







## Part A: Generic

DCUSA Change Proposal (DCP)		At what stage is this document in the process?
<h1>DCP 389:</h1> <h2>TCR - Clarification on Exceptional Circumstances and Allocation Review for 'New' Sites</h2> <p><b>Date raised:</b> 14<sup>th</sup> April 2021</p> <p><b>Proposer Name:</b> Lee Wells</p> <p><b>Company Name:</b> Northern Powergrid</p> <p><b>Company Category:</b> DNO</p>	<div>01 – Change Proposal</div> <div>02 – Consultation</div> <div>03 – Change Report</div> <div>04 – Change Declaration</div>	
<p><b>Purpose of Change Proposal:</b></p> <p>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.</p>		
	<p><b>Governance:</b></p> <p>The Proposer recommends that this Change Proposal should be:</p> <ul style="list-style-type: none"> <li>• Treated as a Part 1 Matter</li> <li>• Treated as a Standard Change</li> <li>• Proceed to Working Group</li> </ul> <p>The Panel will consider the proposer's recommendation and determine the appropriate route.</p>	
	<p><b>Impacted Parties:</b></p> <p>DNOs, IDNOs and Suppliers.</p>	
	<p><b>Impacted Clauses:</b></p> <p>Schedule 32</p>	

Contents		 Any questions?
1	Summary	2
2	Governance	8
3	Why Change?	8
4	Solution and Legal Text	9
5	Code Specific Matters	12
6	Relevant Objectives	12
7	Impacts & Other Considerations	12
8	Implementation	13
9	Recommendations	14
Indicative Timeline		 DCUSA@electralink.co.uk  020 7432 3011 Proposer: <b>Lee Wells</b>  lee.wells@northernpowergrid.com  07885 712226
<b>The Secretariat recommends the following timetable:</b>		
Initial Assessment Report	21 April 2021	
Consultation Issued to Industry Participants	TBC	
Change Report Approved by Panel	18 August 2021	
Change Report issued for Voting	20 August 2021	
Party Voting Closes	10 September 2021	
Change Declaration Issued to Authority	14 September 2021	
Authority Decision	19 October 2021	

## 1 Summary

### What?

#### Exceptional circumstances clarification

- 1.1 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<sup>1</sup>.

<sup>1</sup> <https://www.ofgem.gov.uk/publications-and-updates/dcp358-determination-banding-boundaries-and-dcp360-allocation-bands-and-interventions>

- 1.2 In its TCR decision<sup>2</sup>, 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.
- 1.3 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.
- 1.4 The exceptional circumstances are set out in paragraph six of Schedule 32 of the DCUSA and relate to a change in use or ownership of a Final Demand Site which is reflected by a ‘significant’ change to its Maximum Import Capacity (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.
- 1.5 Schedule 32 defines<sup>3</sup> ‘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.
- 1.6 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.
- 1.7 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 risk that the policy intent is not achieved, at least for Final Demand Sites with a MIC.
- 1.8 Therefore, changes are needed to provide clarity, promote efficiency and to ensure that the intent of the Authority’s TCR decision is applied correctly.

#### **Allocation review for ‘new’ sites (including existing sites with no data)**

- 1.9 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<sup>4</sup>.
- 1.10 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.
- 1.11 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

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<sup>2</sup> <https://www.ofgem.gov.uk/publications-and-updates/targeted-charging-review-decision-and-impact-assessment>

<sup>3</sup> Paragraph 6.3 of Schedule 32.

<sup>4</sup> 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.

Sites<sup>5</sup>. 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.

- 1.12 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.
- 1.13 Connection and Use of System Code (CUSC) modification proposal 336 'Transmission Demand Residual, billing and consequential changes to CUSC' (CMP336) is, at the time of drafting this Change Proposal, with the Authority for decision. One of the options for implementation proposes an annual review of the allocation of 'new' Final Demand Sites once actual data is available.
- 1.14 The approach in CMP336 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.
- 1.15 This review is 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  $\pm 50\%$ )
- 1.16 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.

## Why?

### **Exceptional circumstances clarification**

- 1.17 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<sup>6</sup> (the exception being Non-Half Hourly (NHH) settled sites allocated based on annual consumption i.e. paragraph 4.2(b)).
- 1.18 If a distributor allocated a Final Demand Site with a MIC to a charging band in November 2020, it should have used the average MIC between November 2018 and October 2020.
- 1.19 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.

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<sup>5</sup> For example, due to lack of site-specific data for no 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.

<sup>6</sup> Where less than 24 months data is available, an average of that data is generally used.

- 1.20 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.
- 1.21 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 we need to compare to the MIC “used for the purposes of the allocation” i.e. we need to compare the new MIC (1,500kVA) to the average MIC (3,250kVA), which in this example reduced by 54%.
- 1.22 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.
- 1.23 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.
- 1.24 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.
- 1.25 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.
- 1.26 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. We 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.
- 1.27 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, by default creates ‘winners’ and ‘losers’ as a result of the Authority’s TCR decision to introduce banded tariffs with fixed boundaries.
- 1.28 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.

- 1.29 The legal advisors to DCUSA Ltd have confirmed agreement of the DCP360 legal text that a Final Demand Site similar to the examples set out above should not be subject to the exceptional circumstances, as there has been no change in circumstances compared to the MIC used for the purposes of the allocation, as (e.g., using the example set out in paragraph 1.19) 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.
- 1.30 However, we believe that the exceptional circumstances in paragraph six 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.

#### **Allocation review for ‘new’ sites (including existing sites with no data)**

- 1.31 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, 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<sup>7</sup>).
- 1.32 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.
- 1.33 An annual review, once in the lifetime of the Final Demand Site, akin to that proposed in 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. 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).

## **How?**

#### **Exceptional circumstances clarification**

- 1.34 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 owner price control period by default).

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<sup>7</sup> 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.

- 1.35 We believe 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.
- 1.36 For example, the Final Demand Site set out in the example in paragraph 1.19, 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<sup>8</sup>, 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.
- 1.37 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 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  $\pm 50\%$  threshold.
- 1.38 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.
- 1.39 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.
- 1.40 As set out in our DCP360 consultation and voting responses, we believe that the allocation of Final Demand Sites to a charging band should avoid a ‘computer says yes’ averaging solution that would instead allow distributors to allocate Final Demand Sites whilst considering significant changes in (e.g.) MIC during the averaging period. This was obviously not the final approach taken for DCP360.
- 1.41 We believe that a separate Change Proposal should be raised<sup>9</sup> prior to revising the charging bands in line with paragraph 3 of Schedule 32, as it remains our view that providing for such a proactive approach would reduce the potential for reallocations mid-price control period.

**Allocation review for ‘new’ sites (including existing sites with no data)**

- 1.42 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.
- 1.43 To maintain the flow of Schedule 32, we believe that the exceptional circumstances section of the schedule should be amended to include an annual requirement (in September) to:

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<sup>8</sup> A reduction in MIC is permitted once in 12 months.

<sup>9</sup> The charging bands will not be revised until 2024 and will not be effective until 1 April 2026, so it is not an urgent requirement.



- 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 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  $\pm 50\%$ , 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;
- Apply the revised charging band from the next billing period following the review;
- Notify the supplier of the reallocation by no later than the 15<sup>th</sup> 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).

## 2 Governance

### Justification for Part 1 and Part 2 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.

### Requested Next Steps

- 2.2 This Change Proposal should:
- Be treated as a Part 1 Matter;
  - Be treated as a Standard Change; and
  - Proceed to Working Group.

## 3 Why Change?

### Exceptional circumstances clarification

- 3.1 We believe that the exceptional circumstances in paragraph 6 of Schedule 32 would benefit from additional clarity that a change in use and/or ownership of a Final Demand Site must have happened after the Final Demand Site has been allocated to a charging band.
- 3.2 Replacing the requirement to compare a change in 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, removes potential loopholes which could be exploited.



- 3.3 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.

**Allocation review for ‘new’ sites (including existing sites with no data)**

- 3.4 An annual review, once in the lifetime 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.
- 3.5 If CMP336 is approved and includes an equivalent allocation review, the DCUSA and CUSC will not be aligned as required in the TCR directions from the Authority.

## Part B: Code Specific Details

### 4 Solution and Legal Text

#### Legal Text

**Exceptional circumstances clarification**

- 4.1 Amend paragraph 6.1(b) of Schedule 32 as follows:

“the Final Demand Site has a change of use or change of site configuration post the allocation described in paragraph 4.3, and this is reflected by a significant change to its:”

- 4.2 Amend paragraph 6.3 of Schedule 32 as follows:

“The exceptional circumstances described in Paragraph 6.1(b) will be subject the following materiality threshold: 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 at the time it was allocated to a charging band in accordance with paragraph 4.1; and/or for Final Demand Sites within the group identified in Paragraph 1.5(d), the consumption at a Final Demand Site must have increased or decreased by more than 50 percent in comparison to the consumption which was used for the purposes of the allocation which the applicant is seeking to have changed”

**Allocation review for ‘new’ sites (including existing sites with no data)**

- 4.3 Amend paragraph 6 of Schedule 32 as follows:

“EXCEPTIONAL CIRCUMSTANCES AND ANNUAL ALLOCATION REVIEW RESULTING IN RE-ALLOCATION TO A DIFFERENT BAND WITHIN A PRICE CONTROL PERIOD”

- 4.4 Insert subheading after paragraph 6 as follows:

**“Exceptional circumstances”**

- 4.5 Insert the following after paragraph 6.4:

**“Annual allocation review of new Final Demand Sites including those allocated based on no recorded data”**

- 6.5 Each September, each DNO/IDNO Party shall review the allocation of all Final Demand Sites allocated to a charging band in accordance with Paragraph 4.1(b)(ii), Paragraph 4.2(a)(iii), Paragraph 4.2(b)(ii) and Paragraph 4.2(b)(iii). This is known as the “New Site Review” and may result in a Final Demand Site being reallocated from its current charging band (the “Old Charging Band”) to a new charging band (the “New Charging Band”).
- 6.6 For Final Demand Sites allocated in accordance with Paragraph 4.1(b)(ii), and where a Final Demand Site has a minimum of 12 months of Maximum Import Capacity data up to and including 30 June of that year, the Final Demand Site will be eligible for reallocation subject to Paragraph 6.9 based on the average Maximum Import Capacity over that period.
- 6.7 For Final Demand Sites allocated in accordance with Paragraph 4.2(a)(iii), and where a Final Demand Site has a minimum of 12 months metered import consumption data up to and including 30 June of that year, the Final Demand Site will be eligible for reallocation subject to Paragraph 6.9 based on the average annual import consumption over that period.
- 6.8 For Final Demand Sites allocated in accordance with Paragraph 4.2(b)(ii) or Paragraph 4.2(b)(iii), and where a Final Demand Site has an Estimated Annual Consumption which is not a Default Estimated Annual Consumption from a P0222 Report up to and including August of that year, the Final Demand Site will be eligible for reallocation subject to Paragraph 6.9 based on the most recent Estimated Annual Consumption which is not a Default Estimated Annual Consumption.
- 6.9 Reallocation to a New Charging Band following the New Site Review will be subject to the following materiality threshold: the Maximum Import Capacity and/or consumption at a Final Demand Site, calculated in accordance with Paragraph 6.6 to Paragraph 6.8, must have either increased or decreased by more than 50 percent in comparison to the Maximum Import Capacity and/or consumption which was used for the purposes of the allocation to the Old Charging Band.
- 6.10 On or before 15 September of the New Site Review, the DNO/IDNO Party shall provide each Supplier Party with a list of each and every MPAN associated with a Non-Domestic Premises that is connected to the DNO/IDNO Party’s Distribution System that has been reallocated to a New Charging Band as a result of the New Site Review, identifying the Old Charging Band and New Charging Band to which each such MPAN has been allocated, the LLFC Id which is assigned to the MPAN, and the provisional LLFC Id which will be assigned to the MPAN with effect from 1 April 2022.
- 6.11 Subject to Paragraph 6.1(a) or Paragraph 6.1(c), a Final Demand Site will be subject to the New Site Review once only.
- 6.12 Reallocation of a Final Demand Site to a New Charging Band may result in the Registrant for the Final Demand Site being either eligible for a rebate or subject to an additional charge both of which shall be backdated to the date on which the Final Demand Site was first charged the

Old Charging Band residual fixed charge, up to a maximum of six years (five years in Scotland). The New Charging Band will be applied from the next billing period.

## Legal Text Commentary

### **Exceptional circumstances clarification**

- 4.6 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.
- 4.7 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).
- 4.8 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 to a charging band, as opposed to the average used to allocate that Final Demand Site.

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

- 4.9 Minor changes are needed to the heading, and to introduce subheadings, to extend the scope of the exceptional circumstances part of Schedule 32.
- 4.10 The insertion of paragraph 6.5 limits the scope of the New Site Review to Final Demand Sites allocated based on no actual data, and for NHH non-MIC sites includes where a Default EAC was used.
- 4.11 Paragraphs 6.6 and 6.7 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 New Site Review and to notify suppliers.
- 4.12 Paragraph 6.8 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 August P0222 Report. The August P0222 Report should be provided to distributors early in the month of August and therefore this cut-off provides distributors sufficient time (around a month) to complete the New Site Review and to notify suppliers.
- 4.13 Paragraph 6.9 sets out that 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  $\pm 50\%$ . This approach is consistent with the current application of the exceptional circumstances materiality test for both MIC and non-MIC Final Demand Sites.

- 4.14 Paragraphs 6.10 to 6.12 require the distributor to: (i) notify all suppliers of any change in allocation to a New Charging Band; (ii) carry out the New Site Review 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); and (iii) 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).

## 5 Code Specific Matters

### Reference Documents

- 5.1 Links to reference documents are included in footnotes throughout.

## 6 Relevant Objectives

- 6.1 Of the DCUSA Charging Objectives contained in the table below, we believe that this Change Proposal will better facilitate the following Charging Objectives:

- **Charging objective one:** 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:** 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:** better facilitated by adding clarity to the legal text in line with the intent of the Authority's TCR decision.

DCUSA Charging Objectives	Identified impact
<input checked="" type="checkbox"/> 1 that compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence	Positive
<input checked="" type="checkbox"/> 2 that compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences)	Positive
<input type="checkbox"/> 3 that compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business	None

<input type="checkbox"/> 4 that, so far as is consistent with Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business	None
<input type="checkbox"/> 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
<input checked="" type="checkbox"/> 6 that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	Positive

## 7 Impacts & Other Considerations

7.1 This Change Proposal will impact DNOs, IDNOs and Suppliers.

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

7.2 This change will not impact an existing (or known probable) SCR or any other significant industry change project.

### Consideration of Wider Industry Impacts

7.3 This change has been discussed at the April 2021 Distribution Charging Methodologies Development Group (DCMDG) meeting.

### Does this Change Proposal Impact Other Codes?

BSC..... ☐ MRA..... ☐  
 CUSC..... ☐ SEC..... ☐  
 Grid Code..... ☐ Other..... ☐  
 Distribution Code.. ☐ None..... ☐

7.4 This Change Proposal will not impact on any other industry code but will bring the DCUSA in line with the CUSC subject to the approval of CMP336.

### Confidentiality

7.5 Non-confidential.

## 8 Implementation

### Proposed Implementation Date

- 8.1 This Change Proposal should be implemented in the first DCUSA release after having been approved.

## 9 Recommendations

*The Code Administrator will provide a summary of any recommendations/determinations provided by the Panel in considering the initial Change Proposal. This will form part of a Final Change Report.*