

## DCUSA Change Proposal Form

This form is issued in accordance with Clause 10.5 of the DCUSA.

Completed forms should be returned to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) for assessment by the DCUSA Panel. Failure to complete all parts of the form may result in it being rejected by the DCUSA Panel.

PART A – Mandatory for all Change Proposals

PART B – Mandatory for Non Charging Methodologies Proposals

PART C – Mandatory for Charging Methodologies Proposals

PART D – Guidance Notes

### PART A - MANDATORY FOR ALL CHANGE PROPOSALS

|   |   |
|---|---|
| <b>Document Control</b>   |   |
| CP Status   | Urgent  |
| CP Number   | DCP 248   |
| Date of submission  | 9/09/15   |
| Attachments   | [See Guidance Note 1]   |
| <b>Originator Details</b>   |   |
| Company Name  | British Gas   |
| Originator Name   | George Moran  |
| Category  | Supplier  |
| Email Address   | George.moran@britishgas.co.uk   |
| Phone Number  | 07557 611983  |
| <b>Change Proposal Details</b>  |   |
| CP Title  | Providing protection for customers against being charged inappropriate capacity charges during the implementation of P272 |
| Impacted parties  | DNOs, IDNOs, Suppliers, Customers   |
| Impacted Clause(s)  | Schedule 16, Paragraphs 148 – 151 & definitions   |
| Part 1 / Part 2 Matter  | Part 1  |
| Provide your rationale why you consider this change is a Part 1 or Part 2 Matter  | This change is likely to have a significant impact on the interests of electricity consumers (see Clause 9.4.1)           |
| Related Change Proposals  | DCP 179   |
| <b>Change Proposal Intent</b>   |   |
| 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.   |   |
| <b>Business Justification and Market Benefits</b>   |   |
| <p><b>Background:</b><br/>P272 requires that PC5-8 customers become HH settled. Suppliers are therefore in the process of migrating these customers to HH settlement.</p> <p>One important issue raised by this migration is the need for DNOs to assign a Maximum Import Capacity (MIC) for any site that will be subject to DUoS capacity charges. Under normal circumstances the MIC will be agreed after extensive engagement between the customer and the DNO and will be captured in the connection agreement. However P272 has created a set of exceptional circumstances whereby DNOs will need to assign a MIC for c. 71,000 customers migrating to HH settlement over a</p> |   |

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.

Without appropriate MICs, DUoS charges will not be levied at a level commensurate with a customers' demand or requirements. The significant volume of customers involved in the P272 migration means that the normal level of engagement with the customer will not be possible prior to the commencement of HH DUoS charges for all of these sites.

DCP 179, which was approved in October 2014, sought to facilitate P272. The DCP 179 Change Report identified that there would be an additional 70,992 customers which would incur a capacity charge following implementation of P272. The DCP 179 Change Report also recognised 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. The following is an extract from the DCP 179 Change Report:

*11.17 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)*

*11.18 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.*

#### **Current Situation:**

Since approval of DCP 179 and also DCP 161 (Excess Capacity Charges), DNOs no longer believe it is feasible or practical to implement the approach set out in the DPC 179 change report. Since the approach was not incorporated into the DCUSA legal text, there is no obligation to follow it and DNOs have instead proposed varying individual approaches for setting initial MIC values for CT 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 value they hold for the MIC at the site (i.e. not related to the customers 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:
  - Some are using maximum demand data
  - Some are using a default value only if no maximum demand data is available
  - Some are using a default value even if maximum demand data is available
  - The default values themselves may in turn be calculated differently by different DNOs.

DNOs 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 are also writing to customers to inform them of the upcoming changes. However regardless

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

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 an increase has been approved, following a process of active engagement between the two parties. For the vast majority of customers affected by P272, either no MIC has been agreed, or even where a MIC exists, it is likely to represent a connection agreement that was entered into a long time ago which may not have been with the current tenant or which may no longer be relevant for the current demand at the site.

### **Business Justification and Market Benefits of our proposal:**

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 the correct contacts for affected sites will not be properly informed and engaged with the process until well after the customers have migrated to HH DUoS billing. As a result 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; 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.

We believe there needs to be protection for customers with CT meters impacted by P272 by allowing them a grace period of at least 12 months, from the date of the change in measurement class, to agree the Maximum Import Capacity with DNOs. Once the MIC has been agreed with the DNO it would be applied retrospectively from the date of the change in measurement class of the affected site. We consider that this will provide sufficient time for customers to become aware of the impact of the P272 change and engage with the DNO to agree an appropriate MIC for their site.

### **Urgent Status:**

In accordance with Clause 10.7.1 we consider that this change proposal should be treated as urgent as it relates to an issue that if not urgently addressed may cause significant adverse commercial impact upon the Parties (or a class of Party), electricity consumers and/or any other person.

The migration of customers to HH settlement and DUoS billing is underway and it is clear from initial data provided to us by some DNOs that estimated or default MICs are being proposed for a significant number of customers e.g. one DNO is not using any historic agreed MICs at all due to concerns with its relevance to the current customer. We have also seen other instances where DNOs are proposing to use historically agreed MICs, the level of which we have observed to be significantly greater than current site demand (by over 100% on average in some DNO areas).

### **Proposed Solution and Draft Legal Text**

The proposed solution is to introduce a grace period for any CT metered site which has been migrated to a HH DUoS tariff as a result of P272. The grace period is to allow these customers the ability to agree an appropriate Maximum Import Capacity for their sites with the DNO and have it applied retrospectively. This grace period will be a minimum of 12 months from the date of the change in measurement class. When the appropriate MIC has been agreed it will be retrospectively applied from the date of the change in measurement class.

Please see attachment 1 for the proposed legal text.

#### **Proposed Implementation Date**

As soon as possible following Authority consent.

#### **Impact on Other Codes**

Please tick the relevant boxes and provide any supporting information.

|           |                          |
|-----------|--------------------------|
| BSC       | <input type="checkbox"/> |
| CUSC      | <input type="checkbox"/> |
| Grid Code | <input type="checkbox"/> |
| MRA       | <input type="checkbox"/> |
| SEC       | <input type="checkbox"/> |
| Other     | <input type="checkbox"/> |
| None      | <input type="checkbox"/> |

If other please specify

#### **Consideration of Wider Industry Impacts**

[See Guidance Note 6]

#### **Environmental Impact**

[See Guidance Note 7]

#### **Confidentiality**

[See Guidance Note 8]

### **PART B – MANDATORY FOR NON CHARGING METHODOLOGIES CHANGE PROPOSALS**

#### **DCUSA Objectives**

##### General Objectives:

Please tick the relevant boxes. [See Guidance Note 9]

- ☐ 1 The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks
- ☐ 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
- ☐ 3 The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in

their Distribution Licences

- ☐ 4 The promotion of efficiency in the implementation and administration of this Agreement
- ☐ 5 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.

**Detailed rationale for better facilitation of the DCUSA Objectives identified above**

[See Guidance Note 10]

**PART C – MANDATORY FOR CHARGING METHODOLOGIES CHANGE PROPOSALS**

**DCUSA Charging Objectives**

Please tick the relevant boxes. [See Guidance Note 11]

Charging Objectives:

- ☐ 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
- ☒ 2 that compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences)
- ☒ 3 that compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business
- ☒ 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
- ☐ 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.

General Objectives:

- ☐ 1 The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks
- ☒ 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

- ☐ 3 The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences
- ☐ 4 The promotion of efficiency in the implementation and administration of this Agreement
- ☐ 5 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.

#### **Detailed rationale for better facilitation of the DCUSA Objectives identified above**

##### Charging Objectives:

Objective 2: DCP 179 was intended to facilitate the implementation of P272, however since approval of DCP 179 it has become clear that DNOs do not believe it is feasible or practical to implement the common approach set out in the DPC 179 change report for deriving a capacity value where one is not held. This has led to a number of different solutions being proposed by DNOs which is not ideal for customers or competition. This change will ensure that DNOs are ultimately applying a common approach when dealing with customers affected by P272 when they seek to actively agree an enduring MIC.

Objective 3: This change will allow 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 out of date connection agreements or default values.

Objective 4: This change will continue to permit DNOs to adopt their own approaches to initially overcome the administrative burden of setting an initial MIC for the c. 71,000 CT metered sites affected by P272 whilst allowing affected sites sufficient time to actively agree an appropriate enduring MIC. This change will also 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 Objectives:

Objective 2: DCP 179 was intended to facilitate the implementation of P272, however since approval of DCP 179 it has become clear that DNOs do not believe it is feasible or practical to implement the common approach set out in the DPC 179 change report for deriving a capacity value where one is not held. This has led to a number of different solutions being proposed by DNOs which is not ideal for customers or competition. This change will ensure that DNOs are ultimately applying a common approach when dealing with customers affected by P272 when they seek to actively agree an enduring MIC.

#### **Has this issue been discussed at any other industry forums? If so please specify and provide supporting documentation**

This issue has been discussed at the DCMF MIG meeting in September.

## PART D – GUIDANCE NOTES FOR COMPLETING THE FORM

Guidelines for Working Group Members and Working Group Terms of Reference are available on the DCUSA Website and provide more information about the progression of the Change Process. [www.dcusa.co.uk](http://www.dcusa.co.uk)

| Ref | Data Field                                     | Guidance  |
|-----|--|---|
| 1   | <b>Attachments</b>                             | Append any proposed legal text or supporting documentation in order to better support / explain the CP.   |
| 2   | <b>Part 1 / Part 2 Matter</b>                  | A CP must be categorised as a Part 1 or Part 2 matter in accordance with Clause 10.4.7 of the DCUSA. All Part 1 matters require Authority Consent.  |
| 3   | <b>Related Change Proposals</b>                | Indicate if the CP is related to or impacts any CP already in the DCUSA or other industry change process.   |
| 4   | <b>Proposed Solution and Draft Legal Text</b>  | <p>Outline the proposed solution for addressing the stated intent of the CP. The Change Proposal Intent will take precedence in the event of any inconsistency. A DCUSA Working Group may develop alternative solutions. The plain English description of the proposed solution should include the changes or additions to existing DCUSA Clauses (including Clause numbers).</p> <p>Insert proposed legal drafting (change marked against any existing DCUSA drafting) which enacts the intent of the solution. The legal text will be reviewed by the Working Group (if convened) and is likely to be subject to legal review as part of its progress through the DCUSA change process.</p>   |
| 5   | <b>Proposed Implementation Date</b>            | <p>The Change can be implemented in February, June, and November of each year or as an extraordinary release. For Charging Methodology CPs, select an implementation date which takes in to consideration the deadlines for publishing indicative tariffs.</p> <ul style="list-style-type: none"> <li>• Submission of Company indicative tariffs is 31 December of each year.</li> <li>• Final tariffs are published on 1 April of each year.</li> </ul> <p>Please select an implementation date that provides sufficient time for the change to be incorporated into the appropriate charging model and the DCUSA in order to be reflected within the December indicative tariffs.</p> <p>Contact the DCUSA helpdesk for any further information on the releases <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a>.</p> |
| 6   | <b>Consideration of Wider Industry Impacts</b> | Indicate whether this Change Proposal will be impacted by or have an impact upon wider industry developments. If an   |

|           |  |   |
|-----------|--|---|
|           |  | impact is identified, explain why the benefit of the Change Proposal may outweigh the potential impact and indicate the likely duration of the Change.  |
| <b>7</b>  | <b>Environmental Impact</b>                    | Indicate whether it is likely that there would be a material impact on greenhouse gas emissions as a result of the proposed variation being made. Please see <a href="#">Ofgem Guidance</a> .           |
| <b>8</b>  | <b>Confidentiality</b>                         | Clearly indicate if any parts of this Change Proposal Form are to remain confidential to DCUSA Panel (and any subsequent DCUSA Working Group) and Ofgem.  |
| <b>9</b>  | <b>DCUSA General Objectives</b>                | Indicate which of the DCUSA Objectives will be better facilitated by the Change Proposal.   |
| <b>10</b> | <b>Detailed Rationale for DCUSA Objectives</b> | Provide detailed supporting reasons and information (including any initial analysis that supports your views) to demonstrate why the CP will better facilitate each of the DCUSA Objectives identified. |
| <b>11</b> | <b>DCUSA Charging Objectives</b>               | Indicate which of the DCUSA Charging Objectives will be better facilitated by the Change Proposal. Please note that a CDCM or EDCM change may also facilitate the DCUSA General objectives.             |