




DCUSA Consultation		At what stage is this document in the process?
<h2>DCP 388:</h2> <h3>Amendments to Facilitate Appropriate Residual Charging for Sites with a Mix of Final and Non-Final Demand.</h3> <p>Date raised: 13th April 2021</p> <p>Proposer Name: Lee Stone</p> <p>Company Name: E.ON Energy Solutions Limited</p> <p>Company Category: Supplier</p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<p>Purpose of Change Proposal:</p> <p>The intent of this modification is to define “Mixed Demand” Sites and apply a proportionate Residual charge where a Site meets the mixed demand definition.</p>		
	<p>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 388</p> <p>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 May 2022</p> <p>The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the Change Proposal (CP) to the Change Report phase.</p>	
	Impacted Parties: DNOs, IDNOs, Suppliers and CVA Registrants	
	Impacted Clauses: Schedule 32	

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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
First Consultation issued to Parties	04 April 2022
Second Consultation issued to Parties	June 2022
Change Report issued to Panel	10 August 2022
Change Report issued for Voting	19 August 2022
Party Voting Ends	12 September 2021
Change Declaration issued to Authority	14 September 2022
Authority Decision	TBC
Implementation Date	TBC

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').
- 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 3.58 of the TCR Decision outlined a number of aspects that network licensees should consider and states:

“35.8 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:

1) The frequency of the charge, considering a proposal of a p/site/day structure.

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.”

- 1.4 DCUSA CP ([DCP 359: OFGEM Targeted Charging Review Implementation – Customers: Who should Pay?](#)) was brought forward to modify the DCUSA to introduce definitions for the new terms for 'Final Demand' and 'Single Site'. The change report outlines that the workgroup de-scoped complex sites and

¹ https://www.ofgem.gov.uk/system/files/docs/2019/12/full_decision_doc_updated.pdf

private networks agreeing that [DCP328 - Use of system charging for private networks with competition in supply](#) is best placed to deal with those arrangements once DCP359 has been implemented. In its final decision on DCP 359, published on 30th September 2020, Ofgem outlined its reasons for decision:

“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”.

- 1.5 The intent of DCP328 is to ensure that use of system charging remains cost-reflective when supply competition on a private network is in place. Since recommencing after a short delay, the scope of this modification has not changed so only addresses private wires. It should also be noted that the term “complex site” in the of the TCR relates to sites that have a mix of final & non-final demand.
- 1.6 It is therefore considered that further development is required to determine a consistent approach to the application of the residual charge over both transmission and distribution charging, ensuring mixed use sites are charged consistency over both codes. It should be noted that CMP363 & CMP364: TNUoS Demand Residual charges for transmission connected sites with a mix of Final and non-Final Demand have been raised by NGESO to clarify the TNUoS Demand Residual charging arrangements for transmission connected sites that have a mix of Final and non-Final Demand in the CUSC.

Why?

- 1.7 This CP has been raised to enable DNOs to satisfy specific requirements set out in the TCR Direction. The DCUSA and the CUSC are increasingly likely to become inconsistent regarding the treatment of the residual charge over transmission and distribution, leading to inappropriate charging arrangements in terms of how the residual charge calculation is set out for mixed use sites over both transmission & distribution connections and to ensure that the network companies are fully compliant with Ofgem’s TCR direction and SCR principles.

How?

- 1.8 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 Final Demand less the Non-Final demand. The Working Group are providing four options for consideration within this consultation. These options are:
 - 1) Customer self declares the split of final demand and non-final demand and provides certificate confirming that a certain amount of their demand is ‘non-final demand’ which is then deducted from the total of the site. This option would include some form of an assurance process related to what equipment is on site as well as including a right for a DNO/IDNO to conduct an audit / site visit.
 - 2) Development of a predetermined, standardised, proportion of import capacity/consumption (such capacity/consumption being solely for the start-up and or operation of generator) to determine the non-final demand element on a mixed-use site, i.e. using a ‘deemed’ approach.

- 3) Additional Metering installed to measure the various components of a mixed use site and some form of process to provide the data so as to determine the split of the final demand from the non-final demand.
- 4) A solution which may be similar to what was developed for P375² (whereby behind-the-boundary asset metering can be used for settlement purposes) and that which is currently being developed by P395³ (whereby electricity consumption for generation is excluded from certain reporting used to establish users' environmental levies).

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 may otherwise come into existence with respect to approach that is being taken for the treatment of mixed-use sites in accordance with the TCR direction. Therefore, DCP 388 is considered to be a Part 1 Matter.

Next Steps

- 2.2 The Working Group will review the responses to this initial consultation and using those responses, will select one or possibly two options for which legal text will be developed. Following this, a second consultation seeking views on the proposed solution(s) will be issued to industry.

3 Why Change?

- 3.1 As noted in section 1 above, following Ofgem's decision on the TCR, a number of CPs were raised, as required by Ofgem's direction to licencees, to implement the decision. One of those CPs was DCP 359, which was brought forward to modify the DCUSA to introduce definitions for the new terms for 'Final Demand' and 'Single Site'. It was also to deal with the requirement set out in the Direction which stated:

"Further arrangements

30) *appropriate arrangements to develop the following:*

.....

- 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*

² [P375 'Settlement of Secondary BM Units using metering behind the site Boundary Point' - Elexon BSC](#)

³ [P389 Resolution of Capacity Market and Balancing Mechanism registration conflicts - Elexon BSC](#)

..... “

3.2 The DCP 359 Working Group de-scoped complex sites and private networks, agreeing that DCP328 ‘Use of system charging for private networks with competition in supply’⁴ was best placed to deal with those arrangements once DCP359 has been implemented. However, in its final decision on DCP 359, published on 30th September 2020⁵, Ofgem outlined that “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.”.

3.3 It should be noted the term ‘Complex Site’ has now been determined to mean ‘mixed use sites’ and that DCP 388 has been raised, in part, due to similar changes being raised to the CUSC to deal with the same issue. It was noted that the CUSC changes (CMP 363 and CMP 364)⁶ have been raised as a result of Ofgem’s decision on CMP334. This was because Ofgem set out the following in their CMP334 decision:

“Private wires / complex sites

In the TCR Direction, we directed (paragraph 33.c) that ‘appropriate arrangements to develop any consequential changes that may be required in relation to residual charges for [...] consumers connected to private wires and complex sites.’ At the Workgroup Consultation stage, two respondents raised concerns that the definitions in the proposals for CMP334 and DCP359 do not work for complex sites.

We agree that the Workgroup has failed to bring forward a proposal that covers private wires and complex sites. The Workgroup indicated in the CMP334 FMR that changes to private wires and complex sites would be dealt with through DCP328, not this modification. DCP328 is only applicable to distribution-connected customers, and therefore would not cover transmission-connected customers. As a result, our view is that this obligation of the TCR Direction has not been discharged and will continue to apply notwithstanding our decision on this proposal. This is addressed further below in the “Other Issues” section of this letter.”

3.4 It should be noted that latest update with respect to CMP363/CMP364 is from their Workgroup meeting held on 6 September 2021 where it was noted that the decisions on Transmission Demand Residual Modifications (CMP335/336, CMP343/340) were anticipated on 27 August 2021 and the Workgroup need to consider these before finalising the solution and Workgroup Report which had been planned to be issued to the CUSC Panel in September 2021. A revised timeline was to be confirmed once a revised expected decision date for the suite of Transmission Demand Residual Modifications. The expectation is that CMP363/364 will be re-started now that an Authority decision has recently been published on CMP335/336 and CMP343/340⁷.

⁴ <https://www.dcusa.co.uk/change/use-of-system-charging-for-private-networks-with-competition-in-supply/>

⁵ <https://www.ofgem.gov.uk/publications-and-updates/dcp359-ofgem-targeted-charging-review-tcr-implementation-customers-who-should-pay>

⁶ <https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp363-cmp364>

⁷ <https://www.ofgem.gov.uk/publications/decision-cmp343> (note this also included the decisions of CMP335/336 and CMP340.

Question 2: Are you supportive of the principles that support this CP, which is to maintain alignment between distribution and transmission connected sites that have a mix of final and non-final demand?

Part B: Code Specific Details

4 Working Group Assessment

DCP 388 Working Group Assessment

- 4.1 The DCUSA Panel established a Working Group to assess/develop the DCP 388. This Working Group consists of representatives from DNOs, Suppliers, IDNOs, Generators and National Grid Electricity System Operator (NGESO) as well as observers from a number of consultancies and Ofgem. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcuda.co.uk.
- 4.2 The Working Group developed this consultation document to gather information and feedback from market participants on this CP.
- 4.3 The Working Group agreed that it would be prudent to review the information contained in the CP form, as this review would flush out any potential issues or points for further discussion.
- 4.4 Members discussed some concerns related to the CP, which included that the potential solution being developed under the CUSC arrangements might be practical and appropriate for transmission-connected sites where the residual is allocated relative to consumption that is based on available metered data, whereas the same approach might be impractical for distribution-connected sites.
- 4.5 It was noted that the main issue with attempting to align the arrangements across transmission and distribution is related to the fact that the scale of additional metering would be far greater at distribution than at transmission. The concern here is that the number of sites making use of this arrangement may make the process unfeasible, with one Working Group member suggesting it could be in the tens of thousands.
- 4.6 The Working Group agreed to include the table below to capture the various concerns which have been grouped under five general headings and set against the different banding configurations.

Table 1 - General Issues / Concerns

Banding configurations	Data Availability	Metering	Connection Agreement	System/Process Changes	Compatibility with CMP 363/364
Designated EHV Properties with MIC Designated Properties connected at HV with MIC Designated Properties connected at LV with MIC	MIC is attributable to a whole site	Splitting the MIC between final and non-final demand is not a current process and robust solution would be needed to verify any split of MIC Additional metering may be needed for the non-final demand element	A site's MIC is contained with the connection agreement	Distributors will need new processes to be able to determine relevant allocation Suppliers may need processes to validate	Not compatible because at transmission the residual is allocated relative to consumption that is based on available metered data No concept of additional metering at distribution
Designated Properties connected at LV without a MIC HH (i.e., the aggregated half-hourly market)	Distributors don't currently receive the data applicable for these sites as standard Data made available to Distributors for these sites isn't complete	Additional metering may be needed for the non-final demand element	Not applicable	Dependent upon solution Number of sites may be quite significant	May be more compatible with CMP363/364 but dependent on solution No concept of additional metering at distribution
Designated Properties connected at LV without MIC NHH	Currently Distributors use EACs received via the P0222 data flows for the purposes of banding these sites EAC data is subject to large variances over time	Additional metering may be needed for the non-final demand element	Not applicable	Dependent upon solution Number of sites may be quite significant	Not compatible with CMP363/364 No concept of additional metering at distribution

Banding configurations	Data Availability	Metering	Connection Agreement	System/Process Changes	Compatibility with CMP 363/364
Domestic Premises DCP 388 does not propose to amend the process for Domestic premises	single band only	single band only	Not applicable	single band only	single band only
Unmetered Supplies DCP 388 does not propose to amend the process for Unmetered Supplies	single band only	single band only	Not applicable	single band only	single band only

- 4.7 Given the extent of the concerns raised, the Working Group agreed that it would be sensible to create a table of the potential solutions available and to consult on these as options to determine which, if any, should be developed further. It should be noted that the solutions are only high-level at this stage and that the Working Group has agreed to not provide any potential legal text amendments but will use the responses to this consultation to feed into development of legal text for any preferred options.
- 4.8 The table below sets out four potential options that the Working Group believe should be considered and which includes columns describing pros and cons against each option and a final column which highlights which of the issues / areas of concern that would be addressed by the potential solution. Other options such as no change and a Metering Point Administration Number equalling a site (thereby unpicking multi-feeder sites) were tabled but rejected by the Working Group. The main reason for each being that on the former Parties can reject the change to achieve the same outcome and the latter because this would be against the Ofgem policy relating to a site in the Targeted Charging review. The Working Group note that the table below should be read together with the relevant paragraphs below it as they provide more detail as to what the potential solutions will look like as well as further explaining any potential issues.

Table 2 – Options being considered

No.	Option	Pro	Con	Issues Resolved	Banding configurations
1	<p>Customer self declares the split of final demand and non-final demand and provides certificate confirming that a certain amount of their demand is 'non-final demand' which is then deducted from the total of the site.</p> <p>This could be backed up with an assurance process of what the final and non-final demand actually is and then provide the right for a DNO/IDNO to conduct an audit / site visit.</p> <p>(further explained in paragraphs 4.10 to 4.14 below)</p>	<p>This would be easier to apply to sites with capacity-based charges.</p>	<p>This option would be based on 'trust' and thus the DNO would need to take it on that basis.</p> <p>This would be almost impossible to apply to sites allocated to no MIC bands (as the metered data isn't available to DNOs/IDNOs)</p> <p>Seems to contradict the intent of the TCR,</p> <p>Wouldn't be consistent with the solution being developed by CMP363/364.</p> <p>Significant industry costs associated with conducting any audits</p> <p>Number of certificates being submitted and needing to be verified is likely to be significant (e.g. in the tens of thousands)</p>	<p>Resolves Identified issues around:</p> <p>Data Availability / Metering / Connection Agreement</p>	<p>Could be applied to all Banding configurations</p>
2	<p>Development of a predetermined, standardised proportion of import capacity/consumption of generator to determine the non-final demand element on a mixed-use site.</p> <p>(further explained in paragraphs 4.15 to 4.20 below)</p>	<p>Consistent approach via industry approved calculation (which will be developed as part of this CP if taken forward)</p> <p>Supports Ofgem's proportionality approach.</p> <p>Minimal cost solution</p>	<p>Further change would be required if a new technology is introduced or where updated data becomes available.</p> <p>Still based on estimation rather than actual metered data</p>	<p>Resolves Identified issues around:</p> <p>Data Availability / Metering / Connection Agreement</p>	<p>Could be applied to all Banding configurations</p>

No.	Option	Pro	Con	Issues Resolved	Banding configurations
3	Additional Meter installed and some form of process to provide the data (further explained in paragraphs 4.21 to 4.26 below)	Can be applied to MIC sites.	<p>Significant industry costs associated with conducting any audits.</p> <p>Significant customer costs associated with the metering arrangements as HH settlement and additional metering would be required (if not already in place).</p> <p>Significant industry costs associated with obtaining / using data from additional metering.</p> <p>This would be almost impossible to apply to sites allocated to no MIC bands (as the metered data isn't available to DNOs/IDNOs)</p> <p>There will be a delay between implementation and when data is available to use</p> <p>Cannot be applied to LV, no MIC, NHH sites.</p>	<p>Resolves Identified issues around:</p> <p>Data Availability / Metering / Connection Agreement / Compatibility with CMP 363/364</p>	<p>Designated EHV Properties with MIC</p> <p>Designated Properties connected at HV with MIC</p> <p>Designated Properties connected at LV with MIC</p> <p>Designated Properties connected at LV without a MIC HH (i.e., the aggregated half-hourly market)</p>
4	Finding a solution which may be similar to what was developed for P375 (permitting the use of behind-the-boundary asset metering) (further explained in paragraphs 4.27 to 4.36 below)	Data and information would be made available.	<p>Likely to be the most expensive option, with such costs being pushed onto consumers.</p> <p>Is reliant on progressing BSC changes and therefore the implementation would be delayed.</p> <p>There will be a delay between implementation and when data is available to use.</p> <p>Is only applicable to sites that are HH metered</p> <p>Cannot be applied to LV, no MIC, NHH sites.</p>	<p>Resolves identified issues around:</p> <p>Data Availability / Metering / Connection Agreement</p>	<p>Designated EHV Properties with MIC</p> <p>Designated Properties connected at HV with MIC</p> <p>Designated Properties connected at LV with MIC</p> <p>Designated Properties connected at LV without a MIC HH (i.e., the aggregated half-hourly market)</p>

- 4.9 With respect to the options above, the Working Group agreed that it would be beneficial to provide further information about each option and seek feedback from industry on each option. Therefore, the paragraphs below have been split under relevant subheadings to and set out each option in more detail.

OPTION 1: Customer provides certificate that a certain amount of their demand is 'Non-Final Demand'

- 4.10 It was noted that roots of this option are based on the current method by which a Single Site is determined to be a Final Demand Site or a Non-Final Demand Site, and therefore whether or not to apply the residual fixed charge to that site. Rather than a customer providing a certificate that confirms that the import capacity or consumption is purely for the operation of the generator and not for any other purpose, a customer would certify that a certain amount of import capacity or consumption is for the operation of the generator. It is this certified amount, which would be deducted from the total import capacity or consumption of the site for the purposes of allocating a site to a residual charging band.
- 4.11 Such a solution would likely necessitate further information to be provided, of which, the Working Group believe that any such certificate should include details of what type of generating equipment is on site. It was noted that this extra information could be useful in verifying the validity of a certificate by comparing against an average for a specific type of generator or other known parameters.
- 4.12 The Working Group also considered whether a right should be granted to DNOs/IDNOs so as to be able to conduct an assurance process. It was noted that granting DNOs/IDNOs such a right would, at a minimum, act as a deterrent to providing incorrect information.
- 4.13 The Working Group noted that although such an approach may be easier to apply to sites with capacity-based charges, it may prove rather more difficult to apply to sites with consumption-based charges. Further to this, it was noted that such a solution would be likely based on trust and some members expressed concerns related to the possibility of incentivising gaming opportunities and ultimately undermining what the TCR was trying to resolve.
- 4.14 The Working Group are seeking views on whether industry believe the option of a customer providing a certificate that a certain amount of their demand is 'Non-Final Demand' which is then deducted from the total of the site is a viable solution and should be developed further.

Question 3: Do you believe that option 1, where a customer certifies that a certain amount of their demand is 'Non-Final Demand' which is then deducted from the total of the site is a viable solution and should be developed further? If so:

- what information do you believe that a customer should be asked to provide in such a certificate?
- do you believe that a right should be granted to DNOs/IDNOs so as to be able to conduct assurance processes and what type of assurance processes do you think should be carried out?

Please provide your rationale

For information: Under CMP363/364 the process of self-certification is not being considered as an option.

OPTION 2: Development of a predetermined, standardised proportion of import capacity/consumption of generator to determine the non-final demand element on a mixed-use site

4.15 This option would apply a reduction to the capacity/consumption that would otherwise be used as a basis on which to allocate a site to a residual charging band based on:

- Generation technology type; and
- level of import required for or directly relating to Electricity Storage and/or Electricity Generation (and not import for another activity) of each generation technology type.

4.16 The import capacity/consumption required to support each type of generation as a proportion of the maximum export capacity/consumption will be determined based on current installations.

4.17 A percentage value of the Export Capacity/consumption of each generator could be used to determine the Import Capacity/consumption deemed to be necessary for the operation of the generator, with the Import Capacity/consumption that is used as a basis for allocating a site to a residual charging band reduced by this amount.

4.18 The table below provides an example of this solution:

Type of generation	% of import capacity/consumption (required for start-up / exempt from residual charges)
LANDFILL GAS	X%
COMBINED CYCLE GAS TURBINE (CCGT)	X%
CHP SEWAGE TREATMENT, USING A SPARK IGNITION ENGINE	X%
CHP SEWAGE TREATMENT USING A GAS TURBINE	X%
ENERGY FROM WASTE	X%
WIND FARM	X%
SMALL HYDRO	X%
STORAGE	X%

4.19 It should be noted that during Working Group discussions, members raised concerns about how such a percentage would be understood/agreed and believe that this may be quite an onerous task. Therefore, the Working Group decided not to define the solution further but to seek views from industry as to the viability of this option.

4.20 The Working Group are seeking views on whether industry support this option, and if so, if industry have ideas as to how the Working Group could determine the appropriate percentage for each type of generation and if the solution can be applied to both MIC and non-MIC sites.

Question 4: Do you support option 2, which is to develop an agreed proportion of import capacity/consumption of generator that would be used to determine the non-final demand element on a mixed-use site? If so,

- Do you have any ideas as to how the Working Group could determine the appropriate percentage for each type of generation; and
- Do you believe that this solution can be applied to both MIC and non-MIC sites?

For information: Under CMP363/364 the Development of an agreed proportion of import capacity/consumption of generator to determine the non-final demand element on a mixed-use site is not being considered as an option.

OPTION 3: Metering installed and some form of process to provide the data plus customer certification requirement

- 4.21 It should be noted that this option effectively includes the parameters of Option 1 (see above) which is that customer would provide a certificate that a certain amount of their demand is 'non-final demand' which is then deducted from the total of the site and then adds a requirement around additional metering needing to be in place.
- 4.22 As it currently stands, there is a reliance on boundary meters which do not distinguish between different loads behind the meter. The reliance on boundary meters is in contradiction with the belief that the basis for the calculation of consumption levies should be on final demand, i.e. excluding demand for the purpose of operating a generator. It should be noted that additional metering may be in place already or will need to be installed if not in place.
- 4.23 The Working Group discussed how the data from additional meters could be used to determine the correct allocation of import consumption or capacity on mixed or co-located sites. Specifically, the extent to which import associated/co-located with the generation (including storage) can be excluded for the purposes of allocating a site to a residual charging band.
- 4.24 It was noted that the approach could be on an 'opt-in' basis, meaning that generators wishing to avoid residual charges levied on imports associated with their generating units will need to ensure that those generating units (and any directly associated load) is metered separately to any other on-site load. A process could be designed to allow the customer or a sites registrant to provide the metering data to the DNO/IDNO directly, which would be used to reduce the consumption or capacity value used in allocating a site to a residual charging band. This option would likely require data for at least a 12 month period prior to being able to be considered for re-allocation to a different residual charging band.
- 4.25 The Working Group consider that the additional metering approach would require significant cross code interaction and quite possibly a longer lead time to implement as well as significant costs to be borne by distributors and generators alike. In addition, the Working Group had concerns over whether this option is practicable for non MIC sites.
- 4.26 The Working Group are seeking industry views on the additional metering approach and welcome any comments with respect to cross code interactions, non MIC sites and implementation timescales.

Question 5: Do you believe that option 3, whereby a Customer would need to utilise or install additional metering which would show how much demand is 'Non-Final Demand' which is then deducted from the total of the site is a viable solution and should be developed further? If so, do you have a view on what process could be designed to allow the customer or a sites registrant to provide the metering data to the DNO/IDNO directly

For information: The way in which CMP363/364 is dealing with metering arrangements and customer certification is as follows:

CUSC CMP 363 is proposing to include a covering guidance note to state that:

- *A Transmission Site is not obliged to submit a declaration; however, they would be liable for the TNUoS Demand Residual charge if they didn't submit such a declaration; and*
- *Clarify that a false declaration would be a breach of CUSC, and they have a responsibility to keep the obligation up to date e.g. re-declare if there are changes to Site usage that would impact on their Transmission Band.*
- *The declaration would include:*
 - *The name of the single "Site";*
 - *Tick boxes as to whether or not it will have a mix of final demand or be pure nonfinal demand;*
 - *Where there is Final Demand, a diagram showing the metering configuration (including metering identification) to capture, for complicated sites, the logic of how to isolate Non-Final Demand volumes from the rest of the site; and*
 - *Signatures/sign off from their Company Directors in line with current CUSC processes.*

OPTION 4: Finding a solution which may be similar to what was developed for P375, using behind-the-boundary asset metering

- 4.27 It was noted that there have been two Balancing and Settlement Code (BSC) modifications which explored the idea of using "secondary meters" that can distinguish different loads behind the boundary meter.
- 4.28 Initial discussions on this topic go back to Project TERRE, a Europe-wide programme designed to establish a new replacement reserve balancing product in participating countries, which included plans for wider access of the Balancing Mechanism (BM) through BSC modification P344 'Project TERRE' which sought to align the BSC with TERRE requirements.
- 4.29 Prior to P344, in order to participate in the BM sites were required to be registered as a central volume allocation, with these sites now referred to as Primary BM Units. P344 saw the introduction of Secondary BM Units, which used the supplier volume registered boundary point metering systems. The P344 workgroup involved in developing the solution for the modification, raised an issue related to balancing services being delivered, but not being visible, at the boundary point.
- 4.30 This resulted in issue group 70, which recommended the raising of modification P375 'Settlement of Secondary BM Units using metering behind the site Boundary Point'. It was noted that the P375 solution uses an asset metering system identifier, rather than an MPAN, and this is paired that up with a boundary point MPAN to identify the connection between the asset and the site boundary point.
- 4.31 Ofgem decided to approve P375 on 24 February 2021 and their decision document contained the below summary:

"The proposed modification, raised by Flexitricity Limited (the Proposer) on 13 December 2018, allows, in the case of independent assets behind the boundary meter, for secondary meters to be used for the purpose of settlement of balancing services (bid-offer acceptances), rather than using metering equipment at the site boundary point. Allowing metering closer to the asset within a site that provides the balancing service means that only activity related to that asset is submitted for settlement, and the independent, uncontrollable activity of other assets within the site boundary (behind the same boundary point meter) is removed, reducing inaccuracy in

settlement. Simplistically, this modification allows balancing related services to be separated from imbalance related activities. The Proposer believes that code objectives (b), (c) and (e) are better facilitated by this change, and that there is a neutral impact on the other code objectives.

In order to facilitate the use of a meter located between the boundary point and the asset for the purposes of reflecting balancing services for settlement, a new code of practice (COP 11) has been established. This includes the creation of asset metering system identifiers (AMSIDs), to be registered with the settlement volume allocation agent (SVAA), to complement the existing metering system identifiers (MSIDs) used for boundary point meters. This code of practice allows existing metering set-ups to be used for this purpose, as well as being the standard for new meters to attain in new sites.

This modification is predicated on the independence of assets behind the boundary meter. As such, stringent independence checks by the SVAA are required, in accordance with their performance assurance framework. These checks will be done at the point of registration of the asset meter, and further checks can be conducted should the site trigger concerns over ‘gaming’ (where non-balancing assets respond deliberately and dependently to the balancing service response of the balancing asset) through use of an automated technique using statistical methods.”

- 4.32 To this end, the Working Group also noted that P395 ‘Aligning BSC Reporting with EMR Regulations – an enduring solution’ may have a role to play.
- 4.33 The Working Group note that P395 is still being developed under the BSC change process seeks to introduce new and amended processes so that the BM Unit Gross Demand Report to the EMR Settlement limited (EMRS) only includes electricity ‘supplied’ to premises by Suppliers, correctly excluding electricity imported by Generators or Battery Storage facilities operated by a licensee for generation activities, for use in calculating Final Consumption Levies (FCL) in accordance with Secretary of State for Business, Energy and Industrial Strategy (BEIS) regulations.
- 4.34 The following points were covered within the recent P395 consultation issued by Elexon:
- The P395 Solution builds on processes developed for P375 for registering Assets and collecting and processing data from Asset metering by enabling SVAA to receive metered data for Asset Meters from HHDCs. The main difference is that the Asset Metering Systems in question would be registered by Suppliers, rather than by Asset Metering Virtual Lead Parties (AMVLPs).
 - Under the P395 solution, Suppliers and CVA Registrants will be required to declare details of the site(s) for which they wish to have their Gross BM Unit Demand adjusted for the purposes of Final Consumption Levy charging. There are three distinct types of declaration required:
 - 1) EMR MSID Declaration – where there is no Final Demand at a SVA-connected site, Suppliers will be required to declare the Import MSID(s) for each site – there is no requirement to register Generators / Storage Facilities as Assets.
 - 2) EMR AMSID Declaration – where there is final demand at a SVA-connected site, Suppliers will be required to declare the MSID Pair(s) and AMSID Pair(s) for each site – Suppliers will be required to register each Generator and Storage Facility as an Asset in accordance with BSCP602 in order to obtain an AMSID Pair for each (unless a Generator or Storage Facility has already been registered as an asset using the P375 process, when the Supplier should use the existing AMSID Pair).

- 3) EMR CVA BM Unit Declaration – where the Generators / Storage Facilities are located behind a CVA-connected site, the CVA Registrant will be required to declare the relevant CVA BM Unit.

4.35 It should be noted that DCP 388 will need to cover off sites that are active in the BM and those that are not but that P375 is only applicable to the former. Therefore, such a solution for DCP 388 could be based on P375 but would be expanded upon. In addition, the Working Group had concerns over whether this option is practicable for non MIC sites.

4.36 The Working Group are seeking views on whether industry believe the approach set out under option 4, which is based on finding a solution using a settlements process which may be similar to what which was developed for P375, should be further developed and whether it can be extended to non MIC sites.

Question 6: Do you support option 4, which is based on finding a solution using a settlements process which may be similar to that which was developed for P375? If so,

- **Do you have any thoughts as to what the Working Group should factor in when developing this solution further?**

5 Code Specific Matters

Reference Documents

- 5.1 <https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp363-cmp364>
- 5.2 https://www.ofgem.gov.uk/system/files/docs/2019/12/full_decision_doc_updated.pdf

6 Solution and Legal Text

Legal Text

- 6.1 As noted above, the Working Group have agreed to move forward seeking views on a number of options, which will be narrowed down following a review of the responses to the consultation. At this stage, draft legal text has not been produced and as such, there will be a need to issue a further consultation once the options have been narrowed down. Therefore, no proposed legal drafting has been included within this consultation.

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 388 is set out in the CP form, provided as Attachment 2 and also detailed below.

- 7.3 The Proposer is of the view that the fundamental benefit of this change is ensuring consistent treatment of final and non-final demand in relation to sites that have a mix of Final Demand and Non-Final demand by defining 'mixed use sites' for residual charge purposes across transmission and distribution.
- 7.4 The Working Group will seek industry views in relation to the DCUSA Objectives as part of their second consultation.

DCUSA Charging Objectives	Identified impact
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
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) 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
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	None
5. that compliance by each DNO Party with the Charging Methodologies facilitates 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
6. that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	None

8 Impacts & Other Considerations

- 8.1 It should be noted that the issue that DCP 388 seeks to resolve was raised with the DCMDG prior to being submitted into the formal DCUSA Change Control process.

Significant Code Review 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 don't believe there are any other cross-code implications other than bringing the DCUSA into line with the CUSC, unless option 4 is selected, which may impact the BSC/REC.

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

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 388 were to be implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

Question 7: 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 388 should be implemented as soon as practicable, and in any case by 01 April 2022. As it stands, based on the current timetable, an implementation date of the first DCUSA release after having been approved, may be 03 November 2022 unless Option 4 is progressed as this may require a longer lead time for development under the BSC and/or the REC.
- 9.2 The Working Group agreed to not seek industry views on a proposed implementation date, considering that the timelines for each of the options may need to be different and so will seek industry views during the second consultation.

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 maintain alignment between distribution and transmission connected sites that have a mix of final and non-final demand?
3	<p>Do you believe that option 1, where a customer certifies that a certain amount of their demand is 'Non-Final Demand' which is then deducted from the total of the site is a viable solution and should be developed further? If so:</p> <ul style="list-style-type: none"> what information do you believe that a customer should be asked to provide in such a certificate? do you believe that a right should be granted to DNOs/IDNOs so as to be able to conduct assurance processes and what type of assurance processes do you think should be carried out? <p>Please provide your rationale</p>
4	<p>Do you support option 2, which is to develop an agreed proportion of import capacity/consumption of generator that would be used to determine the non-final demand element on a mixed-use site? If so,</p> <ul style="list-style-type: none"> Do you have any ideas as to how the Working Group could determine the appropriate percentage for each type of generation; and Do you believe that this solution can be applied to both MIC and non-MIC sites?
5	<p>Do you believe that option 3 whereby a Customer would need to utilise or install additional metering which would show how much demand is 'Non-Final Demand' which is then deducted from the total of the site is a viable solution and should be developed further?</p> <p>If so, do you have a view on what process could be designed to allow the customer or a sites registrant to provide the metering data to the DNO/IDNO directly?</p>
6	<p>Do you support option 4, which is based on finding a solution using a settlements process which may be similar to that which was developed for P375? If so,</p> <ul style="list-style-type: none"> Do you have any thoughts as to what the Working Group should factor in when developing this solution further?
7	Are you aware of any wider industry developments that may impact upon or be impacted by this CP?
8	Do you have any further comments on DCP 388?

10.2 Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk **no later than, close of play on 04 May 2022.**

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 388 Consultation Response Form
- Attachment 2 – DCP 388 Change Proposal Form