DCUSA

DCUSA Change Report

At what stage is this document in the process?

01 – Change Proposal
02 – Consultation
03 – Change Report
04 – Change Declaration

DCP 389:

TCR - Clarification on Exceptional Circumstances and Allocation Review for 'New' Sites

Date raised: *14th April 2021*

Proposer Name: *Lee Wells*

Company Name: *Northern Powergrid*

Company Category: *DNO*

Purpose of Change Proposal:

The intent of this Change Proposal is twofold: (i) to clarify the circumstances in which the exceptional circumstances set out in paragraph six of DCUSA Schedule 32 apply; and (ii) to introduce a process to review the allocation of 'new' sites, including where no data was available when allocating existing sites.

This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 389 – TCR - Clarification on Exceptional Circumstances and Allocation Review for 'New' Sites.

DCP 389 is considered to be a Part 1 Matter and therefore requires Authority approval prior to being implemented and thus, the result of the Party vote on this Change Report will act as a recommendation to the Authority.

Parties are invited to consider the proposed amendment (Attachment 1) and submit their votes using the voting form (Attachment 2) to dcusa@electralink.co.uk or via the online voting form which can be found via: https://www.dcusa.co.uk/change/tcr-clarification-on-exceptional-circumstances-and-allocation-review-for-new-sites/

Responses are requested by **08 July 2022.**

The voting process for the proposed variation and the timetable of the progression of the Change Proposal (CP) through the DCUSA Change Control Process is set out in this document.

Impacted Parties: DNOs, IDNOs, Suppliers

Impacted Clauses: Schedule 32

© 2016 all rights reserved

DCUSA

Contents

1 Summary 3
2 Governance 4
3 Why Change? 5
4 Working Group Assessment 10
5 Summary of Consultation and Responses 14
6 Working Group Conclusions & Final Solution 19
7 Legal Text 20
8 Relevant Objectives 21
9 Code Specific Matters 23
10 Impacts & Other Considerations 23
11 Implementation Date 23
12 Recommendations 24
13 Attachments 24

Any questions?

Contact:
Code Administrator

dcusa@electralink.co.uk

0207432 3011

Proposer:
Lee Wells

lee.wells@northernpowergrid.com

07885 712226

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	22 July 2021
Change Report issued to Panel	08 June 2022
Change Report issued for Voting	17 June 2022
Party Voting Ends	08 July 2022
Change Declaration issued to Authority	12 July 2022
Authority Decision	TBC
Implementation Date	First DCUSA Release after approval

© 2016 all rights reserved

1 Summary

What?

1.1 As stated in the 'Purpose of Change Proposal' on the first page of this document, the intent of this Change Proposal is twofold: (i) to clarify the circumstances in which the exceptional circumstances set out in paragraph six of DCUSA Schedule 32 apply; and (ii) to introduce a process to review the allocation of 'new' sites, including where no data was available when allocating existing sites. Therefore, where it has been deemed appropriate and in order to assist readers, subheadings have been used to separate the areas which DCP 389 is seeking to address.

Exceptional circumstances clarification

1.2 The Proposer believes that the exceptional circumstances in paragraph 6 of Schedule 32 would benefit from additional clarity that a change in use of a Final Demand Site must have happened after the Final Demand Site has been allocated to a charging band.

Allocation review for 'new' sites (including existing sites with no data)

1.3 The Proposer believes that an annual review, (generally) once in the lifetime[1] of the Final Demand Site, should be adopted to ensure that 'new' Final Demand Sites (including existing Final Demand Sites that were allocated based on no 'actual' data) can be allocated 'properly' based on at least one year's worth of data.

Why?

Exceptional circumstances clarification

1.4 The exceptional circumstances in paragraph 6 of Schedule 32 would benefit from additional clarity that a change in use of a Final Demand Site must have happened after the Final Demand Site has been allocated to a charging band.

1.5 Replacing the requirement to compare a change in Maximum Import Capacity (MIC) to the average MIC used to allocate the Final Demand Site, with a comparison to the MIC at the time that Final Demand Site was allocated: (i) improves transparency by replacing the comparison to an unpublished average calculated by the DNO/IDNO Party; and (ii) prevents gaming opportunities where otherwise, a minor change in MIC may trigger the materiality test (e.g. where the average used is greater than the current MIC because it reduced during the period in which the average has been calculated).

1.6 The additional clarity should reduce resource requirements to deal with requests to reallocate Final Demand Sites, including potential disputes, as it should be clearer when the exceptional circumstances apply.

[1] Subject to a change in the voltage of connection or change from MIC to non-MIC (and vice versa) which are already catered for in the current legal drafting.

© 2016 all rights reserved

Allocation review for 'new' sites (including existing sites with no data)

1.7 An annual review would ensure that 'new' sites can be allocated 'properly' based on at least one year's worth of data, to mitigate the risk that such sites have been allocated based on inappropriate assumptions.

1.8 As Workgroup Alternative CUSC Modification Proposal (WACM)1 of CMP336[2] was recently approved and includes an equivalent allocation review, the DCUSA and CUSC will not be aligned as required in the Targeted Charging Review (TCR) directions from the Authority[3].

How?

Exceptional circumstances clarification

1.9 DCP 389 seeks to amend paragraphs 6.1 and 6.3 under subheading 6 in Schedule 32 to bring clarity to the circumstances in which the exceptional circumstances apply by (i) including the explicit requirement that a change in circumstances at a Final Demand Site must have happened after that Final Demand Site has been allocated to a charging band; and (ii) amending the materiality test (>50% increase or decrease) for Final Demand Sites with a MIC to be relative to that which was held at the end of the period for which data was used to allocate the site to a charging band (as opposed to an average).

Allocation review for 'new' sites (including existing sites with no data)

1.10 DCP 389 seeks to introduce a number of additional paragraphs under subheading 6 in Schedule 32 to cater for the annual allocation review. These additional paragraphs cover what data is required to trigger a review, when the review is to be undertaken, and who will be informed of the outcome if a banding change is appropriate.

2 Governance

Justification for Part 1 Matter

2.1 Although this Change Proposal in part simply seeks to clarify the intent of the Authority's TCR decision in relation to the application of exceptional circumstances, the proposed allocation review of 'new' Final Demand Sites warrants consideration by a Working Group as the Proposer believes that it will reduce harmful distortions which impact competition.

Next Steps

2.2 The Panel considered that the Working Group has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 389.

2.3 The DCUSA Panel recommends that this CP, be issued to Parties for Voting.

---

[2] https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp335

[3] Directions to licensees – DCUSA and Directions to licensees – CUSC

© 2016 all rights reserved

3 Why Change?

Exceptional circumstances clarification

3.1 DCP360 'Ofgem Targeted Charging Review (TCR) Implementation – Allocation to Bands and Interventions' was raised to implement certain aspects of the Authority's TCR decision, specifically the allocation and reallocation of sites to charging bands. DCP360 was approved by the Authority on 30 September 2020[4].

3.2 In its TCR decision[5], the Authority requested that DNOs consider a mechanism that would cater for "substantial changes in use of a site during a fixed band period". Paragraph 3.59(3) makes it clear that the context for such change is (emphasis added) "**during** a fixed period prior to the next band review" i.e., a change at a site *during* the period for which the charging bands are fixed.

3.3 DCP360 introduced the exceptional circumstances which would result in the reallocation of a Final Demand Site to a different charging band under certain scenarios, and within a price control period.

3.4 The exceptional circumstances are set out in paragraph 6 of Schedule 32 of the DCUSA and relate to a change in use at a Final Demand Site which is reflected by a 'significant' change to its MIC or annual consumption, or a change in the voltage of connection to the distribution network, or if the Final Demand Site needs to move from a non-MIC charging band to a charging band with a MIC, and vice versa.

3.5 Schedule 32 defines[6] 'significant' in this context as an increase or decrease in MIC or annual consumption (as appropriate) "by more than 50 percent in comparison" to that "used for the purposes of the allocation" to a charging band.

3.6 However, despite the intent, the relevant legal text is ambiguous as to when exceptional circumstances apply i.e., it is not clear that the intent is that the change at the Final Demand Site needs to be after having been allocated to a charging band, such that it is "during" the period in which the charging bands have been set.

3.7 Further, the materiality test to determine if a change is 'significant' relative to the average used to allocate the Final Demand Site, risks perpetuating the issue that the policy intent was seeking to address, at least for Final Demand Sites with a MIC.

3.8 Therefore, changes are needed to provide clarity, promote efficiency, and to ensure that the intent of the Authority's TCR decision is applied correctly.

3.9 Paragraphs 4.1 and 4.2 of Schedule 32 require that distributors allocate Final Demand Sites to a charging band based on an average over a 24 month period[7] (the exception being Non-Half Hourly (NHH) settled sites allocated based on annual consumption i.e. paragraph 4.2(b)).

---

[4] https://www.ofgem.gov.uk/publications-and-updates/dcp358-determination-banding-boundaries-and-dcp360-allocation-bands-and-interventions
[5] https://www.ofgem.gov.uk/publications-and-updates/targeted-charging-review-decision-and-impact-assessment
[6] Paragraph 6.3 of Schedule 32.
[7] Where less than 24 months data is available, an average of that data is generally used.

© 2016 all rights reserved

3.10 As an example, if a distributor allocated a Final Demand Site with a MIC to a charging band in November 2020, it may have used the average MIC between November 2018 and October 2020.

3.11 The Proposer has set out a number of examples in the paragraphs below and in order to assist interpretation of these examples, the Proposer has also provided a backing spreadsheet, which acts as Attachment 5 to this Change Report.

3.12 For example, assume a high voltage (HV) connected Final Demand Site had a MIC of 5,000kVA in November 2018, but as a result of a change in site use it reduced to 1,500kVA in November 2019 – such that 12 months of the average was both at the 'old' and 'new' MIC and deriving an average of 3,250kVA.

3.13 In line with paragraph 4.1 of Schedule 32, the distributor should have allocated this Final Demand Site to HV charging band 4 – which requires the MIC to be greater than 1,800kVA.

3.14 The MIC of this Final Demand Site reduced by 70% from 5,000kVA to 1,500kVA, but regardless of when the change happened, this comparison is not relevant to the exceptional circumstances, as there is a need to compare to the MIC "used for the purposes of the allocation" i.e. the process needs to compare the new MIC (1,500kVA) to the average MIC (3,250kVA), which in this example reduced by 54%.

3.15 Whilst the intent is that the change in MIC must be "during" the period charging bands have been fixed (which in the example above is not the case), the legal text could be interpreted as requiring this site to be reallocated, as the change in MIC was more than 50% of the 24 months average.

3.16 However, reallocating this Final Demand Site would not align with intent, or logic, that a Final Demand Site should be reallocated to a different charging band based on data accounted for in the allocation i.e. the 3,250kVA average takes it into account.

3.17 Depending on the magnitude and timing of the change, the use of a 24 month average would ensure that a Final Demand Site was allocated to a charging band reflective of its latest MIC (at the time of allocation) i.e. the average will be higher or lower than the previous MIC depending on whether it increased or decreased during the averaging period.

3.18 Therefore, any approach that allows a retrospective change in MIC (within the averaging period) to result in a reallocation should be considered distortive. For example, if the Final Demand Site in the example above changed its MIC to 1,500kVA in January 2019 instead of November 2019, the average would have been 1,792kVA and that Final Demand Site would therefore have been allocated to HV charging band 3 (where a MIC is greater than 1,000kVa and less than or equal to 1,800kVA) and not HV charging band 4.

3.19 Further, if a Final Demand Site had a MIC of 1,500kVA in November 2018 but increased to 5,000kVA in September 2020, the average MIC would have also been 1,792kVA and the Final Demand Site would therefore have benefitted from being allocated to HV charging band 3, despite the latest MIC suggesting that it should be in HV charging band 4. The Proposer explains that they would not expect this customer to propose a reallocation to a higher charging band (and likely face a higher charge), and the distributor would not either – as the distributor has allocated the Final Demand Site correctly in accordance with paragraph 4.1 of Schedule 32 and the change does not satisfy the exceptional circumstances criteria.

© 2016 all rights reserved

3.20 Therefore, the magnitude and timing of the change at a site can result in a Final Demand Site benefitting from being allocated to a lower charging band or losing out from being allocated to a higher charging band, relative to the MIC at the time it is allocated to a charging band. The decision to average the data without any consideration of materiality or reason for that change (determined by DCP360), by default creates 'winners' and 'losers' as a result of the Authority's TCR decision to introduce banded tariffs with fixed boundaries.

3.21 In its TCR decision (specifically paragraph 3.55), the Authority recognised that 'fairness' may result in short-term consequences that could be considered unfair by some users, and therefore 'winners' and 'losers' are an inevitable consequence of the policy intent.

3.22 Upon seeking a view from DCUSA Ltd's legal advisors, the Proposer has confirmed their agreement of the interpretation of the DCP360 legal text, being that a Final Demand Site similar to the examples set out above should not be subject to the exceptional circumstances. It is noted that this is because there won't have been a change in circumstances compared to the MIC used for the purposes of the allocation, as (e.g., using the example set out in paragraph 3.12 above) the MIC that changed in November 2019 would have been part of the MIC that was used for the purposes of allocating that Final Demand Site in November 2020.

3.23 However, the Proposer believes that the exceptional circumstances in paragraph 6 of Schedule 32 would benefit from additional clarity that a change in circumstances at a Final Demand Site must have happened *after* the Final Demand Site has been allocated to a charging band.

3.24 The intent of this part of this Change Proposal can be achieved by a simple amendment to paragraph 6.1(b) of Schedule 32 to clarify that the relevant criteria that is set out in paragraphs 6.2 to 6.4 must only be applied after a Final Demand Site has been allocated in accordance with paragraph 4.3 (which recognises that allocation is subject to future revisions of the charging bands i.e. the allocation happens once per onshore electricity transmission system owner price control period by default).

3.25 The Proposer believes that a further change is required to avoid unintended consequences as a result of the need to satisfy that a significant change has occurred in comparison to the data used to allocate the Final Demand Site.

3.26 For example, the Final Demand Site set out in the example in paragraph 3.12 above, with a MIC of 5,000kVA reducing to 1,500kVA in November 2019, should not be reallocated to HV charging band 3 as no change at the Final Demand Site has happened since it was allocated. However, if that Final Demand Site reduced its MIC to say 1,450kVA in January 2021[8], then a change has happened since the Final Demand Site was allocated and the new MIC would be 55% lower than the average used to allocate it (3,250kVA), despite only a minimal change (3%) to the MIC of the Final Demand Site itself.

3.27 Whilst, and using the example above, it may be difficult to verify that the change has been driven by a change in use or configuration at a site – which is required to satisfy the exceptional circumstances criteria

[8] A reduction in MIC is permitted once in 12 months.

© 2016 all rights reserved

as well as the materiality – it provides opportunities for loopholes to be exploited by potentially reducing the size of change needed to satisfy the greater than ±50% threshold whilst it is compared to the average used to allocate that Final Demand Site to a charging band.

3.28 Therefore, for Final Demand Sites with a MIC that have been allocated based on actual data, the materiality test should be satisfied by comparing the latest MIC to the MIC at the point in time the Final Demand Site was allocated. Based on the example above, the MIC of 1,450kVA would therefore be compared to the 1,500kVA only.

3.29 The proposal is not to amend the materiality test for non-MIC Final Demand Sites given that for such sites the test is not based on a spot reference point such as a MIC.

Allocation review for 'new' sites (including existing sites with no data)

3.30 Where there is no data available to allocate a Final Demand Site, Schedule 32 requires that distributors allocate it based on "other available information that is appropriate" to "best estimate" the expected demand/consumption (as appropriate) of that Final Demand Site[9].

3.31 This may include, for example, a typical MIC/annual consumption for that 'type' of Final Demand Site e.g. using the average MIC/annual consumption of similar Final Demand Sites.

3.32 Such approaches would generally be needed for recently connected Final Demand Sites, but equally applies where the distributor did not have information at the time of allocating existing Final Demand Sites[10]. Therefore, 'new' Final Demand Sites in this context includes existing Final Demand Sites where no data was available at the time of allocating that Final Demand Site to a charging band.

3.33 Whilst this approach is necessary to ensure that a Final Demand Site can always be allocated, it risks allocating a Final Demand Site to an inappropriate charging band based on an assumption only.

3.34 WACM1 of CMP336 'Transmission Demand Residual, billing and consequential changes to CUSC' has recently been approved by the Authority. The solution of WACM1 which is to set for implementation, proposes an annual review of the allocation of 'new' Final Demand Sites once actual data is available.

3.35 The approach in CMP336 WACM1 is to carry out the review each September and would apply to all transmission-connected Final Demand Sites allocated where no actual data was available (not just newly connected Final Demand Sites), and where at that September there is actual data available for the full regulatory year ending 31 March that same year.

3.36 This review is generally proposed to happen once in the lifetime of the Final Demand Site and it is subject to the same materiality test as an exceptional circumstance (i.e. the change must be greater than ±50%) – this is consistent with CMP336 WACM1.

[9] Paragraph 4.1(b)(ii) for MIC Final Demand Sites, paragraphs 4.2(a)(iii) and 4.2(b)(iii) for no MIC Final Demand Sites.

[10] For example, due to lack of site-specific data for non-MIC sites where distributors invoice on an aggregated basis. This was a known limitation of the data sourced for the purposes of determining the charging bands and allocating Final Demand Sites to the bands.

© 2016 all rights reserved

3.37 In its TCR decision, the Authority requested consistency between the DCUSA and CUSC where appropriate. CMP336 was progressed after DCP360 (the equivalent DCP), and therefore this approach could not be applied consistently in what was issued to the Authority for decision – and as noted, CMP336 awaits an Authority decision.

3.38 Whilst policy intent generally requires that a Final Demand Site be allocated to a charging band for the duration of a relevant price control period, and that any changes at that Final Demand Site must be after the charging bands have been fixed for the period, the Proposer set out their view that it is unfair that assumptions made in the absence of actual data should penalise the Final Demand Site itself or other Final Demand Sites connected at the same voltage (e.g. if a Final Demand Site has been allocated to charging band 1 but should have been allocated to charging band 2, then fewer Final Demand Sites will be recovering the charging band 2 residual than should be[11]).

3.39 The exceptional circumstances cannot be fairly applied to such 'new' Final Demand Sites, given the change at the Final Demand Site would be compared to an *assumption* used to allocate it, as opposed to *actual* data. It is therefore difficult/impossible for the distributor to verify that a change at that Final Demand Site has occurred.

3.40 An annual review, once in the lifetime of the Final Demand Site, akin to that proposed in WACM1 to CMP336, should be adopted to ensure that 'new' Final Demand Sites can be allocated 'properly' based on at least one year's worth of data. For consistency with CMP336 WACM1, the same materiality test that is required to satisfy the exceptional circumstances criteria should be applied (i.e. the difference between the actual data and assumption must be significant).

3.41 The allocation review could be achieved by either amending the exceptional circumstances criteria, or, by introducing a new paragraph (e.g. paragraph 9) specifically covering this new requirement.

3.42 To maintain the flow of Schedule 32, the Proposer believes that the exceptional circumstances section of the schedule should be amended to include an annual requirement (in September) to:

- Review the allocation of any Final Demand Site allocated to a charging band based on a 'best estimate', and where that Final Demand Site has either: a minimum of 12 months actual data (MIC or metered import consumption) up to and including the month ending 30 June immediately prior to that September; or if it is a NHH non-MIC site, an 'actual' Estimated Annual Consumption (EAC) (not a Default EAC) from a P0222 Report[12] since it was initially allocated;
- Subject to the difference between the assumption used to initially allocate the Final Demand Site and the actual data being greater than ±50%, and where the actual data will be either: (i) the average MIC or the average annual consumption over the actual period; or (ii) the most recent 'actual' EAC from a P0222 report;

[11] However, it is likely that charging band 1 will have been allocated more of the residual as the consumption associated with that Final Demand Site should have been attributed to charging band 2, therefore there will be an offset to some extent.

[12] P0222 'EAC Data to Distributor Data Report' as set out in Balancing and Settlement Code Procedure (BSCP) 505 'Non Half Hourly Data Aggregation For SVA Metering Systems Registered in SMRS'.

© 2016 all rights reserved

- Apply the revised charging band from the next billing period following the review;
- Notify the supplier of the reallocation by no later than the 15th calendar day of that September;
- Calculate and apply any rebate or additional charge as may be required; and
- Carry out this requirement once and once only in the lifetime of the Final Demand Site, subject to exceptional circumstances where there is a change in the voltage of connection of the Final Demand Site or where it moves from a MIC to a non-MIC charging band (and vice versa).

4 Working Group Assessment

DCP 389 Working Group Assessment

4.1 The DCUSA Panel established a Working Group to assess/develop the DCP 389. This Working Group consists of representatives from DNOs, Suppliers, IDNOs and Generators, 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 reviewed the information contained in the Change Proposal form, including the proposed legal text that had been included. It was noted that DCP 389 seeks to resolve two distinct items being (i) to clarify the circumstances in which the exceptional circumstances set out in paragraph six of DCUSA Schedule 32 apply; and (ii) to introduce a process to review the allocation of 'new' sites, including where no data was available when allocating existing sites. The Working Group considered each separately and their considerations are captured in under the relevant subheadings of this section.

Exceptional Circumstances Clarification

4.3 For the amendments related to 'Exceptional Circumstances Clarification' the Working Group did not have any comments on the solution put forward by the Proposer and therefore agreed to proceed as is to the consultation. A summary of the solution is set out below:

- The amendment to paragraph 6.1(b) clarifies that any change of use and/or configuration at a Final Demand Site must represent a change at the site after having been allocated to a charging band following finalisation of the charging bands for the then forthcoming onshore electricity owner price control period; and
- The amendment to paragraph 6.3 changes the materiality test for MIC Final Demand Sites to be relative to the MIC of the Final Demand Site at the time it was allocated to a charging band, as opposed to the average used to allocate that Final Demand Site.

4.4 The Working Group sought views on whether industry believed that the proposed solution related to the clarification to the provisions for 'Exceptional Circumstances' was appropriate for what DCP 389 is seeking to achieve.

Allocation review for 'new' sites (including existing sites with no data)

4.5 After conducting a review of the Change Proposal and proposed legal drafting, the Working Group noted that the Change Proposal form used the wording 'ownership' alongside a change in 'use' and questioned

© 2016 all rights reserved

the Proposer on its inclusion because they did not believe that exceptional circumstances applied just because there was a change in ownership. The Proposer noted that this was specified within the Authority's TCR Direction to DNOs (paragraph 33) but agreed that this was discounted as part of developing the DCP360 solution and that it was not the intent of DCP389 to unwind that decision. It was further noted that the word 'ownership' had not been transposed into the proposed legal text amendments as set out in the Change Proposal form and was only in some background text. The Working Group agreed that moving forward into the consultation, the word 'ownership' would not be retained.

4.6 The Working Group reviewed the proposed legal drafting as set out in the Change Proposal form and the consensus of the Working Group was that the proposed amendments were fit for purpose. However, consideration was given to whether the words 'New Site Review', which were used to define the process within the proposed new paragraphs 6.5 to 6.12, may be a little confusing. It was noted that the confusion may arise due to the process encapsulating sites that may not be all that 'new', given the potential lag between when a site becomes operational and when the review may be carried out. Therefore, the Working Group agreed to update the wording to 'Annual Allocation Review' and the consultation to refer to it hereafter.

4.7 The Working Group also noted that this new process for the review is proposed to generally happen once in the lifetime of the Final Demand Site and it is subject to the same materiality test as an exceptional circumstance (i.e. the change must be greater than ±50%). Whilst the Working Group were comfortable with this approach, they agreed to seek views from industry on applying the 50% threshold to this process.

4.8 The Working Group noted the reference to one of the solutions developed for CMP336 and decided that it would be prudent to confirm how many options had been taken forward as part of CMP336. Following this discussion, it was confirmed that there were two WACMs presented alongside the original proposal. The Working Group agreed that the consultation should draw out the various options under consideration for CMP336 which at the time of issuing the consultation, was with the Authority for decision. A summary of the three solutions for CMP336 is set out below:

CMP336 SOLUTIONS WHICH WERE WITH THE AUTHORITY FOR DECISION

CMP336 Original Solution

1. The ESO's Original Solution proposes to band new transmission-connected sites with no available consumption data based on an average annual consumption value of all transmission-connected Final Demand Sites.

2. Following review of the Workgroup Consultation responses, the Workgroup brought forward two potential alternative solutions for CMP336, which were both related to the process for new Transmission Connection Sites where no metered consumption data is available at the time of banding.

NOTE: This aligns to solution developed under DCP360 which was approved by the Authority.

WACM1 - To review New Transmission Connection Sites Banding Allocation

1. Noting that actual consumption data will become available for new sites as they start to operate, the ESO felt that it would be appropriate to review the banding allocation outside of the start of a

© 2016 all rights reserved

new price control for new transmission-connected sites only. This review will only occur once in the lifetime of their connection. Any reviews will take place annually in September. This review will include all sites that connected between 1 April and 31 March of the Charging Year two years previously and no other sites - therefore this gives >12 months of actual metered consumption data for consideration. The Workgroup agreed a process to ensure parties are notified:

- In mid-August (no later than the 15 August), the ESO will notify new transmission-connected sites, who meet the criteria set out above, that their Final Demand Sites will be included in September review for that year;
- The ESO will notify the new transmission-connected site and their respective Supplier of the outcome of the September review five business days after completion of the review;
- All such Final Demand Sites will have their review completed no later than 15 September each year; and
- If the review shows that consumption data is either ±50% of the figure used in the banding allocation, the Final Demand Site will be charged against the new band from the following 1 November.

2. This review process would only be required if more than one transmission band is implemented under CMP343. The CMP336 Workgroup shared some feedback with the ESO's proposed approach, notably:

- On both proposed alternative solutions, there appears to be discriminatory treatment for new-transmission connected sites when no such provision for existing transmission-connected sites or distribution sites is in place. Any different treatment would need to be fully justified and the ESO's rationale for this would be the differing amounts of historic consumption data available between new and existing sites;
- Ofgem's Direction and initial Price Control determination indicates that bandings and allocation to bandings are set for the duration of the Price Control. Due to the lack of consumption data for new sites and the risk that incorrectly banding new sites could dramatically affect the charges of other sites in the same band, a specific re-banding exercise limited to new site would remove the impact of incorrectly banding whilst keeping the intent of Ofgem's direction;
- Questioned the need for a specific review given there are only ~70 transmission sites so can this be monitored by the ESO as part of ongoing process; and
- Suggested that the ESO could calculate a more accurate estimated consumption for these sites based on e.g. size or whether they are baseload or peak and then map across to equivalent customers. This would require the ESO's judgement to compare new sites to existing sites and so ay result in inconsistent outcomes.

NOTE: This broadly aligns to solution being developed under this Change Proposal.

WACM2 – User self-reported expected annual consumption figure

© 2016 all rights reserved

1. This proposes using a "user self-reported expected annual consumption figure", rather than the most recent 12 months average consumption of all transmission connected Final Demand Sites, for the purpose of banding. This figure will be monitored by the ESO, until re-banding takes place at the start of the subsequent price control, to ensure that this self-reported figure is an accurate reflection of the Final Demand Site's metered consumption. Where the ESO has reason to believe that the self-reported figure is ±50% of the actual annual metered consumption data then the ESO can raise an intervention to re-band this site. Following a successful intervention, the site will be re-banded effective from the TNUoS invoice of the subsequent month. The Final Demand Site will have charges backdated as per the revised allocation back to the RF Settlement Run which will be paid in monthly instalments over the following charging year.

2. The Workgroup shared some feedback with the ESO's proposed approach notably:

   - Reiterated the concerns over different treatment between transmission and distribution sites given the different information available between transmission and distribution;
   - This approach could improve initial allocation of new transmission sites to bands compared to an averaging approach;
   - Increases the opportunities for gaming as this incentivises parties to under report their consumption figure and ensure their self-reported figure is ±50% of the actual metered annual metered consumption data; and
   - Potentially disadvantages parties who have in good faith made an error in their self-reported figure.

NOTE: No DCP 389 Working Group member came forward to support the inclusion of such an option within this Change Proposal.

4.9 Prior to a decision being made on CMP336, the Working Group believed that in a scenario where the Authority decided to approve WACM2 associated with CMP336, a divergence in the approach between the CUSC and DCUSA to reviewing the banding allocation for 'new' sites (including existing sites with no data) would be acceptable. It was noted that this is due to the availability of metered consumption data, which the ESO would have access to, for transmission-connected sites as compared to the DNOs/IDNOs who do not have access to the same data for distribution-connected sites.

4.10 The Working Group sought views on whether industry believed that the proposed solution, which broadly mirrors that of CMP336 WACM1 and is related to the introduction of an allocation review for 'new' sites (including existing sites with no data), was appropriate for what DCP 389 is seeking to achieve.

© 2016 all rights reserved

5 Summary of Consultation and Responses

Summary of responses to the DCP 389 Consultation

5.1 The DCP 389 Working Group issued a consultation on 22 July 2021 which sought views from industry on the proposed solution and legal text for DCP 389, and in some cases a number of options to select from were presented.

5.2 There were twelve respondents to the consultation comprising of DNOs, IDNOs, Suppliers and, Generators. Set out below are the questions that the Working Group sought views on, and a summary of the responses received. A copy of the consultation document alongside the Party responses and Working Group conclusions can be found as Attachment 3.

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

5.3 The Working Group noted that all respondents to the consultation confirmed that they understood the intent of the CP.

Question 2: Are you supportive of the principles that support this CP, which is to address two distinct items being (i) to clarify the circumstances in which the exceptional circumstances set out in paragraph six of DCUSA Schedule 32 apply; and (ii) to introduce a process to review the allocation of 'new' sites, including where no data was available when allocating existing sites?

5.4 Of the twelve respondents, eleven were fully supportive of the principles behind the need for the CP, with the remaining respondent indicating support for the first item the CP seeks to address but noted that they were unconvinced second item the CP seeks to address. The respondent provided the following comment:

- *"For item (ii) we are not convinced it is valid to allocate a site to a band based on data for a different timeframe than the timeframe used for the banding exercise. For example, the annual consumption of a site maybe greatly suppressed by the impact of the Covid-19 pandemic, extreme weather or similar events which would result in a lower banding allocation. However, such events could affect all sites on a national basis which would result in different banding boundaries. Therefore, the new sites would not be allocated properly into a band based on their annual consumption percentile, compared to sites as a whole.*

5.5 The Working Group noted the comments related to part (ii) and also noted the change in EAC values during the Covid-19 pandemic utilised under rules introduced via the BSC. The Working Group highlighted that the process being created isn't seeking to weather correct data or account for circumstances such as the pandemic and is only seeking to utilise actual data (although still EAC values) in place of estimated data. It was also noted that the respondent's comment is less applicable to sites which have been banded based on a MIC.

Question 3: Do you believe that the proposed solution related to the clarification to the provisions for 'Exceptional Circumstances' is appropriate for what DCP 389 is seeking to achieve?

Please provide your rationale for your response.

5.6 There was majority support for the intended approach, with a minority still having concerns. These concerns are briefly set out below:

© 2016 all rights reserved

- One respondent raised a concern related a lack of a process with respect to the moving from Final Demand to Non Final Demand, however, the Working Group agreed that this was out of scope, and
- The Working Group felt that the other two comments received challenged Ofgem's TCR policy decisions and so no further amendments were made.

Question 4: Are you comfortable with the proposal to apply the existing (i.e. pre-DCP 389) materiality test as for 'Exceptional Circumstances' for the 'Annual Allocation Review' (i.e. the change in MIC/annual consumption must be greater than ±50% of the assumption used to allocate the Final Demand Site initially)? Please provide your rationale for your response.

5.7 The Working Group noted that the majority of the respondents (nine) supported the approach that was set out within the consultation which was to apply the existing (i.e. pre-DCP 389) materiality test for the 'Annual Allocation Review' (i.e. the change in MIC/annual consumption must be greater than ±50% of the assumption used to allocate the Final Demand Site initially).

5.8 Of the remaining three respondents, the following points were noted:

- *"Our preference is for new sites to be allocated to a new banding based on the latest actual MIC/EAC."*
- *"We have concerns that the 50% threshold is to arbitrary. Customers can be penalised due to something outwith their control but we recognise the risk of too many, frivolous, requests. We would have preferred Ofgem to review the process to make sure businesses starting back following the pandemic are not treated unfairly."*
- *"We consider there to be two options that the Working Group should consider:*
    - *No materiality test is applied; the Final Demand Site would be reallocated to a different charging band if the 'actual' data supported it (i.e. it may align with an assumption used given banding is subject to a range); or*
    - *The existing materiality test is applied in principle but with a reduced threshold (i.e. comparing to the average used, but where e.g. the difference needs to be less than 50%, say 20%)."*

5.9 The Working Group agreed to consider the suggestions put forward and will determine the approach following that discussion.

Question 5: Do you believe the proposed solution, which broadly mirrors that of CMP336 WACM1 and is related to the introduction of an allocation review for 'new' sites (including existing sites with no data, is appropriate for what DCP 389 is seeking to achieve? Please provide your rationale for your response.

5.10 The majority of the respondents (nine) supported the approach that was set out within the consultation regarding the introduction of an allocation review for 'new' sites (including existing sites with no data).

5.11 Of the remaining three, the following points were noted:

- A concern related to "*references in the consultation document to the allocation review being available "once in a lifetime" of a site, and in the draft legal text, paragraph 6.11, to a review "once only". We would instead be in favour of an allocation review being available once during a banding period (i.e. the relevant price control period).*"

© 2016 all rights reserved

- A suggestion that "*further progress on DCP389 should be slowed down until the outcome of CMP336 is known, and that the DCP389 solution(s) should then be aligned CMP336*" this was because CMP336 "*is currently with Ofgem for decision, expected by the end of this month (Aug '21), and it is therefore not known whether Ofgem will approve either the Original solution, or one of the two WACMs. Whilst WACM1 is the basis for DCP389, the Original and WACM2 differ from DCP389*"
- "*We believe that having a review to the arrangements that is 'at least annually' rather just a fixed one off exercise would be more appropriate. DNO parties can undertake a review when an appropriate volume of required data is available. It is likely that the volume of sites to be reviewed could build up to a significant number over a full year and this approach would allow DNOs to undertake this task when they have suitable data available. Taking this approach, there would need to be 'no later than date', which we would suggest as 31 October each year.*"
- "*Do not agree with the plan to allow backdated amendments of 5 or 6 years if the supplier is expected to carry out the refund. Any refunds / additional charges should be made by the DNO directly to the customer. This avoids issues with changes of supplier or contract and also reduces the administrative burden on suppliers.*"

5.12 Regarding the first point the Working Group noted the suggestion put forward by this respondent and highlighted that all sites will be reviewed at least once in a period i.e. for the next banding. The "once in a lifetime" point is simply to say that it will be done at the first point where the requisite data is available to DNOs/IDNOs, and not choose between this and the next year, which may benefit or be detrimental to the customer i.e. which year would be better for it?

5.13 Regarding the second point, the Working Group do not believe that slowing down the progression of DCP389, due to no decision being made on CMP336, is the right approach. The view of the Working Group is that regardless of what Ofgem do on CMP336, this is right for customers. It is for the Authority to determine whether it can accept differences between CUSC and DCUSA, but we should not hold up making things better.

5.14 On the third point, the Working Group noted the suggestion for a different approach to be used (i.e., a review that is undertaken 'at least annually') but that DCP389 proposes an annual review but if the timing fluctuates within a year then it risks creating more winners and losers e.g. by (potentially by complete accident) using data that is either in favour or against the customer as opposed to defining the data that will be used i.e. the average of data up to a point in time, which is at least one years' worth. There was also a view that this would also risk creating significant uncertainty and inconsistent approaches leaving stakeholders confused.

5.15 On the fourth point, the Working Group noted that any refund would be by the distributor to the supplier(s), who should then give to the customer. This is in line with refunds for e.g. incorrect LLFC allocations. Further to this, the WG highlighted that DNOs/IDNOs do not have the relationship with the customer and have not invoiced the customer and do not know what the supplier has invoiced the customer, therefore any rebate may be inappropriate e.g. if the supplier contract resulted in lower costs that the distributor levied on the supplier (for that part of the bill anyway). However, the Working Group took an action to review the paragraphs within the Schedule that relate to backdating charges to ensure consistency within the Schedule and across DCP 387.

© 2016 all rights reserved

5.16 Based on the consultation responses the Working Group agreed to progress with approach of WACM1 of CMP336.

Question 6: Do you have any comments on the draft legal text for DCP 389?

5.17 Of the twelve respondents, it was noted that seven did provide some further comments on the proposed legal text for DCP 389. Of those that did provide further comments, the Working Group noted the following concerns / suggestions:

- a suggested minor amendment to paragraph 6.10 to insert the word 'and' between "allocated," and "the LLFC Id", which was agreed by the Working Group;
- a question, which asked "*Under 6.3(a) does 'at the time it was allocated to a charging band' refer to the last day of the 24-month period or some other date?*", to which the Working Group decided to update the text to add clarity as set out below:

  (a) for Final Demand Sites within the groups identified in Paragraph 1.5(a), 1.5(b) or 1.5(c), the Maximum Import Capacity and/or consumption at a Final Demand Site must have either increased or decreased by more than 50 percent in comparison to the Maximum Import Capacity of the Final Demand Site as was held at the end of the period for which data was used to allocate the site ~~at the time it was allocated~~ to a charging band in accordance with paragraph 4.1; or.
- two respondents raised concerns with respect to retrospectively applying revised banding, however the Working Group noted that the change isn't seeking to retrospectively apply a different MIC, therefore generating revised capacity charges, it is simply saying the MIC should have been x and therefore the charging band should have been y, so a credit of z is appropriate.
- one respondent had suggested that the that the text may be unclear and the Working Group agreed to consider whether including examples in the DCUSA should be taken forward.

5.18 Some respondents referred back to previous questions and the Working Group noted that these were picked up at that point in time.

Question 7: Do you consider that DCP 389 better facilitates the DCUSA Charging Objectives?

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

If not, please provide supporting reasons.

5.19 The majority of respondents agreed that the DCUSA Charging Objectives would be better facilitated by the implementation of DCP 389.

5.20 The majority of respondents also highlighted that they believed that DCUSA Charging Objectives 1, 2 and/or 6 would be better facilitated and therefore, they agreed with the Proposer of the CP.

5.21 At a high level, the following table sets out whether each respondent considered that the proposal better facilitates the DCUSA Charging Objectives and which they believed to be in scope.

© 2016 all rights reserved

Respondent	Charging Objective 1	Charging Objective 2	Charging Objective 3	Charging Objective 4	Charging Objective 5	Charging Objective 6
1.	Positive	Positive	-	-	-	Positive
2.	Positive	Positive	-	-	-	Positive
3.	Positive	-	-	-	-	
4.	Positive	Positive	-	-	-	Positive
5.	Positive	Positive	-	-	-	Positive
6.	-	-	-	-	-	
7.	-	Positive	-	-	-	Positive
8.	Positive	Positive	-	-	-	Positive
9.	Positive	-	-	-	-	Positive
10.	Positive	Positive	-	-	-	Positive
11.	Not Specific	Not Specific	Not Specific	Not Specific	Not Specific	Not Specific
12.	Positive	Positive	-	-	-	Positive

5.22 The Working Group noted their assessment of the DCUSA Objectives, and the Working Group view is provided in Section 9 below.

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

5.23 The majority of respondents agreed that there were no wider industry developments that should be considered by the Working Group.

5.24 The Working Group noted that only one respondent provided a comment with respect to wider industry developments and that the respondent had raised the same point in an earlier question, which the Working Group had commented on at that point.

Question 9: What do you consider to be an appropriate implementation date for DCP 389? Please provide supporting rationale for your choice.

5.25 The Working Group noted that there were mixed responses to this question but that the majority of respondents favoured an implementation date of the first release following approval. The responses are summarised below:

- 6 were supportive of first release after approval
- 3 were supportive of as soon as possible.
- 1 was supportive of having a 6 month lead time ahead of the annual review starting in September
- 1 was supportive of 01 April 2022
- 1 didn't have a preference

5.26 The Working Group will consider the implementation date once a final solution has been agreed and will ensure respondents comments are taken into account when agreeing the implementation date.

Question 10: Do you have any further comments on DCP 389?

5.27 The Working Group noted that none of the respondents provided any further comments with respect to DCP 389.

© 2016 all rights reserved

6 Working Group Conclusions & Final Solution

Exceptional Circumstances Clarification

6.1 Following their review of consultation responses, the Working Group determined that no material amendments were necessary to proposed solution related to the clarification of Exceptional Circumstances that was consulted on.

Allocation review for 'new' sites (including existing sites with no data)

6.2 During their review of consultation responses, the Working Group noted some suggested approaches that differed from that which had been included within the consultation and agreed to consider those alongside the original. The three options that the Working Group considered were:

- For a Final Demand Site to be considered for reallocation to a New Charging Band, the difference between the actual data (as calculated in paragraphs 6.6 to 6.8) and the assumption used to allocate the Final Demand Site to the Old Charging Band must be greater than ±50%. This approach is consistent with the current application of the exceptional circumstances materiality test for both MIC and non-MIC Final Demand Sites.
- As above but with a reduction in the percentage difference needed to be considered for reallocation to a New Charging Band (i.e., something less than ±50%), with the Working Group agreeing what that percentage should be.
- To not apply a materiality test, meaning that a Final Demand Site would be reallocated to a different charging band if the 'actual' data supported it (i.e. if the data shows that it fits within the boundaries of a different charging band then it would be reallocated to that charging band.

6.3 As noted within the consultation, the Proposer, included the need to satisfy a materiality test in the proposed legal text (submitted with the Change Proposal) so as to align with the solution proposed for transmission-connected Final Demand Sites under CMP 336 'Transmission Demand Residual, billing and consequential changes to CUSC', specifically WACM 1; which was recently approved by the Authority.

6.4 The Working Group discussed the rationale included within CMP336 related to new sites and considered reasons for moving away from the original approach, including;

- potential for customer to lose/win on the basis of something that is outside of their control, (e.g., it isn't fair to not re-allocate a customer which was originally based on a guess, whether that means the customer is better off or not).
- Alignment between the CUSC arrangements and that of DCUSA would be problematic to move forward with, given the nature of the customers connected to each system.

6.5 Following a vote of members of the Working Group, a majority were supportive of progressing with the solution to not apply a materiality test, meaning that a Final Demand Site would be reallocated to a different charging band if the 'actual' data supported it (i.e. if the data shows that it fits within the boundaries of a different charging band then it would be reallocated to that charging band.

6.6 The Working Group notes that the allocation and indeed the reallocation of Final Demand Sites to charging bands could see some sites which were to use the exceptional circumstances process to move

© 2016 all rights reserved

to lower band near the end of one Price Control period and then when the re-banding and allocation process takes place for the next price control period, be allocated to a higher band because an average was used. One approach would be to allow distributors to allocate Final Demand Sites whilst considering significant changes in (e.g.) MIC during the averaging period.

6.7 The Working Group believe that a separate Change Proposal should be raised[13] prior to revising the charging bands in line with paragraph 3 of Schedule 32, as it was deemed to be out of scope of the DCP 389.

7 Legal Text

Legal Text

7.1 The proposed legal text amendments to Schedule 32 of the DCUSA are set out in Attachment 3 to this change Report. A summary of the proposed amendments has been included below.

Legal Text Commentary

Exceptional circumstances clarification

7.2 The amendment to paragraph 6.1(b) clarifies that any change of use and/or configuration at a Final Demand Site must represent a change at the site after having been allocated to a charging band following finalisation of the charging bands for the then forthcoming onshore electricity owner price control period.

7.3 Therefore, changes in the voltage of connection (paragraph 6.1(a)) or where the Final Demand Site changes between a MIC and no-MIC site (paragraph 6.1(c)), remain unaffected by this Change Proposal and should therefore be reallocated regardless of when the change happened i.e. if the distributor allocated the Final Demand Site to a charging band at the incorrect voltage or to a MIC charging band instead of a non-MIC charging band (and vice versa).

7.4 The amendment to paragraph 6.3 changes the materiality test for MIC sites to be relative to the MIC of the Final Demand Site at the time it was allocated/reallocated to a charging band, as opposed to the average used to allocate that Final Demand Site. There is also an additional provision for the exceptional circumstances to be able to be applied to sites that are allocated as part of the new process (i.e., the Annual Allocation Review) but only after they have been re-allocated as part of the Annual Allocation Review.

Annual Allocation review

7.5 Minor changes are needed to the heading, and to introduce subheadings, to extend the scope of the exceptional circumstances part of Schedule 32.

[13] The charging bands will not be revised until 2024 and will not be effective until 1 April 2026..

© 2016 all rights reserved

7.6 The insertion of paragraph 6.5 limits the scope of the Annual Allocation Review to Final Demand Sites allocated based on no actual data, and for NHH non-MIC sites also includes where a Default EAC was used.

7.7 The insertion of paragraph 6.6 which details that the Allocation Review is carried out only once for each relevant Final Demand Site (unless there is a change in the voltage of connection or the Final Demand Site changes between MIC and non-MIC charging bands).

7.8 Paragraphs 6.7 and 6.8 set out the requirement to assess reallocation for Half Hourly (HH) settled Final Demand Sites based on the average of a minimum of 12 months actual MIC or metered import consumption as appropriate, up to and including June of that year and therefore data used for invoicing in July. This cut-off provides distributors sufficient time (over a month) to complete the Annual Allocation Review and to notify suppliers.

7.9 Paragraph 6.9 sets out the requirement to assess reallocation of NHH settled Final Demand Sites with no MIC based on the most recent 'actual' EAC (i.e. not including a Default EAC) from a P0222 Report since the allocation of the Final Demand Site and up to and including the May P0222 Report. The May P0222 Report should be provided to distributors early in the month of May and therefore this cut-off provides distributors sufficient time (around 3 months) to complete the Annual Allocation Review and to notify suppliers.

7.10 Paragraphs 6.10 to 6.11 require the distributor to: (i) notify all suppliers of any change in allocation to a New Charging Band; (ii) apply any rebate or additional charge as appropriate, backdated to when the Final Demand Site was first charged the respective rate of the Old Charging Band (capped at the relevant statutory period).

8 Relevant Objectives

8.1 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.

The Proposer's Assessment of the DCUSA Objectives

8.2 The rationale provided by the Proposer as to which of the following DCUSA Objectives are better facilitated by DCP 389 is set out in the CP form, provided as Attachment 4 and also detailed below:

- **Charging Objective One**: is better facilitated by ensuring that the DNOs are compliant with licence requirements in relation to a Significant Code Review (SCR), by properly implementing the intent of the specific requirements set out in the Authority's TCR decision.
- **Charging Objective Two**: **is** better facilitated by ensuring that network costs are recovered fairly from network users and by reducing harmful distortions which impact competition in the market. This is achieved by reviewing the allocation of Final Demand Sites to charging bands once actual data becomes available.
- **Charging Objective Six**: is better facilitated by adding clarity to the legal text in line with the intent of the Authority's TCR decision.

© 2016 all rights reserved

8.3 The list of DCUSA Charging Objectives is set out in the table below.

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)	Positive
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	None
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.	Positive

Working Group Assessment of the DCUSA Objectives

8.4 The Working Group agreed with the Proposer that DCP 389 better facilitates DCUSA Charging Objectives 1, 2 and 6. The Working Groups rationale was in keeping with that of the Proposer, which at a high level was:

- CO1: positive impact in the context of the DNOs' meeting their Licence obligations with respect to the Authority's TCR decision.
- CO2: positive impact by ensuring that network costs are recovered fairly from network users and by reducing harmful distortions which impact competition
- CO6: positive impact due to the improved implementation of the TCR requirements by the additional clarity provided by DCP 389.

© 2016 all rights reserved

9 Code Specific Matters

Reference Documents

9.1 Links to reference documents are included in footnotes throughout.

10 Impacts & Other Considerations

10.1 It should be noted that the issue that DCP 389 seeks to resolve was raised with the Distribution Charging Methodology Development Group (DCMDG) prior to being submitted into the formal DCUSA Change Control process.

Significant Code Review Impacts

10.2 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 (subject to Ofgem's decision on CMP336) and ensuring the TCR Direction is not misinterpreted in certain areas.

Impacts on other Industry Codes

10.3 This Change Proposal will not impact on any other industry code but will bring the DCUSA in line with the principles of the recently approved CUSC modification (WACM1 to CMP336) but not with the exact solution that was developed for WACM1 to CMP336.

BSC……...	☐	MRA……	☐	REC……	☐
CUSC……	☐	SEC……	☐	None……	☒
Grid Code…….	☐	Distrbution Code..	☐		

Environmental Impacts

10.4 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 389 were to be implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

Engagement with the Authority

10.5 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.

11 Implementation Date

11.1 The Proposer indicated their view that, if approved, DCP 389 should be implemented as soon as practicable, which would occur in the first DCUSA release after having been approved.

11.2 The Working Group sought industry views on a proposed implementation date, considering the associated timelines that are set out in the draft legal text. Following their review of consultation responses and the current timetable, the Working Group agreed to proceed with an implementation date of the first DCUSA release after having been approved, which is likely to be 03 November 2022. It was noted that this would allow for the process to be carried out in 2023, as the Working Group determined that there would be insufficient time for distributors to put the necessary processes in place for 2022.

© 2016 all rights reserved

12 Recommendations

Panel's Recommendation

12.1 The Panel approved this Change Report on 15 June 2022. The Panel considered that the Working Group has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 389.

12.2 The Panel have recommended this report be issued for voting for a period of three weeks and DCUSA Parties should consider whether they wish to submit views regarding this CP. The Voting Form can be found in Attachment 2.

13 Attachments

- Attachment 1 – DCP 389 Draft Legal Text
- Attachment 2 – DCP 389 Voting Response Form
- Attachment 3 – DCP 389 Consultation and Responses
- Attachment 4 – DCP 389 Change Proposal Form
- Attachment 5 – Reallocation Examples

© 2016 all rights reserved