



## **DCUSA CHANGE REPORT**

### **DCP 248 and DCP 248 Alternative - Providing Protection for Customers against Being Charged Inappropriate Capacity Charges During the Implementation of P272**

#### **Executive Summary**

DCP 248 seeks to protect customer with CT meters impacted by P272 by allowing them a grace period of at least 12 months to agree a reduction in the Maximum Import Capacity which would then be applied from the date of their change in measurement class.

DCP 248A seeks to protect customers with CT meters impacted by P272 by applying a chargeable Maximum Import Capacity of zero for 12 months to allow for the billing to be based on a floating Maximum Demand for 12 months.

This document presents the Change Report for DCP 248 and DCP 248A and invites respondents to vote on the proposed changes.

## 1 PURPOSE

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- 1.1 This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 248 – Providing Protection for Customers against Being Charged Inappropriate Capacity Charges During the Implementation of P272 and its alternate DCP 248A. The voting process for the proposed variation and the timetable of the progression of the Change Proposal (CP) through the DCUSA Change Control Process are set out in this document.
- 1.2 Parties are invited to consider the proposed amendment (Attachment 1) and the alternate (Attachment 2) and submit their votes using the Voting form (Attachment 3) to DCUSA@electralink.co.uk by **16 March 2016**.

## 2 BACKGROUND AND SUMMARY OF DCP 248 AS ORIGINALLY SUBMITTED

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- 2.1 The need for DCP 248 originated from the introduction of the Balancing and Settlement Code (BSC) Change P272, which requires that Profile Class (PC) 5-8 customers become half-hourly (HH) settled (where capable metering has been installed). Suppliers are in the process of migrating these customers to HH settlement, the relevant Distribution Use of System (DUoS) tariff will then be applied following a change of measurement class. Where sites have a current transformer (CT) meter they will migrate to a HH DUoS tariff which has a capacity charge element and where they have a whole current (WC) meter they will be migrated to an aggregate DUoS tariff with no separate capacity charge.
- 2.2 One important issue raised by this migration is the need for Distribution Network Operators (DNOs) to assign a Maximum Import Capacity (MIC) for any site that has a CT meter and will become subject to DUoS capacity charges, these sites having previously been allocated to simpler non-half-hourly (NHH) DUoS tariff which have no capacity charge. In some instances a recent, up-to-date, MIC may already exist. In other instances there may be either an old MIC, or no record of any MIC.
- 2.3 Under normal circumstances the MIC will be agreed either as requested by the customer at the time of an enquiry for a new connection or requested by the customer as a change in the previously agreed capacity and will be captured in a connection agreement.

However P272 has created a set of exceptional circumstances whereby nationally, DNOs will need to assign a MIC for over 70,000 customers migrating to HH settlement over a relatively short period of time, the majority of whom have no currently agreed MIC or individual connection agreement. Where connection agreements and MICs do exist for sites, it is likely that some of these agreements will have been entered into by a previous tenant and/or will not reflect the current demand of the site.

- 2.4 Without appropriate MICs, DUoS charges may not be levied at a level commensurate with a customers' demand or requirements. The significant volume of customers involved in the P272 migration is as a result of an industry change and not driven by a request from the customer. This means that the normal level of engagement with these customers will not always be possible prior to the commencement of HH DUoS charges.
- 2.5 DCP 179, which was approved in October 2014, sought to facilitate P272. The DCP 179 Change Report recognised the fact that DNOs may not currently hold capacity values for all these customers. To overcome the challenge of agreeing suitable MICs for each customer the DCP 179 Change Report set out an approach which sought to protect customers from excessive charges resulting from applying an inappropriate MIC.
- 2.6 The following is an extract from the DCP 179 Change Report:

*"DNOs agreed to adopt a common approach in deriving the capacity values where one is not held. This approach is as follows:*

- The DNO will set the capacity value to zero initially and the following month will deem the capacity based on the previous month's maximum capacity.*
- Until a capacity value is agreed with the customer, the DNO will deem the capacity value to be equal to the year to date maximum capacity (this deemed value will be re-assessed once a month)*

- *In parallel with the above steps, the DNO will liaise with the customer to establish an agreed Maximum Import Capacity (MIC). (DCUSA Clause 17.10 defines the process for notifying suppliers of a change to the MIC)*

*DNOs will undertake this exercise and publish the results via the DCMF MIG subgroup to assist Suppliers and customers in the transitional period while this CP is being implemented.”*

2.7 The approach was not incorporated into the DCUSA legal text because of the concerns that customers would be charged the higher excess capacity rate that would have been levied from 1 April 2016 as a result of DCP 161 being approved by the Authority. Since that time the implementation of DCP 161 has been delayed until 1 April 2018. DNOs have therefore proposed varying approaches for setting initial MIC values for CT metered sites affected by P272:

- Some DNOs are deeming a capacity based on customers Maximum Demand data (i.e. not related to any MIC values that are held)
- Some DNOs are using the historic values they hold for the MIC at the site (i.e. not related to the customer’s Maximum Demand data). The historic MIC is used if it was agreed with either the current or a previous tenant at the property. For those DNOs using historic MIC values, where no MIC is available there are also varying approaches being proposed:
  - o Some are using Maximum Demand data.
  - o Some are using a default value only if no Maximum Demand data is available.
  - o Some are using a default value even if maximum demand data is available.
  - o The default values themselves may in turn be calculated differently by different DNOs.

2.8 DNOs have written to or are in the process of writing to customers to inform them of the capacity that they propose to use for DUoS charges and inviting them to get in touch if they would like a different value for the MIC. Suppliers also have written to or are in the process of writing to customers to inform them of the upcoming changes. However

regardless of this, there remains a risk that this communication will not reach the relevant people at these sites and as such customers will not engage with the DNO to agree an appropriate MIC prior to the commencement of HH DUoS charges.

- 2.9 The CDCM currently does not permit a change of MIC to take effect retrospectively. This is an important principle but it is premised on an assumption that the level of MIC has been agreed between the customer and the DNO at the time of connection, or when a change has been approved, following a process of active engagement between the two parties. Where no recent connection agreement with the customer exists but a MIC value is recorded, it is likely to represent a connection agreement that was entered into a long time ago and which may not have been with the current tenant or which may no longer be relevant for the current demand at the site. Further, in some cases there may be no record of the MIC.
- 2.10 In the DCP 248 CP form the proposer of DCP 248 explained that despite the efforts of the industry (including DNOs, Suppliers, Ofgem and Elexon) to communicate the upcoming change to customers, there remains a significant risk that customers are not engaged with the process until well after they have migrated to HH DUoS billing. As a result there is a risk that customers could be significantly disadvantaged in any of the following ways:
1. Being subject to standard capacity charges for a MIC which is in excess of their requirements; or
  2. Being subject to excess capacity charges set at a much higher rate because a MIC has been set which is too low for their requirements [Note that at the time of submitting the DCP, excess capacity rates were expected to be set at a much higher rate than standard capacity rates from April 2016 and so a MIC being set too low will have caused significant excess capacity charges, so this is no longer a risk]; or
  3. Losing capacity rights at a site because a default MIC has been applied (and deemed to be accepted) which is lower than a historic MIC which a customer agreed and wishes to retain.

- 2.11 As a result, DCP 248 was raised by British Gas in order to protect customers with CT meters impacted by P272 by allowing them a grace period of at least 12 months to agree the Maximum Import Capacity which would then be applied from the date of their change in measurement class.
- 2.12 As discussed further below, following consideration by the Working Group additional options were discussed, one of which has been progressed as an alternate to this change. Additional information on the CP and the alternate is contained within Attachments 4 and 5.

### **3 DCP 248 WORKING GROUP**

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- 3.1 The DCUSA Panel established a Working Group to assess DCP 248. This Working Group includes DNO, Supplier, IDNO and Ofgem representatives. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – [www.dcusa.co.uk](http://www.dcusa.co.uk).
- 3.2 On the 21 October 2015 Ofgem published its decision to defer the implementation of DCP 161 (Excess Capacity Charges) until 1 April 2018. This decision has an impact on DCP 248 since it means that customers affected by P272 will no longer be at risk from being subject to inappropriate excess capacity charges because a MIC has been set which is too low for their requirements. This is because the excess capacity rate will remain at the same rate as the standard capacity charge. This deferment also removed the need for increases to the MIC to be backdated since to do so would be detrimental to customers rather than offer protection which was the primary intent of the change.
- 3.3 The Working Group discussed the proposed solution, as set out in the DCP 248 CP form, and also in light of the decision by Ofgem to defer DCP 161, and identified three additional potential approaches which would also provide protection for customers with CT meters impacted by P272. Details of the options considered are detailed below.

**Option 1 Original: Billing based on current proposed MICs for each DNO with opportunity for retrospective adjustments following customer request.**

- Each DNO sets MIC based on the varying approaches currently proposed (e.g. historic agreement, MD, network average MD, default 71kVA, estimated MD based on consumption)
  - Billing will be based on these MICs. Any demand in excess of the MIC will be charged as excess capacity.
  - Customers have 12 months from COMC date to agree a reduction to their MIC which will be applied retrospectively from date of COMC.
  - After 12 months, protection ceases and future changes to MIC will follow the existing process.
  - Protection not available for customers who have signed a connection agreement in last 12 months (since they have engaged and agreed an appropriate value with the DNO).
- 3.4 Under this approach most customers with CT meters impacted by P272 would be allowed a grace period of 12 months to agree a reduction to the Maximum Import Capacity which

would then be applied from the date of their change in measurement class. During this grace period, billing will be based on an initial Maximum Import Capacity (MIC) value derived using each DNOs own individual approach (see 2.7 above). However, the customer will have an opportunity in the 12 months following their change of measurement class to reduce their MIC value and have it applied retrospectively from the date of change of measurement class. After the 12-month grace period the protection would cease and changes to MIC will be on a prospective basis only. This protection would also not be available for customers who have signed a connection agreement in last 12 months (since they have engaged and agreed an appropriate value with the DNO). Such customers will, however, be able to change their MIC on completion of the twelve months (unless their Connection Agreement contains provisions to the contrary) and that their revised MIC will then be reflected in future DUoS charges.

**Option 2: Billing based on fixed MD for 12 months – use MD of first month to set value**

- All customers are set a chargeable MIC of zero for first month. This means that any demand will be classified as excess capacity and charged as such in the first month.
- Thereafter, for the remainder of the grace period the MIC is fixed at the MD from the first month. Any demand in excess of the MIC charged as excess capacity.
- Approach applied to all P272 customers regardless of any previously agreed MIC, including those who have signed a connection agreement within the last 12 months.
- Enduring MICs after the grace period:
  - Customers with a previously agreed MIC will need to confirm whether they want to retain (and pay for) their previously agreed MIC.
  - Engaged customers without a previously agreed MIC will agree an enduring MIC (which will not take effect until after the 12-month grace period).
  - For Non-engaged customers without a previously agreed MIC, the DNO will need to deem an enduring MIC.

3.5 The second option for consideration would set the MIC value to zero for the first month. Any demand in this month would be charged as excess capacity. After the first month the MIC would be fixed for the remainder of the grace period at the MD recorded in the first month. At the end or at any point during the 12 month period the customer could then agree a MIC value with the DNO or, if the customer does not engage, the DNO would have sufficient data to determine an appropriate value. This option would apply to all



customers regardless of whether the DNO has a Maximum Demand or historically agreed MIC value for them. Under this approach there would be no retrospective credit or rebilling.

### **Option 3: Billing based on floating MD for 12 months**

- All customers are set a chargeable MIC of zero for 12 months.
- Billing will be based on these MICs. This means that any demand will be classified as excess capacity and charged as such in each month i.e. for first 12 months capacity charges will be levied as excess capacity charges based on the customers MD for the month.
- Approach applied to all P272 customers regardless of any previously agreed MIC, including those who have signed a connection agreement within the last 12 months.
- Enduring MICs after the grace period:
  - Customers with a previously agreed MIC will need to confirm whether they want to retain (and pay for) their previously agreed MIC.
  - Engaged customers without a previously agreed MIC will agree an enduring MIC (which will not take effect until after the 12 month grace period).
  - For Non-engaged customers without a previously agreed MIC, the DNO will need to deem an enduring MIC.

3.6 The third option for consideration would set the MIC value to zero for the duration of the grace period. Any demand during the grace period would be charged as excess capacity. At the end or at any point during the 12-month period the customer could then agree a MIC value with the DNO or, if the customer does not engage, the DNO would have sufficient data to determine an appropriate value. This option would apply to all customers regardless of whether the DNO has a Maximum Demand or historically agreed MIC value for them. Under this approach there would be no retrospective credit or rebilling.

### **Option 4: Billing based on fixed MD for 12 months – make use of MD data provided by suppliers**

- DNOs use the MD data provided by suppliers to set initial chargeable MIC.
- Billing based on this MIC for 12-month grace period. Any demand in excess of the MIC charged as excess capacity.

- In instances where no MD data has been provided prior to P272 migration:
  - Option 4A: set the chargeable MIC to zero for first month, then set at MD achieved in month 1 for remaining 11 months of grace period (default to option 2).
  - Option 4B: set the chargeable MIC to zero for 12 months (i.e. default to option 3).
  - Option 4C: set the chargeable MIC to a national average MD for PC5-8 customers for 12 months.
  - Option 4D: set the chargeable MIC to an estimate of MD based on annual consumption and assumed Load Factor (from BSCP 516)
- Approach applied to all P272 customers regardless of any previously agreed MIC, including those who have signed a connection agreement within the last 12 months.
- Enduring MICs after the grace period:
  - Customers with a previously agreed MIC will need to confirm whether they want to retain (and pay for) their previously agreed MIC.
  - Engaged customers without a previously agreed MIC will agree an enduring MIC (which will not take effect until after the 12-month grace period).
  - For Non-engaged customers without a previously agreed MIC, the DNO will need to deem an enduring MIC.

3.7 The fourth option for consideration would utilise any Maximum Demand data that the DNO already holds. Suppliers have provided MD data for a large portion of sites affected by P272. Under option 4 the MIC would be set using this MD data, where available, for the duration of the grace period. Where a Maximum Demand value is not available:

- The value could be set to zero for month 1, then set at the MD from month 1;
- The value could be set to zero; or
- A national average could be used; or
- The annual consumption data could be used with an assumed load factor to create an estimated Maximum Demand value.

- 3.8 At the end or at any point during the 12-month period the customer could then agree a MIC value with the DNO or, if the customer does not engage, the DNO would have sufficient data to determine an appropriate value. Under this approach there would be no retrospective credit or rebilling.

### **Impact Assessment**

- 3.9 The Working Group considered a number of elements with regard to DCP 248, which have been summarised below.

### **The need for DCP 248?**

- 3.10 The Working Group noted that if Distribution Use of System (DUoS) charges have been applied incorrectly, the Use of System Charging Statement already allows for this to be corrected retrospectively, as shown in Appendix 1. It was observed that if affected customers, who are moved to a HH DUoS tariff due to P272 are allocated a MIC that is not appropriate then it could be questioned whether this should be classed as an “incorrect charge” and back dated in accordance with the Use of System Charging statement. If this was permitted then the protection for these P272 impacted customers is already in place and DCP 248 is not required. The Working Group concluded that the protection within the Use of System Charging Statement would not cover the issue under consideration by this Change Proposal, the Clause refers to the allocation of tariffs to customers. It could be argued that the MICs that are being proposed by DNOs even if they are a deemed value, are correct, as they have been based on the DNOs approach to determining this value and have not been requested by the customer.
- 3.11 The Working Group also noted that the postponement of the P272 deadline has afforded extra time for both Suppliers and DNOs to engage with customers and for DNOs to agree a MIC value. In light of this delay it was questioned whether DCP 248 is still required, however the proposer and the majority of the Working Group felt that there was still a need to progress the change.
- 3.12 It is also noted that when DCP 248 was raised, customers were expected to be incurring much higher excess capacity charges from 1 April 2016 as a result of DCP 161. The

postponement of the implementation date for DCP 161 to April 2018 means that this is no longer the case. Whilst this removed the risk associated with MICs being set too low (and so removed the requirement for increases to MICs to be applied retrospectively), the risk of MICs which are set at too high a level remains.

### **Customer Engagement**

3.13 The Working Group noted that both Suppliers and DNOs are trying to engage with customers to make them aware that they will be affected by P272. Most DNOs do not hold a database for these customers because there has been no requirement to do so until now. As Suppliers have a contract with these customers, it could be said that Suppliers are best placed to lead this engagement with their customers and work with the DNOs to ensure an appropriate MIC is agreed ahead of the migration however, Supplier billing contacts may not be the appropriate contacts to agree a MIC and so there are still likely to be customers who choose not to engage and/or customers who have not received the intended communication. Ultimately the DNO has to agree the MIC value with the customer.

3.14 It is also noted that a benefit of Options 2, 3 and 4 is that they would provide protection for customers that do not actively engage with their Supplier and/or DNO, while Option 1 would require the customer to identify that they have been paying too much and actively take steps to address this.

3.15 One member suggested than an option could be that DNOs provide Suppliers with the proposed value and the Supplier contacts the customer however, this was not progressed by the Working Group.

### **Customers that are Currently Migrating**

3.16 The Working Group noted that Suppliers have started to change measurement classes for customers affected by P272 from November 2015. It is expected that DNOs would apply suitable approaches to those customers who have already migrated.

- 3.17 It was noted that some Suppliers have shared their migration plans with DNOs, more access to the migration plans and customer contact information would facilitate better engagement with affected customers.

### **Contractual MIC vs Billing MIC**

- 3.18 The Working Group noted that options 2, 3 and 4 introduce the concept of a MIC for DUoS charging purposes which will be separate to the contractually agreed MIC. That is, for the 12 month grace period the MIC applied under these options for the purposes of DUoS charging will not be a value that has been formally agreed with, or deemed by, the DNO and neither will it replace any such contractually agreed or deemed value (unless the customer or DNO act to change it). Instead it will be a value applied solely for the purposes of DUoS charging with the aim of providing the customer and DNO sufficient time and data to agree or deem an appropriate formal enduring contractual MIC. Option 1, on the other hand, does not introduce this concept of a MIC solely for DUoS charging purposes. Under option 1, the MIC maintains its status as a contractually agreed, or deemed, value at all times – with the only difference to current arrangements being that a customer will be able to retrospectively reduce the value.

## **4 DCP 248 CONSULTATION**

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- 4.1 The DCP 248 consultation was issued to all DCUSA Contract Managers, which includes DNOs, IDNOs and Supplier Parties, on 20 November 2015 and has been provided as Attachment 6. The consultation received 15 responses.
- 4.2 A summary of the responses received, and the Working Group's conclusions are set out below. The full set of responses and the Working Group's comments are provided in Attachment 7.

**Question 1 - Do you understand the intent of DCP 248?**

- 4.3 The Working Group noted that all respondents understood the intent of DCP 248. One respondent queried whether options 2-4 actually meet the intent since they do not apply any MIC agreed during the grace period back to the date of change in measurement class.
- 4.4 The intent of DCP 248 states *“The intent of this change proposal is to protect customers with CT meters impacted by P272 by allowing them a grace period of at least 12 months to agree the Maximum Import Capacity which would then be applied from the date of their change in measurement class.”*
- 4.5 Whilst it is true that options 2-4, and indeed option 1 in cases of increases to the MIC, do not apply the MIC from the date of the change in measurement class, in order to correctly understand the intended protection of the CP, the intent needs to be read in conjunction with the specific risks set out in the “Business Justification and Market Benefits” section relating to capacity charges. The CP form stated:
- “...there is a significant risk that customers could be significantly disadvantaged in any of the following ways:*
- 1. Being subject to standard capacity charges for a MIC which is well in excess of their requirements;*
  - 2. Being subject to excess capacity charges because a MIC has been set which is too low for their requirements;”*
- 4.6 The first risk above applies in instances where a MIC has been set too high and so customers would be paying capacity charges which are too high. To overcome the potential detriment to these customers, the CP form required that any reduction in MIC should be retrospectively applied from the date of change in measurement class.
- 4.7 The second risk above applies in instances where a MIC has been set too low. At the time of submitting the CP form for DCP248, DCP 161 (Excess Capacity Charges) had been approved for implementation in April 2016. Therefore, where a MIC had been set too low by a DNO, the customer could be significantly disadvantaged by incurring excess capacity charges at rates which were significantly higher than standard capacity charges.

Therefore, again to overcome the potential detriment to these customers, the CP form required that any increase in MIC should also be retrospectively applied from the date of change in measurement class.

- 4.8 On the 21 October 2015 Ofgem published its decision to defer the implementation of DCP 161 (Excess Capacity Charges) until 1 April 2018. This decision has an impact on DCP 248 since it means that customers affected by P272 will no longer be at risk from being subject to inappropriate excess capacity charges because a MIC has been set which is too low for their requirements. This deferment removed the second risk identified in the CP form (and set out above) and also therefore the requirement for increases to the MIC to be backdated to the date of change in measurement class (indeed, to do so would be detrimental to these customers rather than offer protection and would be contrary to the primary intent of the change).
- 4.9 The working group and proposer are therefore satisfied that all options remain consistent with the intent of DCP 248 and simply take account of industry developments (the deferral of DCP 161) since the submission of the original CP form.

**Question 2 - Are you supportive of the principles of DCP 248?**

- 4.10 The Working Group noted that there was majority support for the principles of DCP 248, with eleven Parties supportive of the principles of the proposal whilst others expressed concerns regarding such issues as the potential for customer confusion, the length of time of the protection, whether the 'protection' will be passed on to customers, whether any protection was required at all, and whether it is appropriate for the DUoS methodology to stray into matters of capacity (which are dealt with via the Electricity Act and the National Terms of Connection ).

**Question 3 – What is your preferred option (please provide your rationale?)**

- 4.11 The Working Group noted that 10 respondents preferred Options 1, no respondents preferred Option 2, 3 respondents preferred Option 3 and 1 respondent preferred Option 4. The working Group consequently agreed to discount Options 2 and 4, and it was agreed that Option 1 should be progressed as the original solution, and that Option 3 should be progressed as an alternate solution. More detail on the rationale provided can be found below and in Attachment 7.





**Question 4 – Which option do you consider provided the most/least level of protection against inappropriate capacity charges for customers affected by P272?**

- 4.12 The majority of the responses preferred Option 1 with a smaller number preferring Option 3. No respondents preferred Option 2 and only one respondent favoured Option 4.
- 4.13 Taking into account the consultation responses the Working Group decided to take forward Option 1. The proposer, with sufficient support from consultation responses and from within the Working Group requested Option 3 be included as an alternate, but the Working Group feel that Option 4 would add yet further complexity to the solution without any increased benefit and the concern was also raised that since there is a lack of maximum demand data for many customers the approach would discriminate between those with MD data and those without. The Working Group therefore agreed not to progress Options 2 and 4. It was noted that a respondent suggested that none of the options provide protection to customers against inappropriate capacity charges, since DUoS charges are levied on Suppliers and not customers and due to the lack of obligations placed on Suppliers within the proposed legal text.
- 4.14 The Working Group recognised that there is a risk that any refunds to Suppliers for capacity charges may not be passed through to customers. However, the Working Group agreed that placing obligations on the way in which Suppliers reflect DUoS charges in their customer tariffs is outside of the scope of this Change Proposal. There is also the risk that customers are confused by the communication received and if they do not see a change in their Energy bill may still not have the opportunity to be engaged in the process.
- 4.15 One respondent pointed out that whilst option 3 arguably offers the greatest level of protection to a customer, now that DCP 161 'Excess Capacity Charges' has been postponed until 1 April 2018, this option may also be the least appropriate. Given that DNOs have already written to the majority of these customers to try to engage them, this option will require further engagement once maximum demands are available for the 12 months after the customer has migrated, which could lead to some confusion for customers.

**Question 5 - Do you have any comments on the proposed legal text for each of the options?**

4.16 The Working Group reviewed each of the responses provided and agreed to update the legal text to include the majority of suggested amendments. It was agreed that this change does not consider the process following the 12-month grace period and such comments of that nature were discounted.

4.17 With regard to the comments raised by SP Distribution and SP Manweb the Working Group agreed that the change intends to provide flexibility to the DNO when setting the MIC, taking into account the 12 months of actual data and any communication/agreement with the customer.

4.18 In terms of the Electricity Network Company's comments, the Working Group agreed to amend the legal text to include a number of the proposed suggestions aside from:

- CT is defined in Schedule 16 of DCUSA and used elsewhere in the Schedule so the Working Group maintained the use for paragraph 151A.
- The Working Group did not reflect the proposed change to allow more than one retrospective MIC change. The intention of the protection under Option 1 is to maintain the existing rules surrounding changes to the MIC in paragraphs 149 and 150, with the sole exception of allowing a reduction to be made retrospectively. The proposed change would go beyond this. The Working Group noted the view of the respondent that they do not agree with the current clause 149 in this regard, but as accepted by them, this is outside of the scope of this change and therefore the Working Group did not amend the protection offered by paragraph 151A any further than proposed.
- The Working Group did not reflect the proposed amendment which removes the protection where a connection agreement is in force. This would remove the protection for in the region of 50% of affected customers, with the analysis suggesting that this subset of customers have the greatest risk of inappropriate capacity charges.

4.19 The Working Group agreed to accept the amendments proposed by UK Power Networks and as such the legal text was updated. However, the Working Group agreed that placing

obligations on the way in which Suppliers reflect DUoS charges in their customer tariffs is outside of the scope of this Change Proposal.

4.20 The Working Group accepted the majority of the changes proposed by Southern Electric Power Distribution, with the exception of the below:

- The Working Group did not consider it necessary to expand existing paragraphs 149 and 150 to reflect that MICs may be set in a different way.
- The legal text intentionally does not address what MIC should apply after the 12 months – it provides flexibility to the DNO to set the MIC in an appropriate manner taking into account the 12 months of actual data they now have and any communication/agreement with the customer.

4.21 With regard to the comments raised by Northern Powergrid, the Working Group members agreed that it would be beneficial to introduce the drafting within a new Schedule. However, following review by the Legal Advisor, the final approach taken was to introduce a new 'Part 4' to the CDCM.

4.22 In terms of Electricity North West's comments, the Working Group decided that the 12-month grace period from the date of change in measurement class is appropriate as it focuses on the impact on the DUoS charges applicable to relevant customers rather than the date when the industry became aware of the change.

**Question 6 - Do you consider that each of the four proposals better facilitates the DCUSA Objectives?**

4.23 One respondent suggested that Options 2, 3 & 4 better facilitate Charging Objective 3 than Option 1.

4.24 Seven respondents agreed that all of the options better facilitate the DCUSA Objectives, with two of the respondents suggesting that none of the options better facilitate Charging Objective 2 and one of the respondents suggesting that it may be too late to implement Options 2, 3 & 4.

4.25 Two respondents suggested that Options 2 and 3 do not better facilitate the DCUSA

Objectives, with another respondent noting that Option 1 best facilitates the DCUSA Objectives.

4.26 Three respondents did not agree that the proposals better facilitate the DCUSA Objectives.

4.27 The majority of Working Group members agreed that both Options 1 and 3 better facilitate DCUSA Charging Objectives 2, 3 and 4 as well as DCUSA General Objective 2. This was due to the ability to provide a common approach when dealing with customers when they seek to actively agree to apply an enduring MIC.

**Question 7 – It is noted that P272 deadline has been extended which gives more time to liaise with customers to agree a MIC but the task is still a significant one. In light of the delay in P272, do you that agree that the protection of DCP 248 is still required??**

4.28 The Working Group agreed that P272 creates a set of exceptional circumstances and that some form of protection is appropriate and as such DCP 248 is still required. This was in line with the view of the majority of respondents.

4.29 The Working Group noted that a respondent commented that customer protection is already provided within the Use of System Charging Statement. However, the Working Group concluded that the protection within the Use of System Charging Statement would not cover the issue under consideration by this Change Proposal. The Clause refers to the allocation of tariffs to customers.

**Question 8 - Do you think that the current protection offered by the UOS charging statements with regards to incorrect charges offers the level of protection sought by this Change Proposal?**

4.30 The Working Group noted that a respondent commented that customer protection is already provided within the Use of System Charging Statement. However, the Working Group concluded that the protection within the Use of System Charging Statement would not cover the issue under consideration by this Change Proposal. The Clause refers to the allocation of tariffs to customers.

**Question 9 – Are you supportive of the proposed implementation date – as soon as possible following Authority consent which may require an extra-ordinary release?**

4.31 The Working Group noted that the majority of the respondents agreed with the proposed

implementation date with two respondents noting that they agreed as long as DCP 248 did not result in IT changes being required. It was noted that a minority of respondents expressed concerns that the change will require additional manual processes or system changes, particularly for options 2-4, although concern was also expressed for option 1, which may require additional lead time.

**Question 10 – In the DCP 248 legal text the protection offered by all of the options is limited to 12 months of a change in Measurement Class. Do you agree with this timescale? If not, please provide your rationale?**

4.32 The Working Group noted that the majority of respondents believed that 12 months was a reasonable and appropriate timescale, which was in line with the view of the Working Group.

**Question 11 – Do you believe that there should be an end date within the DCP 248 legal text and, if yes, what date should it be?**

4.33 The Working Group noted that the majority of respondents believed that there should be an end date such as 12 months after the implementation on P272. It was considered that due to the 12-month grace period, the suggested end date would be preferable. The Working Group agreed for the legal text to be amended to introduce an end date.

4.34 It was noted that a respondent had suggested for the change to be open ended for all P272 customers. This was suggested in order to ensure that the protection is offered to all customer affected by P272.

4.35 The Working Group concluded that it was appropriate to apply an end date and updated the legal text to reflect this.

**Question 12 – With regards to Option 1, do you agree with the Working Group's view that customers that were not occupying the property at the time of the P272 migration are not entitled to back dating of their MIC?**

4.36 The Working Group noted that the majority of respondents agreed that the MIC should not be back dated for customers who were not occupying the property at the time of the P272 migration. This is in line with the view of the Working Group.

4.37 The comments with regard to the connection agreements were noted by the Working

Group.

**Question 13 – With regards to Option 1, if a P272 impacted customer requests a change in MIC shortly before moving out of a property, how best do you see managing this process once the customer has left the property? And how significant an issue do you believe this is?**

4.38 The Working Group reviewed the proposals suggested within the responses, noting that the Connection Agreement can only apply to the occupant of the premises at the point of the P272 migration. It was noted that a number of respondents had suggested that this is not a significant issue, which is in line with the view of the Working Group.

**Question 14 – With regards to each option, are there any technical or resource constraints that need to be taken into consideration (and is there an associated cost)?**

4.39 The Working Group noted that a respondent suggested that a lead time would be required for system changes, if a zero MIC needs to be applied. The Working Group also noted that there would be different impacts on parties' systems dependant on the option implemented and that each of the options would have different constraints and risks to customers.

4.40 Finally, it was noted that Suppliers will know which of the options, if any, have been implemented and as such will be able to reflect this into the contracts with customers.

**Question 15 – With regards to each option, are there any other constraints, for instance the need for DNOs to potentially agree connection agreements with a large proportion of the customers affected by P272 that you are concerned about?**

4.41 The Working Group agreed that bilateral connection agreements would not be required for the majority of P272 customers, which would limit the resource constraints in this area.

**Question 16 – With regards to each option, do you consider there to be a concern in relation to a customer being able to identify the need to amend their maximum import capacity with DNOs?**

4.42 The Working Group noted that the DNOs struggled to get customers engaged during the EDCM change, which had a larger tariff impact but affected a smaller number of customers. Some of the Working Group members did not agree with the correlation between the P272 and the EDCM customer engagement levels. However, this evidence shows that it can be hard to secure engagement with even the biggest customers and so lack of engagement by smaller customers is unsurprising.

4.43 Although Suppliers have a better prospect of engaging given their direct contractual relationship with these customers, it is ultimately the DNO that has to agree the MIC value with the customer. Two respondents suggested that, Suppliers should offer guidance to their end customers on the ability to renegotiate the agreed MIC with the DNOs.

4.44 The Working Group concluded that the majority of respondents had noted the difficulties with customers understanding the MIC.

**Question 17 – With regards to Option 1, do you believe that there should be a materiality threshold such that there will not be a credit rebill if it is less than a certain value?**

4.45 The Working Group noted that the majority of respondents (seven) agreed that there should be a materiality threshold, whilst five respondents did not agree with this. The materiality threshold was further considered by the Working Group, with the conclusion being that this would be managed by individual Parties existing processes.

**Question 18 – With regards to Option 1, if there were to be a materiality threshold, what do you believe it should be set at?**

4.46 The majority of the Working Group members were of the opinion that instances whereby the materiality threshold would be applicable should be handled using the business as usual processes. It was noted that a member has suggested that it would be preferable for the materiality threshold, if applied, to be based upon kVA rather than a monetary amount.

**Question 19 – Are there any alternative solutions or matters that should be considered by the Working Group?**

4.47 The Working Group acknowledged the comment regarding customers being disadvantaged by Options 2-4 if they migrated prior to the implementation of this change.



In response, the retrospective element of Option 1 was noted as a remedy to this issue. It was suggested that a degree of flexibility and discretion on the distributor's behalf, should be applied for the customers that migrate prior to the implementation of this change.

- 4.48 The Working Group agreed to discount the hybrid option due to the additional associated complexities that would be introduced.
- 4.49 The Working Group noted that the aggregated DNO data that had been provided and agreed that it was a reflective representation.
- 4.50 The Working Group noted the comment regarding the Change of Supplier engagement with customers.
- 4.51 The Working Group noted the comment regarding the lack of review of the potential impact/conflict with the National Terms of Connection (NTC). The Working Group discussed this and does not consider that there are any impacts on the NTC.
- 4.52 Based upon the feedback received the Working Group agreed that Option 1 and Option 3 as an alternate should be issued for voting.

## 5 DCP 248 REQUEST FOR INFORMATION

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- 5.1 The DCP 248 Request for Information was issued to all DCUSA Contract Managers, which includes DNOs, IDNOs and Supplier Parties on 22 December 2015 and has been provided as Attachment 8. The Request for Information received seven Supplier responses and six DNO responses.
- 5.2 A summary of the responses received, and the Working Group's conclusions are set out below. The full set of responses and the Working Group's comments are provided in Attachments 9 and 10.

### **Supplier Question 1 – How many CT (Current Transformer) metered PC 5-8 customers do you have that will be need to be migrated to HH settlement as a result of P272?**

- 5.3 The Working Group noted that not all Suppliers responded to the Request for Information, however the Suppliers that did identified 35,000 MPANs need to be

migrated to HH settlement as a result of P272.

**Supplier Question 2 – How many of these customers have you formally written to via either by letter or email to inform them of the need to agree a Maximum Import Capacity with their DNO/IDNO?**

- 5.4 The Working Group noted that 27,800 customers had been formally written to with confirmation from one respondent that they engage with customers three months prior to their contract renewal date.

**Supplier Question 3 – How many of these customers have you supplied maximum demand data to DNOs for?**

- 5.5 The Working Group noted that 18,500 customers maximum demand data had been provided to DNOs, with confirmation from one respondent that they have supplied maximum demand data to all DNOs that have requested the data.

**Supplier Question 4 – Please provide any commentary on the information you have provided which you feel may help the Working Group to interpret the data.**

- 5.6 The Working Group noted that three respondents provided commentary on the information that they provided. The first respondent confirmed that they were happy to help DNOs engage with customers during the P272 migration period and that the ability to retrospectively update a MIC is both reasonable and in line with the settlement of other industry costs.
- 5.7 The second respondent noted that of the 50 requests to confirm the MD, seven of these did not fall within the P272 criteria and that they may have identified a way to obtain MD data from the D0010 flow, however this has not yet been tested.
- 5.8 The final respondent commented that some DNOs and IDNOs have disregarded the recorded MD, and applied a MIC which has no bearing on the customers current demand requirements, which may only be identified when the customer sees this MIC charge on their supply bill.
- 5.9 The Suppliers that responded to the RFI identified 35,000 CT sites needed to be migrated due to P272. The majority (27,800, 79%) of these customers had been written to informing them of the industry changes and the need to agree a MIC with the DNO, and

Suppliers had provided the DNOs with MD data for 18,500 of these sites (53%).

**DNO Question 1 - How many PC 5-8 sites do you have that will be need to be charged on a site specific basis (i.e. CT metered) as a result of P272?**

5.10 The Working Group noted that 79,500 sites (this number is slightly higher than the 71,000 originally identified) would need to be charged on a site specific basis as a result of P272.

**DNO Question 2 - How many of these customers have you formally written to via either letter or email to inform them of the need to agree a Maximum Import Capacity as a result of P272?**

5.11 The Working Group noted that 70,000 customers have been formally written to either via letter or email to inform them of the need to agree a Maximum Import Capacity as a result of P272.

**DNO Question 3 - How many of these customers have formally responded to your communication and agreed a Maximum Import Capacity with you (whether to accept the MIC value proposed in your letter or to agree a different MIC value)?**

5.12 The Working Group noted that 6,400 customers have formally responded to the communications issued by the respondents. However, one respondent had had no responses and another stated they did not request that all customers formally respond so had not had any formal responses.

**DNO Question 4 - How many of these customers have not responded to your communication but have a deemed MIC value proposed in your letter?**

5.13 The Working Group noted that 28,500 customers did not respond to the communications issued by the respondents however, three respondents confirmed that their letter stating the MIC value that would be used and asked customers to contact them only if they wished to query or vary it.

**DNO Question 5 - Please provide any commentary on the information you have provided which you believe will help the Working Group to interpret the data.**

5.14 The Working Group noted that four respondents experienced issues obtaining the correct contact details, and this has resulted in a number of letters being returned as undelivered and an inability to engage with the customer. It was also noted that approximately 34% of one respondent's (Western Power Distribution's) customers have agreed connection agreement based MICs i.e. these customers have been previously engaged with.

- 5.15 In addition, the Working Group noted that customers have been more engaged with their MIC values as the P272 migration progresses.
- 5.16 One respondent stated that the response rate of circa 40% reflects positively on their approach to customer engagement and thinks this rate can be increased if all Suppliers provide complete billing addresses. They do not wish this active engagement to be compromised by defaulting to using site addresses. They have carried out proactive engagement with customers, namely phoning them directly – which is a significant resource burden and more complete Supplier co-operation could ensure they are able to contact the remaining customers promptly and further reduce the percentage of customers who are not actively engaged in the process.
- 5.17 One respondent stated that they would welcome Suppliers' views on the proposed MICs which have been provided early in this process, as they are using this information in conjunction with their own analysis in arriving at the proposed MIC value for customers. The sharing of migration plans and proactive engagement between suppliers and DNOs should help this process.
- 5.18 DNOs have contacted circa 70,000 of the 79,500 affected customers (88%). Approximately 6,400 (9%) have formally responded to the DNO communication. However, the response rates mentioned above need to take account of the fact that the communication from most DNOs told the customer they only needed to get in touch if they wished to query or vary the proposed MIC value.

## **6 ASSESSMENT AGAINST THE DCUSA OBJECTIVES**

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- 6.1 The Working Group considers that the following DCUSA Objectives are better facilitated by DCP 248 and DCP 248A.

**Charging Objective Two** – 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).

6.2 The Working Group identified that DCP 248 and DCP 248A better facilitates DCUSA Charging Objective Two by ensuring that DNOs are applying a common approach when dealing with customers affected by P272 when they seek to actively agree an enduring MIC. However, some members of the Working Group are not convinced that any of these options better facilitate Charging Objective 2, unless customers are provided with transparency on their supplier energy bill. If customers are not provided with this level of transparency, there is a concern that this change does not better facilitate competition.

**Charging Objective Three** – 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

6.3 The majority of Working Group identified that DCP 248 and DCP 248A better facilitates DCUSA Charging Objective Three by allowing time for customers affected by P272 to actively engage with the DNO and agree a MIC which is appropriate for their requirements and hence the costs they impose on the network. This is an improvement compared to a situation where MICs for customers are set using potentially what may be out of date connection agreements or default values.

**Charging Objective Four** - 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.

6.4 Both DCP 248 and DCP 248A will ensure that all DNOs are applying a common approach when dealing with customers affected by P272, when they seek to actively agree an enduring MIC.

**General Objective Two** - 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

- 6.5 The Working Group identified that DCP 248 and DCP 248A better facilitates DCUSA Objective Two by ensuring that DNOs are ultimately applying a common approach when dealing with customers affected by P272 when they seek to actively agree an enduring MIC. However, some members of the Working Group are not convinced that any of these options better facilitate General Objective 2, unless customers are provided with transparency on their supplier energy bill. If customers are not provided with this level of transparency there is a concern that this change does not better facilitate competition.

## **7 DCP 248 LEGAL TEXT**

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- 7.1 Since the DCP 248 consultation was issued, the legal text has been revised to reflect comments received from the consultation as well as the advice provided from the legal review. These amendments have incorporated both the original and alternate solutions within Schedule 16.
- 7.2 The original (DCP 248 – Option 1) legal text seeks to bill customers based on current proposed MICs for each DNO with the opportunity for retrospective adjustments following customer request. Further information on this option can be found in Section 3.
- 7.3 The alternate (DCP 248A – Option 3) legal text seeks to bill customers based on a floating MD for 12 months. Further information on this option can also be found in Section 3.
- 7.4 Please see Attachments 1 and 2 for the legal text for both the original and alternate solutions.

## **8 ENVIRONMENTAL IMPACT**

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- 8.1 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 248 were implemented. The Working Group did not identify any material impact on greenhouse gas emissions

from the implementation of this Change Proposal.

## 9 ENGAGEMENT WITH THE AUTHORITY

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- 9.1 Ofgem has been fully engaged throughout the development of DCP 248 as a member of the Working Group.

## 10 IMPLEMENTATION

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- 10.1 The proposed implementation date for DCP 248 is as soon as possible following consent. This may require an extra-ordinary release.
- 10.2 DCP 248 is classified as a Part 1 matter and therefore will go to the Authority for determination after the voting process has completed.

## 11 PANEL RECOMMENDATION

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- 11.1 The Panel approved this Change Report at its meeting on 2 March 2016. The Panel considered that the Working Group had carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 248.
- 11.2 The timetable for the progression of the CP is as follows:

Activity	Date
Change Report issued for voting	3 March 2016
Voting closes	17 March 2016
Change Declaration	18 March 2016
Authority Determination	26 April 2016
DCP 248 Implemented	5 Working Days after Authority Decision

## 12 NEXT STEPS

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- 12.1 Parties are invited to consider the proposed solution in Attachments 1 and 2 and submit their votes using the Voting form (Attachment 3) to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) by **16 March 2016**.
- 12.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA by email to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) or telephone 020 7432 3014.

## ATTACHMENTS

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- Attachment 1 – DCP 248 Legal Text
- Attachment 2 – DCP 248A Legal Text
- Attachment 3 – Voting Form
- Attachment 4 – DCP 248 CP Form
- Attachment 5 – DCP 248A CP Form
- Attachment 6 – DCP 248 Consultation Document
- Attachment 7 – DCP 248 Consultation Response Summaries
- Attachment 8 – DCP 248 RFI Document
- Attachment 9 – DCP 248 RFI Supplier Responses
- Attachment 10 – DCP 248 RFI DNO Responses