 Matter

#### Requested Next Steps

2.1 This Change Proposal should:

- Be treated as a Part 1 Matter;
- Be treated as an Urgent Change; and
- Proceed to the Working Group phase.

2.2 Originally, we had envisaged that this Change Proposal should have been implemented by 1<sup>st</sup> April 2022 as this is when the new rules regarding the TCR were implemented for DUoS. However, as this date has now passed, we believe that this needs to be addressed urgently. We note that one way around this would be to allow the solution (if approved) to be implemented retrospectively but this is generally not a preferred approach for DNOs due to the reconciliations required for eligible customers.

2.3 As set out in Clause 10.7A, we believe that the Change Proposal should be treated as urgent as it relates to a current issue that if not urgently addressed may cause significant adverse commercial impact upon non-domestic electricity consumers who utilise a backup connection. This is because without this change, both the main connection capacity and the redundant connection capacity will be liable for the residual fixed charge, whereas only a single residual fixed charge should be applied.

## 3 Why Change?

3.1 The principle behind the implementation of the TCR was to recover residual charges from final demand customers in a fair and equitable way. The DCUSA changes that implemented the TCR differentiated between final and non-final demand when determining which sites should pay this residual. A final demand site was defined as one with a single connection agreement.

3.2 Applying residual charges per connection agreement means that each site picks up its fair share of the residual in most cases. However, where there is redundant capacity (i.e. capacity reserved as backup for a customer) that is set down in a separate connection agreement, the implementation of the TCR means that a site will pay twice for the residual. Once on the connection agreement for the primary connection and again for the backup connection which are mutually exclusive connections in design.

3.3 In many cases, this means that customers are double charged for the residual element of DUoS even though the capacity reserved in the separate connection agreement relates to the same capacity. The capacity is effectively mutually exclusive. It can be taken from either connection, but the capacity in each connection agreement cannot be taken simultaneously, in aggregate.

- 3.4 A simple example is a site with two connection agreements. The first is for 10MVA and is the primary source of power for the site. The second connection agreement is backup and also for 10MVA. The site can therefore only import 10MVA at any point in time as the site will import from either the main connection or the backup connection. The site cannot import 20MVA and the DNO will only plan for 10MVA when undertaking system studies on their network.
- 3.5 The over-riding principle for applying the residual needs to be amended from a site with a single connection agreement to capacity reserved under one or more connection agreement. This will avoid sites being charged for the residual element of DUoS on backup connections which do not reserve additional capacity for the site and do not impose additional costs on the DNO.

## Part B: Code Specific Details

### 4 Solution and Legal Text

#### Legal Text

4.1 The current definition of “Non-Final Demand Site” will be amended as follows:

Is a single site which meets either of the criteria below:

1. 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:
  - 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); and
    - (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
    - (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.
2. is a Single Site where the Maximum Import Capacity specified in the connection agreement relates to capacity reserved under another connection agreement. For the avoidance of doubt, the main connection agreement which reserves the capacity will be defined as a Final Demand site and can be identified as the agreement under which the site generally imports power. If the sites which are defined as Non-Final Demand Sites reserve a larger capacity than the Final Demand Site which reserves the same capacity, then the following rules will be used to apply DUoS:
  - (i) The aggregated capacity for the Final Demand sites will be aggregated
  - (ii) The aggregated capacity for the Non-Final Demand sites will be aggregated

(iii) Where the aggregated capacity for the Non-Final Demand site is greater than the aggregated capacity of the Final Demand sites the excess capacity will be determined and split equally between the Non-Final Demand sites.

(iv) The Non-Final Demand sites will be re-classified as Final Demand and banded based on the allocation of the excess capacity as determined in step 3.

### Text Commentary

4.2 The amended legal text attempts to classify redundant capacity as non-final demand.

## 5 Code Specific Matters

### Reference Documents

5.1 An explanatory note is attached which describes a real world example where a site is paying the residual charge for redundant capacity. This note was originally provided to the TCR implementation steering group.

## 6 Relevant Objectives

	<b>DCUSA General Objectives</b>	<b>Identified impact</b>
<input type="checkbox"/>	1. The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	
<input type="checkbox"/>	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	
<input type="checkbox"/>	3. The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences	
<input type="checkbox"/>	4. The promotion of efficiency in the implementation and administration of the DCUSA	
<input type="checkbox"/>	5. Compliance with the EU Internal Market Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	

	<b>DCUSA Charging Objectives</b>	<b>Identified impact</b>

<input checked="" 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 checked="" 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 checked="" 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	Positive
<input checked="" 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	Positive
<input type="checkbox"/>	5. That compliance by each DNO Party with the Charging Methodologies facilitates compliance with the EU Internal Market Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators; and	Neutral
<input type="checkbox"/>	6. That compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	Neutral

6.1 This change proposal will better meet charging objectives 1, 2, 3 and 4 by producing DUoS charges that are more cost reflective and avoid charging the residual element of the fixed charge twice to sites for the same capacity. This is in line with the Ofgem TCR decision and therefore facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence (objective 1) and properly take account of developments in each DNO Party's Distribution Business (objective 4). The charges will be more cost reflective as a result of this change (objective 3) which will facilitate competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity (objective 3).

## 7 Impacts & Other Considerations

7.1 We note that if this change proposal is approved by the Authority an equivalent code change will need to be brought forward to amend which parties who are connected to the transmission network and are liable for the transmission demand residual element of Transmission Network Use of System (TNUoS) charges.

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

7.2 This change proposal impacts on the implementation of the TCR and this change affects who pays the residual charge.

## Does this Change Proposal Impact Other Codes?

- |                     |                                     |            |                          |
|---------------------|-------------------------------------|------------|--------------------------|
| BSC.....            | <input type="checkbox"/>            | SEC.....   | <input type="checkbox"/> |
| CUSC.....           | <input checked="" type="checkbox"/> | REC.....   | <input type="checkbox"/> |
| Grid Code.....      | <input type="checkbox"/>            | None.....  | <input type="checkbox"/> |
| Distribution Code.. | <input type="checkbox"/>            | Other..... | <input type="checkbox"/> |

## Consideration of Wider Industry Impacts

7.3 DCMDG and TCR implementation steering group.

## Confidentiality

7.4 Not required.

## 8 Implementation

### Proposed Implementation Date

- 8.1 If this Change Proposal is eventually approved, we suggest that implementation should occur at the earliest date possible, potentially utilising an extra-special release that would be set to 5 Working Days following Authority approval.
- 8.2 We do, however, note that there may be some processes that need to be put in place so that DNOs/IDNOs are able to account for these new arrangements. If this is the case, then we expect that the implementation date will need ensure these are taken into consideration.

## 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.*