




DCUSA Consultation		At what stage is this document in the process?
<h1>DCP 403:</h1> <h2>DCP 403: Clarify the application of the TCR fixed charge</h2> <p>Date Raised: 14th April 2022</p> <p>Proposer Name: Andy Pace</p> <p>Company Name: HARTREE PARTNERS SUPPLY (UK) LIMITED</p> <p>Party Category: Supplier</p>		<div>01 – Change Proposal</div> <div>02 – Consultation</div> <div>03 – Change Report</div> <div>04 – Change Declaration</div>
<p>Purpose of Change Proposal:</p> <p>The intent of this change proposal is to ensure backup connections do not pay the DUoS residual charge when it is already being paid for on another connection that relates to the same capacity.</p>		
	<p>Governance: The Proposer recommends that this Change Proposal should be:</p> <ul style="list-style-type: none"> • Treated as a Part 1 Matter • Treated as an Urgent Change • Progressed to the Working Group phase The Panel will consider the proposer's recommendation and determine the appropriate route. <p>Parties are invited to consider the questions set in section 9 and submit comments using the form in Attachment 1 to dcusa@electralink.co.uk by COB on 13 September 2022.</p>	
	<p>Impacted Parties:</p> <p>DNOs/IDNOs</p>	
	<p>Impacted Clauses:</p> <p>Schedule 32</p>	

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Timetable

The timetable for the progression of the CP is as follows:

Change Proposal timetable

Activity	Date
Initial Assessment Report	26 April 2022
Consultation Issued to Industry Participants	22 August 2022
Change Report Approved by Panel	19 October 2022
Change Report Issued for Voting	21 October 2022
Party Voting Closes	11 November 2022
Change Declaration Issued to Parties	15 November 2022
Change Declaration Issued to Authority	15 November 2022
Authority decision	TBC
Implementation	5 Working Days after Authority decision



Any questions?

Contact:

Code Administrator



DCUSA@electralink.co.uk



0207 432 3011

Proposer:

Andy Pace



andy.pace@energy-potential.com



0788 184 0007

1 Summary

What?

- 1.1 The criterion for applying the residual charge is to a single site which is defined by a single connection agreement. In some cases, there are sites which import power via multiple connection points and have separate connection agreements in place for each point of connection. However, where the capacity is limited in aggregate (i.e. one of the connections is considered as backup) the proposer suggests that it is not reasonable for the customer to pay the residual element on all connections. The rationale for this is based on the Ofgem comment on this scenario in their decision¹ on the Targeted Charging Review (TCR) as follows:

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

Why?

- 1.2 The proposer does not believe that the Ofgem decision has been implemented correctly as the TCR solution within DCUSA only applies where one connection agreement covers both the main connection and backup connection. The proposer suggests that there are many cases where this is not the case, and it is not always practical for multiple connection agreements to be amalgamated into one agreement. Furthermore, when a customer imports via a private network but maintains a backup connection to the distributor's network, the capacity is only reserved once but under the current arrangements will be paid for twice. If this change is not made, there will be sites across Great Britain (GB) that are effectively double charged for the residual element of Distribution Use of System (DUOS) for the same capacity reserved on the distributor's network.

¹ [Targeted Charging Review: Decision and Impact Assessment | Ofgem](#)

How?

1.3 Introduce an additional paragraph within section 5A of Schedule 32, to reclassify a single site where a backup connection exists to either a:

- a site connected to the distribution network; or
- a private network

where the necessary evidence has been provided to the relevant distributor.

1.4 Where this criterion has been met, the site will be re-allocated to the relevant “No Residual” charging band based on the voltage of connection.

2 Governance

Justification for Part 1 and Part 2 Matter

2.1 The change proposal has been designated as a “Part 1” matter as it satisfies one or more of the following criteria:

- a) it is likely to have a significant impact on the interests of electricity consumers;
- b) it is likely to have a significant impact on competition in one or more of:
 - i. the generation of electricity;
 - ii. the distribution of electricity;
 - iii. the supply of electricity; and
 - iv. any commercial activities connected with the generation, distribution, or supply of electricity
- c) it is likely to discriminate in its effects between one Party (or class of Parties) and another Party (or class of Parties);

Requested Next Steps

2.2 Since the Change Proposal (CP) was raised as an urgent change, the DCUSA Panel met at an ex-committee meeting in April and agreed that the CP should:

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

2.3 Following a review of the Consultation responses, the Working Group will work to agree the detail of the solution for DCP 403.

Current Next Steps

- 2.4 This Consultation Document is issued for a period of three weeks. The Working Group will review the responses after this period.

3 Why Change?

- 3.1 The proposer believes that the Ofgem decision has been implemented incorrectly as the TCR solution within DCUSA only applies where one connection agreement covers the main connection and backup connection as shown in the definition from Schedule 32 below:

Single Site	means one or more Non-Domestic Premises that are connected to the distribution system pursuant to a single Connection Agreement (whether a Bespoke Connection Agreement or one created via the National Terms of Connection).
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- 3.2 The proposer suggests that there are many cases where this is not the case, i.e. a connection agreement is in place for the main connection and a separate or multiple connection agreements for the backup connection/s. This could be resolved by merging the agreements, but the proposer is of the view that this is not always practical for multiple connection agreements to be amalgamated into one agreement especially where they are associated with different customers on a private network.
- 3.3 Furthermore, when a customer imports via a private network but maintains a backup connection to the distributor's network, the capacity is only reserved once for the site but under the current arrangements will be paid for twice, once on the main connection and again for the backups due to a separate connection agreement for each.
- 3.4 If this change is not made, there will be sites across GB that are effectively double charged for the residual element of DUoS for the same capacity reserved on the distributor's network.

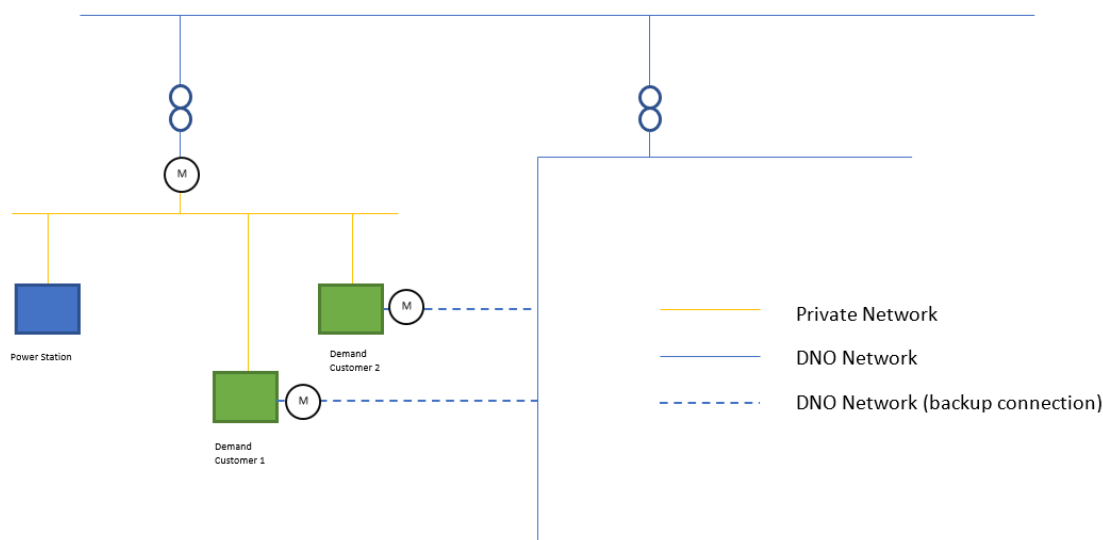
Question 1: Do you understand the intent of DCP403?

Question 2: Do you support the principles of DCP403?

4 DCP 403 Working Group Assessment

- 4.1 The DCUSA Panel established a Working Group to assess DCP 403. This Working Group consists of representatives from DNOs, IDNOs, Ofgem and Suppliers. 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 considered the proposal and reviewed a line diagram of a current situation of where such residual charges are being applied together with the current definition of Single Site.

- 4.3 In the diagram below, the three customers' main point of connection is with the Private Network Operator, with back up connections for the two embedded demand customers within the private network to the distribution system. All three have connection agreements, the back-up connection agreements in this example however are with the embedded demand customer and not the Private Network Operator. The back-up connections cannot operate in parallel due to a manual interlock device on each of the two demand customers.



- 4.4 The Working Group agreed with the proposer that under the current definition all three connections would be picking up a residual charge and to avoid this one of the options is that the connection agreements would need to be merged. However due to the nature of the connection (i.e. the embedded demand customers have connection agreements with different entities – the private network for their primary connection and the DNO for their backup connection) this option is not available.
- 4.5 The Working Group considered whether this was unique only to private networks or whether the same situation occurs with back-up connections with customers that have more than one connection agreement or whether the merging of connection agreements has started to take place because of the definition of Single site.

Request for Information

- 4.6 The Working Group agreed to undertake a request for information to explore the current processes relating to backup connections. The request and responses are in attachment 4 and summarised below.

Customer connection agreements with Distributors.

Question Number	Question
1	How many single sites have a separate backup connection agreement?
2	Are there any single sites with more than one back up connection agreement? Please indicate how many.
3	Have you approached or been approached by customers to merge agreements? If so, how many and how long does it take to merge them?
4	Are there any instances where the merging of agreements cannot be achieved? If so, please provide examples.
5	Do you charge, or would you charge the residual charge for a back-up connection which has its own, separate connection agreement?

Private Network Operator connection agreement with backup connections with the distributor for embedded customers on the private network operator site (as per change proposal)

Question Number	Question
1	How many of these arrangements exist on your network?
2	Do you charge, or would you charge the residual charge for a back-up connection which has its own, separate connection agreement

4.7 The Working Group had responses from five members to the request. A summary of the Working Group conclusions to each of the questions are shown below.

Licence distribution connections

How many single sites have a separate backup connection agreement?

4.8 The feedback was mixed from two who provided numbers although small, to others who were unable to provide the information. One respondent suggested that self-declaration of such arrangement would be helpful.

Are there any single sites with more than one back up connection agreement? Please indicate how many.

4.9 A similar response to the first question, either zero or unknown.

Have you approached or been approached by customers to merge agreements? If so, how many and how long does it take to merge them?

4.10 Only one respondent could cite an instant where they had been approached to merge agreements.

Are there any instances where the merging of agreements cannot be achieved? If so, please provide examples.

4.11 The examples provided were: different voltages, different LLFCs, different customers to a site-by-site basis.

Do you charge, or would you charge the residual charge for a back-up connection which has its own, separate connection agreement?

4.12 The respondents would charge apart from one who would aggregate based on using the same LLFC although it is suspected that this may be an error and in fact, they do not have any such arrangements as stated in an earlier response.

4.13 One respondent stated that there is a specific set of circumstances whereby some large Extra High Voltage customers, for example airports, are purposefully put on to a separate Grid Supply Point (GSP) so don't share any distribution infrastructure with their main connection. These customers are reserving capacity on the backup circuit that cannot be offered to other customers. The respondent is of the view that such a circumstance should be out of the scope of the CP and would expect these customers to continue paying the residual element of the standing charge on both connections. The concern over GSP is discussed in paragraph 4.32 below.

Private Networks

4.14 The following questions were then asked where there was a Private Network Operator connection agreement with backup connections with the distributor for embedded customers on the private network operator site (as per change proposal).

How many of these arrangements exist on your network?

4.15 None or not aware of any.

Do you charge, or would you charge the residual charge for a back-up connection which has its own, separate connection agreement?

4.16 Most indicated that they would charge.

RFI Overall Summary

4.17 The Working Group's overall conclusions are that if the backup connections were on different connection agreements, they would be charged the residual charge.

4.18 The Working Group also concluded that there aren't many instances of these agreements that industry is aware of due to limited information on these types of sites.

Redundant connections

4.19 The Working Group discussed the rationale for the change. Whilst Ofgem, in their TCR decision document, referred to redundant connections and provided a definition for these, they did not specify that such backup connection sites should be treated differently to other single sites in terms of their residual liability but did state that a process should be put in place. However, some Working Group members considered that exempting such connections from their residual liability was justified and within the spirit of the TCR.

4.20 The Working Group reviewed a number of scenarios:

- Main connection and backup connection on same connection agreement;
- Main connection and backup connection on different connection agreements with same customer; and
- Main connection and backup connection on different connection agreements with different customers.

Main connection and backup connection on same connection agreement

4.21 Under this arrangement there would be only one residual charge because there is only one connection agreement. This arrangement exists for both multi feeder sites as well as backup connections and the consumption are aggregated across each connection points. This is the status quo and meets the legal definition.

Main connection and backup connection on different connection agreements with same customer

4.22 Under this arrangement there would be two residual charges because there are two connection agreements. To meet the current definition these agreements could be merged or facilitated by this change proposal. The volumes seem to be low based on the RFI.

Main connection and backup connection on different connection agreements with different customers

4.23 Under this arrangement there would be residual charges to each customer because there are multiple connection agreements. The complexity is that these customers are on a private network and the distribution connection is a backup should there be a fault on the private network. However, they could not operate in parallel (to meet the TCR redundant connection capacity criteria and in the example shown in paragraph 4.3. The RFI indicated that such arrangements are none or not aware of any. However, this change proposal has identified one such arrangement.

4.24 The Working Group sought clarification from Ofgem on whether the TCR decision on the definition of a “single site” was specific to one customer or multiple customers (as is the case here). Ofgem confirmed that they are responsible for licenced distributors and as such the understanding is that each will be classed as a single site in line with the TCR decision although they recognised the complexity of the issue raised.

- 4.25 The Working Group would like Party views on whether backup connections should be exempt from residual charges and whether a “single site” should be specific to one customer or can cater for backup connection instances such as those identified with private networks.

.Question 3: Do you consider that backup connections should be exempt from residual charges? Please provide your rationale.

.Question 4: Should a single site be specific to one customer or multiple customers if within a private network? Please provide your rationale

Proposed solution

- 4.26 The Working Group reviewed the proposer’s suggestion contained in the change proposal that an amendment to the definition of Non-Final Demand be made to accommodate back-up connections and any difference in capacity.
- 4.27 This approach was rejected because the Working Group considered that defining a back-up connection which would ultimately become a Final Demand Site when the main point of connection was unavailable would contravene the TCR policy intent. It also would not cater for instances where both connections were live, and the interconnector not switched over thereby maintaining non parallel operation which is the case in the example used to support this change proposal.
- 4.28 The Working Group reviewed several alternative approaches and agreed that legal text needs to cater for both licence and private network situations where there are back-up connections.
- 4.29 In addition, consideration was given to amending the definition of single site to cater for the private network situation and include a definition of backup connection. This was rejected in preference of a simpler solution by adding an extra category into the reclassification section of Schedule 32.
- 4.30 This introduces the concept of a sub-set of Final Demand Site which is associated with backup connections. Two new terms, a Backup Connection Site and Licence Exempt Back-Up Connection Site are also introduced. In each instance evidence is required from the supplier or customer to meet the criteria of the definition.
- 4.31 In addition, where such criteria are met the “single site” will be allocated to the relevant “No Residual” charging band based on the voltage of connection.
- 4.32 As indicated in paragraph 4.13 regarding the GSP the Working Group have not included this within the definition of Backup Connection Site. The reasoning for this is that there may or may not be evidence to support such an inclusion and as such the decision will be provided on a case by case basis.

- 4.33 The Working Group would like Party views on whether the proposed changes meet the TCR decision on redundant connection capacity and whether the introduction of a subset to a Final Demand Site should result in the allocation to a zero charging band.

.Question 5: Do you consider that the proposed solution meets the TCR decision on redundant connection capacity? Please provide your rationale.

.Question 6: Should the introduction of a subset to a Final Demand Site result in the allocation to a zero charging band? Please provide your rationale

Question 7 If the Back Up Connection Site is connected to a different GSP to the main connection, should it be exempt from residual charges? Please provide your rationale.

5 Assessment Against the DCUSA Objectives

- 5.1 For a DCUSA CP to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. There are five General Objectives and six Charging Objectives. DCP 403 will be measured against the DCUSA General Objectives, which are set out in the table below. The identified impacts in the table below are the view of the proposer, and not the view of the Working Group as a whole.

	DCUSA General Objectives	Identified impact
<input checked="" type="checkbox"/>	1. The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks	Positive
<input checked="" type="checkbox"/>	2. The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity	Positive
<input checked="" type="checkbox"/>	3. The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences	Positive
<input type="checkbox"/>	4. The promotion of efficiency in the implementation and administration of the DCUSA	Neutral
<input type="checkbox"/>	5. Compliance with the EU Internal Market Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	Neutral

- 5.2 The proposer suggests that this change proposal will better meet charging objectives 1, 2, and 3 by producing DUoS charges that are more cost reflective and avoid charging the residual element of the fixed charge twice to sites for the same capacity.

- 5.3 This is in line with the Ofgem TCR decision and therefore facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence (objective 3) and properly take account of developments in each DNO Party's Distribution Business (objective 1). The charges will be more cost reflective as a result of this change which will facilitate competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity (objective 2).
- 5.4 The Working Group and the proposer agreed that this change proposal is to be measured against the DCUSA general objectives rather than the charging objectives and would like party views on whether this change proposal better facilitates the DCUSA general objectives.

Question 8: Do you consider that the proposal better facilitates the DCUSA General Objectives?

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

If not, please provide supporting reasons.

6 Impacts & Other Considerations

- 6.1 It is believed that the cost of compiling the additional information will be relatively low as Distributors are already capturing this information (i.e. connection agreements) although processes may need to be introduced.

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

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

Does this Change Proposal Impact Other Codes?

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

Consideration of Wider Industry Impacts

- 6.3 Distribution Charging Methodologies Development Group and TCR implementation steering group.

Question 9: Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

Confidentiality

6.4 This Change Proposal is not confidential.

7 Implementation

7.1 The proposer suggests that this CP should be implemented at the earliest date possible, potentially utilising an extra-special release that would be set to five Working Days following Authority approval. However, consideration may need to be given to the introduction of processes that need to be put in place so that distributors are able to account for these new arrangements.

Question 10: what date do you believe this change proposal should be implemented? Please provide your rationale.

8 Legal Text

8.1 The proposed legal text merged into Schedule 32 can be found in Attachment 2. Due to the small number of suggested changes the full changes are shown below:

5A. RE-CLASSIFICATION OF A SINGLE SITE

5A.1A DNO/IDNO Party shall no longer treat a Single Site as a Final Demand Site (and shall re-classify it as a Non-Final Demand Site) if the DNO/IDNO Party at any time has been notified that the Single Site is an Eligible Services Facility and has been provided with the certification necessary to satisfy the definition of a Non-Final Demand Site.

5A.1B For a Final Demand Site that is defined as a Backup Connection Site or Licence Exempt Back-Up Connection Site and has been provided with the evidence necessary to satisfy the definition, the site will be allocated to the relevant “No Residual” charging band based on the voltage of connection.

5A.2 Where Paragraph 5A.1A and 5A.1B applies the:

- (a) DNO/IDNO Party will notify the relevant Customer's import/export Registrant(s) of the re-classification by the end of the following month;
- (b) re-classification shall apply from the next billing period; and

ADD A NEW DEFINITION INTO S8.2:

<u>Backup Connection Site</u>	<u>A Single Site which has the sole purpose of providing redundancy to a specified other Single Site, and where the redundant capacity</u>
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	<u>can only be used at times when the capacity at the specified other Single Site is unavailable.</u>
<u>Licence Exempt System</u>	<u>Means an electricity distribution system that is not owned or operated by a DNO/IDNO Party.</u>
<u>Licence Exempt System</u> <u>Back-Up Connection Site</u>	<u>Is a connection to the Distribution System which is used for redundancy purposes and the primary source of power is via the Licence Exempt System. The capacity reserved for redundancy must be a subset of the capacity reserved by the Licence Exempt System.</u>

Question 11: Do you have any comments on the proposed legal text amendments?

9 Code Specific Matters

Reference Documents

9.1 Not applicable.

10 Consultation Questions

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

No.	Questions
1	Do you understand the intent of DCP403?
2	Do you support the principles of DCP403?
3	Do you consider that backup connections should be exempt from residual charges? Please provide your rationale.
4	Should a single site be specific to one customer or multiple customers if within a private network? Please provide your rationale
5	Do you consider that the proposed solution meets the TCR decision on redundant connection capacity? Please provide your rationale
6	Should the introduction of a subset to a Final Demand Site result in the allocation to a zero charging band? Please provide your rationale
7	If the Back Up Connection Site is connected to a different GSP to the main connection, should it be exempt from residual charges? Please provide your rationale.
8	Do you consider that the proposal better facilitates the DCUSA General Objectives?

	<p>If so, please detail which of the General Objectives you believe are better facilitated and provide supporting reasons.</p> <p>If not, please provide supporting reasons.</p>
9	Are you aware of any wider industry developments that may impact upon or be impacted by this CP?
10	What date do you believe this change proposal should be implemented? Please provide your rationale.
11	Do you have any comments on the proposed legal text?

10.2 Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk no later than 13 September 2022.

10.3 Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate any parts of a response that are to be treated confidentially.

11 Attachments

- Attachment 1 – DCP 403 Consultation Response Form
- Attachment 2 - DCP 403 Legal Text
- Attachment 3 - DCP 403 Change Proposal
- Attachment 4 - RFI request and responses