DCUSA CHANGE DECLARATION

DCP 248 and DCP 248 Alternative- Providing protection for customers against being charged inappropriate capacity charges during the implementation of P272

VOTING END DATE: 17 March 2016

DCP 248	WEIGHTED VOTING				
	DNO	IDNO	SUPPLIER	DISTRIBUTED GENERATOR	GAS SUPPLIER
CHANGE SOLUTION	Accept	Reject	Accept	n/a	n/a
IMPLEMENTATION DATE	Accept	Reject	Accept	n/a	n/a
RECOMMENDATION	**Change Solution – ACCEPT.** For the majority of the Party Categories that were eligible to vote, the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the change solution was more than 50%. **Implementation Date – ACCEPT.** For the majority of the Party Categories that were eligible to vote, the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the implementation date was more than 50%.				
PART ONE / PART TWO	**Part One** – Authority Determination Required				

DCP 248 Alternative	WEIGHTED VOTING				
	DNO	**IDNO**	**SUPPLIER**	**DISTRIBUTED GENERATOR**	**GAS SUPPLIER**
CHANGE SOLUTION	Reject	Reject	Accept	n/a	n/a
IMPLEMENTATION DATE	Reject	Reject	Accept	n/a	n/a
RECOMMENDATION	**Change Solution – REJECT.** For the majority of the Party Categories that were eligible to vote, the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the change solution was less than 50%. **Implementation Date – REJECT.** For the majority of the Party Categories that were eligible to vote, the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the implementation date was less than 50%.				
PART ONE / PART TWO	**Part One** – Authority Determination Required				

PARTY	DCP 248 SOLUTION	DCP 248 IMPLEMENTATION DATE	DCP 248 ALTERNATIVE SOLUTION	DCP 248 ALTERNATIVE IMPLEMENTATION DATE	WHICH DCUSA OBJECTIVE(S) IS BETTER FACILITATED?	COMMENTS
DNO PARTIES						
Eastern Power Networks	Reject	Accept	Reject	Reject	None. The Change Report cites Charging Objectives 2, 3 and 4 and General Objective 2 as being better facilitated. Although DCP248 aligns with the pragmatism we have been exercising for these customers to date, we don't believe that this better facilitates any charging objectives. Charging Objective 2 is not met. This change will have no impact on competition other than if some suppliers are able to pass on any "savings" and others are not e.g. if they have developed non pass-through tariffs already, it could distort competition.	MIC has a meaning beyond charging. It represents an allowed level of capacity that the customer is entitled to use. It stems from the first connection and is, under the Electricity Act, a matter for which customers determine their requirements and if required approach the DNO to vary. The Electricity Act requires that the DNO maintains the connections and we see this as a requirement to maintain capacity (i.e. every change of customer does not infer a need for a new s16 application in respect of an existing premises. We recognise that P272 creates a DUoS charge that customers had not previously been aware of (but which they still may not see, subject to suppliers' tariffs). We also recognise that occasionally records are
London Power Networks	Reject	Accept	Reject	Reject		
South Eastern Power Networks	Reject	Accept	Reject	Reject		

					Charging Objective 3 is not met. The Change results in charges which do not reflect costs. Where capacity has been allocated then charging zero or backdating a credit causes the charges to not reflect the cost of the allocated capacity and distorts cost reflectivity when compared to other customers. Charging Objective 4 is not met. It is unclear what developments have occurred in distribution businesses that need to be reflected in the charges for one year only. Moreover DCP248A does not ensure a common approach, as claimed, as it merely postpones the implementation of uncommon approaches.	imperfect and a default level may be applied. We believe that in those rare cases we have set a level of default that recognises the nature of the connection. We have written to all impacted customers to explain this and have to date taken a pragmatic view on backdating decreases in MIC, which are varied properly under the connection agreement. DCP248A in particular undermines all of this. The "protection" being offered here is for customers moving to HH settlement. Moving to HH settlement is not a new concept. It has been going on in volume since 1994 and before. P272 merely increases the incidence of this movement over a short period of time. But the underlying movement to HH settlement is business as usual. Therefore no change is required and any change discriminates against any

					General Objective 2 is not relevant (see DCUSA Clause 3.1 and definition of DCUSA Objectives) and is not met in any case. DCP248A is not cost reflective and is discriminatory in treating a subset of customers differently for charging purposes, creating a cross subsidy with no real substance as to the charging methodology rationale for it. It does not better meet the charging objectives and as considered against DCP248 is worse. We have also rejected its implementation date as we would have to make extensive system changes, breaking the link between contractual and billing MIC, to accommodate it.	customer who has moved to HH settlement in the past. DCP248A does not address any issues, it merely postpones them. It does not identify any enduring solution. Our systems are designed to integrate capacity charges with capacity management on the network. We would need to make costly IT changes to accommodate DCP248A to break what we believe is a sensible integration, for a short term period. A better way to develop this outcome would have been a zero rate for capacity charges but this would have impacted prices and those cannot be changed for 2 years. Therefore DCP248A is an ill-conceived work around. While we know the MIC we intend to apply, we have only received MD data from suppliers for < 10% of these customers and so cannot be clear on the impact of this change. DCP248A may give

						customers a year free of charges without any change to MIC thereafter. We note that the Working Group did not circulate its consultation to consumers or their representatives, the DCMF group or to Citizens Advice, unlike CDCM consultations usually. This is in contravention of Clause 11.14.1 of DCUSA and is particularly unfortunate for a DCP that is so focussed on customer engagement.
Southern Electric Power Distribution plc and	Accept	Accept	Reject	Reject	In our view, Charging Objective 4 is better facilitated by DCP248. Customers affected by P272 would have a reasonable opportunity to review the MIC of their connections following the change of measurement class and potentially seek an agreed change, which can be retrospectively applied. We see this as a reasonable means of	We have voted to reject DCP248A for a number of reasons, the most important of which we summarise below. In our view, it is entirely unacceptable that distributors should be required to disregard all valid and legally-binding connection agreements which are in place for customers in the relevant category. We also consider the creation of zero and monthly-varying capacities to be unacceptable. These are
Scottish Hydro Electric Power Distribution plc	Accept	Accept	Reject	Reject		

					managing a key part of the transition to half-hourly settlement in an orderly and reasonably efficient manner. Unlike DCP248A, DCP248 does not undermine fundamental and long-established concepts of the electricity industry by giving appropriate recognition to signed connection agreements and by avoiding the creation of 'billing' capacities which differ from 'network management' capacities. For these reasons, we feel that of the two options, DCP248 more properly takes account of capacity charging concerns relating to P272 implementation.	both dangerous steps to take which are likely to encourage disregard of contractual compliance, for example in situations where distributors have to enforce breach of the actual (electrical) connection capacity. We believe that DCP248A, however well-intentioned it may be, would result in widespread confusion, with a high likelihood of associated poor customer experience and possible damage to industry repute. Experience to date of the P272 transition has amply demonstrated that a significant proportion of the affected customers are not experienced energy buyers/managers, with detailed understanding of electricity charging. Levels of knowledge are in many cases not appreciably greater than are typical in the domestic market. We believe that it in this context it would be extremely

						unwise to apply zero and varying 'capacity' values in billing, irrespective of any connection agreement that may be in place and contrary to any knowledge of the actual electrical capacity of the connection that the customer may have gained. With the requirement for further follow-on correspondence with distributors after the 12 month grace period to set an enduring MIC, this will be very confusing for many customers over a protracted period of time. It has clear potential to lead to chaotic customer experiences, with frequently changing billing and multiple layers of further correspondence with suppliers and distributors, in addition to the material which has already been issued to date. The proposal also appears to be based on an incorrect and highly simplistic view that maximum demand and capacity are essentially one and the same concept. No

						proper regard is taken of the fact that the network MIC has to be set to accommodate (at the minimum) the highest demand requirement the customer may have at any time and reflect the capacity which is reserved on the network all year round. DUoS charging must reflect this standing capacity requirement. Applying 'capacity' values on a variable monthly maximum demand basis is inappropriate, as this concept breaks the basic link with the capacity values that are reserved on the network. If this practice is approved, it is likely to make re-establishment of enduring and settled MIC levels problematic when the grace periods are finished. It is also certain that the distributors will as a consequence not collect the correct revenue from this group of customers, until all are ultimately settled on fixed MIC values.

						An underlying concern which persists with DCP248A in particular is that there is no binding requirement for suppliers to pass through any lower capacity charges that the distributors may charge as a consequence of the CP. It is quite clear that DCP248A would require distributors to undertake highly complex, inefficient, resource-intensive and costly processing of data and DUoS charges for a significant period of time. This is reason enough for the proposal to be unwelcome, without the clear potential for any financial benefit to be retained by suppliers, intentionally or otherwise. This potential for supplier windfalls is not addressed adequately by the Change Report and is a genuine risk. In summary, we believe that DCP248A contains a number of elements which are ill-considered and which are highly likely to result in

						undesirable consequences, particularly with respect to customer experiences. DCP248, which we support with some reservations, is in our view a more balanced and reasonable proposition, with considerably less likelihood of adverse customer experience.
Electricity North West	Reject	Reject	Reject	Reject	DCUSA General Objectives General Objective 1 "The development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System" The Working Group view within the change report is silent on this objective although there were comments raised by Parties including ourselves that indicated a negative effect on this objective.	We recognise that Ofgem have wider considerations than just the code objectives when considering whether to decide in favour of or reject a change proposal. These include protecting the interests of customers and as such we would like to comment further. When you consider the title of the change proposal and the change report you can sum this up in two sentences: "To protect customer interests"; and

					Our view is: Distributors have both Electricity Act and connection agreement obligations (contained within DCUSA) to manage certain customers that require capacity as part of their connection offer. This includes maintaining such a connection and as such the connection agreements include variations to the agreed capacity. This is effectively the status quo to which we need to assess this change proposal. Option 1 The impact Option 1 has on this is that an additional process is required to check whether any enquiry is as a result of a Change of Measurement Class (CoMC) and when such a change took place. Where this is proven and	"Implement a common approach to the migration process associated with P272 from one tariff to another" On the former, throughout the change report and consultation responses there is an abundance of information regarding protecting customers, indeed it is mentioned in the title of this change proposal, but there is no evidence whatsoever that the customer will see any benefit associated with the protection measures being put in place. We can understand the concern being raised here. These customers have not incurred a capacity based charge for a number of years (five in our case, more in other Distributor areas) and as such there has not been an incentive on customers to manage this unless it started to affect their security of supply.

					a reduction in capacity is agreed, there is a need to inform the billing team so they can undertake retrospective billing back to such a date. This is subject to two further tests: • was a connection agreement entered into in the last twelve months; and • is the owner or occupier new since the CoMC. Increased costs are therefore introduced associated with managing the network (even though this may be limited to two years) making it less efficient and as such negatively impacts this objective. It must be remembered that after the 'grace	Customers will therefore have varying degrees of knowledge on the subject. It is our understanding that Distributors and Suppliers have endeavoured to notify all effected customers about the implications of P272[1] and the importance of ensuring that their capacity is appropriate for their needs as indicated in the request for information contained within the change pack. There has been some response to this but it is appreciated that not all customers will act on the notification and indeed we as Distributors have no knowledge as to whether there is a capacity charge as part of the supplier tariff arrangements with them and whether this is preventing such an engagement. To that end we have sympathy with customers in this area and

[1] P272 - Mandatory Half Hourly Settlement for Profile Classes 5-8

					period' it is business as usual. Notwithstanding the above, what is missing from the proposed legal text is that of variations to the connection agreement during the last twelve months. It should not be limited to new connections so even if we have agreed a capacity variation during the last twelve months the customer can initiate a further reduction which is not currently the case within the CDCM. We suspect this may be an omission from the intent of this option. Option 3 This option is far worse than option 1. The concept of two capacities, one for network management and one for billing is not acceptable. We hold one capacity value used by	as such could support Option 1, which provides retrospective reductions to be applied to bills, subject to an obligation being placed on Suppliers to onwardly credit the customer with such a reduction. This is to ensure that Suppliers do not see a windfall of cash because they do not have capacity charges forming part of their tariff arrangements with the customer or indeed have some other form of contractual arrangement preventing such a benefit being made to the customer. Such an obligation was rejected by the working group as being out of scope. In fact in their consultation response to this issue they state on page 29: "the working group agreed that it would not be appropriate to pass on to such customers that have not been disadvantaged and that the focus should be on protecting customers rather

					the business for both. The manual process would have to be in play for over two and a quarter years when you consider that customers can move now, with the end date of P322 being April 2017 (plus a further twelve months from then per this change proposal) assuming that all customers are transferred to Half-Hourly settlements by this deadline. We suspect that some will still need to migrate post this date although this protection is lost. This is an excessive time period to manage through a workaround when there has been sufficient engagement time post the decision on DCP179 and for those Distributors not holding a capacity value to engage with the customer to do so. It	than ensuring that suppliers do not see a windfall of cash" Our interpretation of this is that if the supplier contract does not have a charge for capacity then this will not be passed on to the customer because they are not being impacted by this change but those that do have a capacity charge will see the benefit. So we are not really protecting customers, only those that see such a charge in their tariff and the supplier can pocket the rest. Equally, the simplistic approach being adopted here does not recognise the fact that customers do not agree a capacity based on usage in isolation. We provided instances where capacity is intentionally maintained in excess of the calculated capacity by the customer and provided examples of why this would be the case.

					must be remembered that DCP179 was approved in October 2014 and this potential issue was known during the summer of that year. One benefit of this change proposal is that it has at least focussed the mind on engaging with customers relating to capacity and this seems to have been embraced by Distributors when looking at the request for information feedback. To that end it is our opinion that this change proposal has served its purpose. To take this further and introduce this option would bring with it customer confusion as to why billing is not related to their agreed capacity resulting in further discussions and inefficient use of	Other respondents had such a concern and indeed one party reflected on discussions associated with DCP115 whereby customers were strongly opposed against reducing capacity. If these customers are benefitting from a reduced capacity charge they may not realise that this is due to this change and may result in further customer confusion: "Setting "MIC" for billing on an arbitrary MD and describing this as the MIC is not appropriate and breaks the link between billing and connection agreements, and hence cost reflectivity etc. It is unclear whether it is intended that the physical MIC is then altered to reflect billing (tail wags dog) but to base the MIC on such values goes against the grain of the discussions under DCP115[2], where customers were strongly against the suggestion

[2] DCP115 - NTC Amendments - Capacity Management (Under Utilisation

					resources. Overall this does not better facilitate General Objective 1. When comparing the two, both do not better facilitate this objective however Option 1 is not as bad as Option 3. ..... General Objective 2 "The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity." The Working Group view was mixed. On the one hand they agreed that both options better facilitated the objectives but some members counted this with a view that this would only be the case if there was	that capacity might be removed from customers without their agreement" Option 3 throws away all the interaction that has already taken place and is likely to cause customer confusion and frustration if they have already been engaged with Distributors. It must be remembered that these are not domestic customers but medium sized companies that are familiar with connection agreements. They are more likely to be aware of the impact on their business and what capacity they require. Whilst Option 1 provides retrospective actions to protect customers picking up charges more than they would like Option 3 ignores the Distributor obligations under the National Terms of Connection (NTC) to use something completely different. Add to this that after the twelve month period

					transparency on the supplier bill. The latter part of this fell short of including the additional text associated with the party who provided this statement namely "...we believe that the default position should be for all customers to be billed on a pass-through basis unless the customer themselves request otherwise". Our view is: The baseline of this objective to be measured against the current DCUSA is that each Distributor has an obligation to agree a capacity with customers. Whilst this is not defined it will be the same process for all customers within each distribution area. Option 1	Distributors are to revert to business as usual regarding Option 3 it seems to be a quick fix to align with the P272 implementation timetable and no consideration for customer impact thereafter especially where customers have not actually moved in line with the P272 timeline. In reality. Distributors should be left to manage this process in line with the Electricity Act and NTC. In addition to this we believe that: • further analysis is required due to the potential inaccuracies of the data currently being provided; • an impact assessment of the costs to facilitate this change due to business and IT process changes needing to co-exist for over two years is required; and

					This option follows existing processes apart from those identified and measured against General Objective 1 above. The only aspect affecting competition is therefore whether the customer receives such a benefit or not. If yes then this is neutral, if not or only some do then it negatively affects competition because some suppliers are benefiting from a windfall from such a change whereas others who pass on such benefits are not. Option 3 This introduces a common approach that all distributors would follow although this falls away after a period of time so is timebound. That said for the period in question it would improve competition by	• there is a potential Change of Supplier consideration. How would subsequent gaining Suppliers know that this arrangement still exists to ensure that they correctly back off any commercial arrangements and thereby ensure that the customer is not unduly impacted by any change in any commercial arrangements made as a consequence of such a Change of Supplier? The working group summary may have acknowledged these but there is no evidence to what their conclusions are. We would suggest that Ofgem, as part of their decision making process, request suppliers to provide information as to whether this change will actually deliver protection to

					having a common approach across all distributors especially where customers have many sites operating in different Distributor areas. This option therefore better facilitates this objective. However, as with Option 1 above if the benefit is not passed through to customers then it negatively affects competition since some suppliers will, as stated above, receive a windfall from such a change whereas others who pass on such benefits are not. Below are a couple of instances where this may occur. This option does not cater for retrospective billing to customers and as such there may well be instances where an agreed capacity has been reached with the	customers being charged inappropriate capacity charges by onwardly passing on such savings to them as part of their contract or whether such savings will be retained by them. If the latter, even if it is only one supplier, then this change proposal should be rejected. **Implementation Date** The implementation date is 5WD after Authority consent. This is a very unrealistic timetable to roll out new processes. We highlighted the fact that system and business process change would be significant for Option 3 and we would need to seek a derogation. There was a similar concern from another party quoting at least a six month lead time. The suggestion that 5WD after the Authority approval is justified seems difficult to justify. If you take the timeline contained in the Change

					customer which may well be higher than the calculated capacity charged during earlier months. The difference has been retained by the supplier even if this capacity is one and the same value that the Distributor wanted to utilise from the start or indeed had negotiated with the customer within the last twelve months. Customers usually require a capacity in excess of the calculated capacity (examples of which we provided in our consultation response) and as such if that customer does not engage within 12 months of the CoMC (and why should they if they have agreed to such a capacity) then if the supplier does not have to pass on the difference between the calculated	Report and the Authority makes their decision on the 26th April, the go live date is the 2nd May. Distributors have only two opportunities to bill during each month, once within the first week and a second in the second week of each month. Knowing that we would need to change the capacity value to zero for all customers that were previously on PC5-8 linked to Measurement Class C and E and separate them from those that don't form part of P272 is not a simple process to create a script to extract the data and amend the billing system let alone create manual processes to handle any changes off line and update the system as and when changes have been made. There would not be sufficient time to undertake such activity before the first month's billing runs post the Authority decision based on such a proposed timescale.

					capacity and the agreed capacity it will be a windfall every month for that supplier. Overall, if customers receive the benefit then Option 3 better facilitates this objective and Option 1 is neutral. However we have no evidence to suggest that such a benefit will indeed be passed onto customers and as such without such assurances our view is that it is neutral for Option 1 and negative for Option 3. ..... General Objective 3, 4 and 5 "The efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences";	We would prefer that if this proposal is approved that the implementation to be delayed by six months to allow sufficient time for suitable processes to be put in place.

					"The promotion of efficiency in the implementation and administration of this Agreement and the arrangements under it"; and "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" The Working Group view within the change report is silent on these objectives. This is supported by no consultation responses referring to any of these objectives. Our view is the same as that of the Working Group in that we believe there is no impact on any of these objectives and	

					as such both options will have a neutral impact ..... Overall, when measured against all of the general objectives our view is that: Option 1 is negative; and Option 3 is negative. If however customers are in receipt of such a benefit through supplier tariffs then Option 3 displays a positive and negative impact on the general objectives. When comparing the benefit of the two, our view is that the partial benefit to competition is outweighed by the larger negative impact on general objective 1. So overall there is still a negative impact. Likewise when comparing between Option 1 and 3 (with customer pass	

					through) we still believe that Option 1 is less negative than Option 3. ..... DCUSA Charging Objectives Overall we believe that these changes have nothing to do with the charging methodology and how the tariffs are constructed. There is no change to the model. The change proposal is how we intend to bill capacity once customers migrate onto them as a consequence of P272 implementation. It is therefore difficult to assess how these changes better facilitate the charging objectives apart from having a neutral effect. The charging methodology changes that support P272 were implemented	

					as part of DCP179 and the introduction of new measurement classes as part of P300. The rationale, and the Ofgem decision to support such charges, being covered under those change proposals. The working group view is similar across all the objectives and can be summarised as "having a common approach to agreeing a capacity and having time to do it". It is difficult to understand how such a statement has anything to do with the charging objectives. If our view is incorrect and there is a case for the change impacting the Charging Objectives due to a counter argument to say that this change actually means that although we can create the tariffs in line with the methodology we cannot	

					actually recover the costs of doing so until sometime in the future since the expected costs to manage capacity (that were correct at the time of the CDCM statements being produced) will not recover the expected revenue nor would the costs associated with managing capacity be correct until two years from now. With this in mind we offer the following comments on the Charging Methodologies Charging Objective 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" The Working Group view is silent on this as is the	

					view of consulting parties apart from one who believed that there would be a negative impact. Our view is that this change be it Option 1 or Option 3 is about billing rather than Charging Methodologies and as such the legal text should not sit within Schedule 16. There was an argument made to create an additional Schedule but this was not supported. The counter is that the Charging Methodologies will determine what amount of revenue needs to be considered as a capacity element of the tariff and which customer segment requires such a charge and not what that value for each individual customer will be. This change proposal is placing obligations on	

					Distributors to under-recover the costs associated with a specific tariff contained within the CDCM that applies to a segment of the customer base until the input data can reflect the costs associated with this change in the 2018/19 charging statement and as such has a negative impact on this objective. ..... Charging Objective 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)" The Working Group view is the same as that when considering General Objective 2. It is about a common approach in agreeing a capacity value. Our view is that agreeing a common approach to determining a capacity value with the customer is not a Charging Methodology concern, it impacts connection agreements and as such is measured against the General Objectives. That said, by not actually complying with Charging Objective 3 it may impact competition if some customers are not receiving the benefit of this change by suppliers distorting the market and as such has a negative impact on this objective.	

					However, if customers do receive this benefit then Option 3 would better facilitate this objective when compared to Option 1 which is neutral since a common approach across all Distributors is adopted rather than a Distributor specific approach. ..... Charging Objective 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" The Working view is silent on this objective.	

					Our view is that we are creating a non compliance issue by not recovering the costs that we expect since each Option introduces additional costs in managing the process, but these costs are currently not within the Charging Methodology statements issued in December 2015 for years 2016/17 and 2017/18, due to the requirement for a 15 month notice period for DUoS Charges effective from April 2017. Option 1 is least negative compared to Option 3 ..... Charging Objective 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" The Working view is that this objective is better facilitated due a common approach being adopted. Our view, when looking at the above three objectives in the round, is that both are negative for the reasons identified against each of those objectives be it with or without the customer receiving the benefit associated with this change proposal. ..... Charging Objective 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." The Working view is silent on this objective. Our view is that this change is neutral to this objective. Our overall assessment is that these objectives are not better facilitated for either option. Overall assessment of both the General and Charging Objectives measured together is that these objectives are not better facilitated for either option.	
SP Distribution	Accept	Accept	n/a	n/a	Agree that this satisfies the objectives as stated in the change report.	No
SP Manweb	Accept	Accept	n/a	n/a		
Northern Powergrid Northeast	Accept	Accept	Reject	Reject	We do not believe that either of these options would better meet the charging objectives as they do not seek to change the charging	We believe that DCP 248 is the better option for customers as there has already been a significant amount of stakeholder engagement and communication undertaken in
Northern Powergrid Yorkshire	Accept	Accept	Reject	Reject		

					methodology. In particular, we are not convinced that either of these options better facilitate Charging Objective 2, unless customers are provided with transparency on their supplier energy bill. We believe that the default position should be for all customers to be billed on a pass-through basis unless the customer themselves requests otherwise. If customers are not provided with this level of transparency we are concerned that this change does not better facilitate competition as the customer may not be aware of their maximum import capacity (MIC), or that their supplier is being charged in respect of it depending on the contractual arrangements that exist between them.	order to agree an appropriate MIC. It would be a backwards step for the industry, where this information is available, to revert to billing based on a default zero kVA value, as proposed by DCP 248A. It also runs a significant risk of introducing more confusion into the market place. Even before this change was proposed we had agreed in principle that we would change the MIC for customers in the first year if they felt it was too high. We have committed significant resource to making sure as many customers are contacted as possible. We feel that if we had to contact them again to change the process it could be detrimental to the customer experience that this change seeks to improve. We are however concerned that there is no guarantee that the suppliers will pass any refunds back to customers, but accept this as an associated risk.

					Having said that we can see the benefit of implementing an additional formal process to ensure a level of protection for customers where charges may be levied to their supplier based on a MIC value not commensurate with their needs, and where such customers can agree a capacity value that is both safe and appropriate.	The deferral of DCP 161 'Excess Capacity Charges' to April 2018 represented protection in itself to these customers, and DCP 248A will be detrimental to customers who (for whatever reason) have not migrated by April 2017. The 12 month period during which the customer will be billed on the basis of excess capacity (rather than agreed) will overrun into the implementation of DCP 161. They will then incur the higher excess capacity rates based on their entire maximum demand in the month. Whilst there may be reasons why these customer have been moved so late in the process this would be unfair. In this instance, DCP 248A would represent a deterioration in the protection already put in place for customers by the deferral of DCP 161. Additionally, DCP 248A will decrease our collected revenues in 2016/17 and 2017/18, and as a result will

						effectively socialise revenues from the profile class 5-8 group into all other customer groups in 2018/19 and 2019/20 respectively. This is because we have set charges for 2016/17 and 2017/18 on the basis of our assumption of agreed capacity charges for each customer being flat throughout the year. Under DCP 248A this will not be the case, as (for example) a business with a peak capacity in winter will only pay for their peak capacity in winter, and will effectively under pay for the remainder of the year. This could be argued to have a negative impact on cost reflectivity.
Western Power Distribution - East Midlands plc	Accept	Accept	n/a	n/a	n/a	n/a
Western Power Distribution - South Wales plc	Accept	Accept	n/a	n/a		

Western Power Distribution - South West plc	Accept	Accept	n/a	n/a		
Western Power Distribution - West Midlands plc	Accept	Accept	n/a	n/a		
IDNO PARTIES						
The Electricity Network Company Limited, Independent Power Networks Limited	Reject	Reject	Reject	Reject	We do not believe that any of the DCUSA objectives are better facilitated by the implementation of DCP248 or DCP248A. DCP248. We have undertaken a series if steps to ensure that we have engaged with both suppliers and consumers on this change. We sent letters to each supplier with a list of the supply points we believe will be subject to migration to Half hourly billing arrangements. This list included the proposed Maximum Import Capacity for each supply	n/a

					point and invited suppliers to propose a different MIC value if it was held. We have subsequently written to each of supply point individually with their proposed MIC value and invited customers to propose a different MIC value. Where no MIC value has been agreed it is owing to failure of the supplier or the customer to engage with us on this process and to provide information to distributors. DCP248 appears to undermine the process previously agreed and would create confusion among customers if implemented. We do not believe that DCP248 is congruent with paragraph 19.2 of our distribution licence. We are obliged under this section of our licence not	

					to unduly discriminate between different persons or different classes of person. We believe that by creating a rule for retrospectively changing the Maximum Import Capacity and applying this rule to a specific set of customers (those who migrate to half hourly billing under P272) we would be in breach of these obligations. Therefore, this change proposal is directly at odds with the 1st charging objective and the 3rd general objective. Whilst there may be circumstances where a retrospective reduction in the MIC will be reasonable and useful for the customer we believe that a blanket imposition of this is unfair to customers who do not fall within the scope of the P272 changes and we	

					have therefore voted to reject this change proposal. DCP248A We are unable to support DCP248A as we do not believe that it better facilitates any of the relevant DCUSA objectives. We believe that it has a detrimental impact on the 1st general objective as it does not allow distributors to efficiently and economically operate their distribution systems. Setting a MIC to 0, even for billing purposes, creates uncertainty as to the level of capacity to which a customer is entitled and cause confusion on the part of customers which may lead to inefficiencies in the operation of the distribution system.	

					We further believe that this change proposal undermines the 3rd DCUSA charging objective. By setting the maximum import capacity to 0 we do not believe that the costs which are being incurred by customers are in anyway cost reflective. If a customer is charged based on their actual demand for a given month then this will not reflect the cost incurred by the Distributor in maintaining a given level of capacity for each customer and within the distribution system as a whole.	
ESP Electricity	n/a	n/a	Accept	Accept	ESPE agrees with the Working Group's assessment and reasoning that DCUSA Charging Objectives 2,3,4 and General Objective 2 are better facilitated by	ESPE agrees with the Working Group's assessment and reasoning that DCUSA Charging Objectives 2,3,4 and General Objective 2 are better facilitated by the introduction of DCP 248A.

					the introduction of DCP 248A.	
SUPPLIER PARTIES						
British Gas Retail	Accept	Accept	Accept	Accept	Charging Objective 2 and General Objective 2 and Charging Objective 4: Both DCP 248 and DCP 248A ensure that DNOs apply a common approach when dealing with customers affected by P272 and migrating after the implementation date when such customers seek to actively agree an enduring MIC. We agree that both DCPs provide this benefit compared to the status quo. A common approach should facilitate more effective competition and so better facilitate Charging Objective 2 and General Objective 2 and takes account of developments in the Distribution business, better	Protection offered pre/post implementation of DCP 248/DCP 248A: We note the concern that under both DCP 248 and DCP 248A, there will be no formal protection for customers that migrate before the implementation date. This potentially creates differential treatment between those customers who migrate before the implementation date and those who migrate after it. We also note that the DCP248 workgroup were unable to offer any assurance in this regard other than to include the statement in 3.16 of the change report that "*It is expected that DNOs would apply suitable approaches to those customers who have already migrated*". This is unfortunate and we have sought to progress this

					facilitating Charging Objective 4. However it is also clear to us that this benefit is significantly more limited under DCP 248 since it will only be available to those customers that "seek to actively agree an enduring MIC" within the grace period. For any customers who do not engage with the DNO within the grace period these objectives are not better facilitated by DCP 248. Experience to date, supported by the Request for Information data showing a low level of customer response to DNO communication, is that most customers are not engaged with the process of agreeing MICs with DNOs. It is likely that under DCP 248 the majority of customers	change as quickly as possible to mitigate this. We would also encourage Ofgem to make a quick decision to further mitigate this. However, we consider that, on balance, it is better to offer protection going forward to those customers that we are able to, than to offer no protection to all customers just to ensure that all customers are treated equally. We would also note that the lack of formal protection available to those sites that migrate prior to the implementation date applies equally to DCP 248 and DCP 248A and so there is no justifiable reason to favour one option over the other in this respect. Resource requirements: DCP 248 will involve the greatest resource requirement and places a significant burden on the industry. P272 will result in a c. 60% increase in HH DUoS billed sites across the industry

					affected by P272 will be left with an inappropriate MIC on an enduring basis. This is because either: it was initially based on a outdated agreement, likely to have been entered into with someone other than the current occupier; or because it was set at an arbitrary level unrelated to the maximum demand for the customer in question. By comparison, DCP 248A properly ensures a common approach for all customers affected by P272 (and migrating after the implementation date) by mandating the same initial approach from the outset and therefore better meet these objectives.	(with a wide range for impacts on individual parties). Billing and validation systems will be under increased stress to cope with this. At the extreme DCP 248 could result in a similar increase again in required billing but with an even greater administrative cost since rebilling/reconciling will inevitably require manual intervention. The volume of such manual interventions required under DCP 248 is likely to necessitate a materiality threshold to manage the workload, and we note that DCP 248 does not specify materiality thresholds which will lead to different treatments by different DNOs and Suppliers across the country. The nature of the retrospective adjustments offered by DCP 248 will inevitably lead to increased levels of dispute and complaints as customers will have to engage with both DNOs and suppliers (which may

					DCP 248A also better facilitates charging objective 4 (relative to DCP 248) since it properly takes account of the decision to defer DCP 161 by offering more protection to customers affected by P272 – protection which is more aligned with the protection signalled in the DCP 179 change report. DCP 248A also takes account of developments in the DNOs business through setting the MIC to zero for charging purposes. This will encourage DNOs to reassess the appropriate enduring MIC at the end of the grace period, particularly in the case of unengaged customers for whom the DNO initially set an arbitrary MIC value unrelated to the maximum demand for the customer in question.	involve more than one supplier) to receive any refund that may be due which will further increase resource requirements. DCP 248A will be considerably less resource intensive since it will not involve mass re-billing. DCP 248A will also provide the best customer experience for the implementation of P272 and is less likely to lead to less disputes and complaints. We note that parties have opposing views on which of the two options have the greatest process/system resource. For our part, it is clear that DCP 248 has the greatest resource requirement. We note that a minority of Parties have suggested IT system changes would be required under DCP 248A. Both of these options are transitional in nature and we would expect all Parties to be able to put in place appropriate manual workarounds to facilitate

					We note the response of one DNO to the DCP 248 consultation: "Furthermore, the other options [Options 2-4 i.e. DCP 248A] require the DNOs to reconsider every customers MIC at the end of their grace period, which will be a different time for each customer, depending when each customer switched to HH. This will be a big administration task to control and requires all the customers to be contacted to confirm what their new MIC will be. In Option 1, only those customers who contact the DNO, (and it is the customer's responsibility to do so), will require action." This statement provides a key benefit of DCP 248A.	either option. Parties would need to provide Ofgem with robust justification why either option could not be implemented quickly.

					We consider that it is necessary for DNOs to reconsider customers' MICs at the end of their grace period. The MICs that were proposed by DNOs in their customer letters either stated or implied that excess capacity would be charged at much higher rates than standard capacity charges from April 16. As such the MICs being deemed to have been accepted by customers would now appear to have been deemed to have been accepted on the basis of outdated (and potentially misleading) information. A large proportion of the MICs proposed by DNOs in their initial letters are also significantly in excess of the maximum demands for the customer or have been set using a arbitrary figure	

					either because the DNO has chosen to do so or because no maximum demand data was available. There is also significant uncertainty as to whether these letters were received by the appropriate people. In such circumstances we consider it entirely appropriate to encourage DNOs to reconsider customers MICs at the end of their grace period. The deferral of DCP 161 provides the opportunity for the industry to offer significantly improved levels of protection to these customers and properly takes account of developments in the DNO business (DCP 248A). Our expectation is that DNOs, with the commitments to customer and	

					stakeholder engagement under RIIO, would seek to reconsider customers' MICs in any case and so there is no additional administrative burden arising from DCP248A. Charging Objective 3: Both DCP 248 and DCP 248A better facilitate charging objective 3 (reflecting the costs incurred by the DNO after taking account of implementation costs) since they will allow time for customers affected by P272 (and migrating after the implementation date) 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. The materiality analysis from the DCP 248 consultation shows that DNOs will potentially recover £27m/yr (£32/month x 12 months x 70,000 customers) more from this subset of customers than is reflective of the demand they place on the network. This is not acceptable and therefore both DCPs should help to reduce this level of cost which does not reflect the costs these customers are placing on the network. Again, whilst DCP 248 will improve the current situation, it will only do so for those customers that "seek to actively agree an	

					enduring MIC" within the grace period. Depending on the number of customers who do not engage, DCP 248 will result in a residual amount of cost which is being recovered from charges which do not reflect the costs incurred by the DNO. DCP 248A facilitates this objective much better than DCP 248 by ensuring that during the transition to HH settlement the costs applied in respect of these customers are no higher than the costs they place on the network. If customers decide at the end of the grace period that they wish to agree a higher MIC (or retain a historic MIC) which is higher than their MD then they can choose to do so with the	

					DNO. In such circumstances it will be appropriate for the customer to pay for the capacity they are reserving on the network, but it cannot be in the interests of these customers to assume that they wish to retain a capacity, that could be over 100% higher than their MD, if they do not actively engage with the DNO as would be the case under DCP 248. Protection offered pre/post implementation of DCP 248/DCP 248A: We note the concern that under both DCP 248 and DCP 248A, there will be no formal protection for customers that migrate before the implementation date. This potentially creates differential treatment	

					between those customers who migrate before the implementation date and those who migrate after it. We also note that the DCP248 workgroup were unable to offer any assurance in this regard other than to include the statement in 3.16 of the change report that "It is expected that DNOs would apply suitable approaches to those customers who have already migrated". This is unfortunate and we have sought to progress this change as quickly as possible to mitigate this. We would also encourage Ofgem to make a quick decision to further mitigate this. However, we consider that, on balance, it is better to offer protection going forward to those customers that we are able to, than to offer no	

					protection to all customers just to ensure that all customers are treated equally. We would also note that the lack of formal protection available to those sites that migrate prior to the implementation date applies equally to DCP 248 and DCP 248A and so there is no justifiable reason to favour one option over the other in this respect.	
Gazprom Marketing & Trading Retail Ltd	Accept	Accept	Reject	Reject	We believe it is appropriate that customers are afforded some protection during the transition phase of P272 in relation to the capacity they are charged. Our strong preference is for DCP248. This is the cleanest and simplest solution which we think is essential for easing the transition from NHH to HH for the	

					affected PC5-8 customers. We believe DCP248 better facilitates DCUSA general objectives and charging objectives 1, 2, 3 and 4. Our view is that DCP248A will create additional complexity, and will outweigh any additional protection provided to customers.	
Opus Energy Ltd	Reject	Reject	Accept	Reject	We believe that DCP248A better facilitates DCUSA General Objective 2 (The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity and DCUSA Charging Objective 2 (That compliance by each DNO Party with the	**<u>Decision to Accept/Reject each solution</u>** We are supportive of the principles of this modification but have rejected the original solution (DCP 248) for the reasons outlined below. We have voted to **accept** the alternative solution (**DCP 248A**). Given the customer impacts of this change Opus Energy joined the DCP 248 Working Group. It is of interest to note that 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) due to the ability to provide a common approach when dealing with customers when they seek to actively agree to apply an enduring MIC. We believe that DCP248A helps to facilitate Charging Objective 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	proposer of the original solution (DCP248) also favours the alternative solution (**DCP 248A**). In our opinion, DCP248A provides greater protection to customers against inappropriate capacity charges because: • It offers protection from the outset. • Customers only pay MIC charges based on what they use and so cannot be over-charged (enabled by Ofgem's decision to defer implementation of DCP 161 until 2018). • It does not require rebilling/reconciliation and so is easier to implement. • It gives DNOs/IDNOs and customers time and data to agree an

					implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business) because customers only pay MIC charges based on what they use and so cannot be over-charged (enabled by Ofgem's decision to defer implementation of DCP 161 until 2018). However, for any customers who do not engage with the DNO within the grace period these objectives are not better facilitated by DCP248.	appropriate enduring MIC. Our rejection of the original solution (DCP248) is because it has the potential to have the greatest technical or resource impacts, given the proposed retrospective billing elements; in particular if there has been a change of tenancy or bankruptcy event. It is also not fair for customers to potentially be overcharged for their MIC for 12 months. **Decision to Reject the implementation date** The proposed implementation date is 5 Working Days after Authority Decision. We have rejected the implementation date because there would be process and potential system impacts for some parties (in particular, if the original solution (DCP248) was adopted, for which the added complexity of retrospective billing may require process/system changes). For

						any system changes, our expectation would typically be for a lead time of not less than 6 months.
E.ON	Reject	n/a	Accept	Accept	It is our opinion that DCP 248A better facilitates Charging Objective 3 as customers (including those that are non-engaged) are not at risk from being charged an incorrect MIC. In addition adopting one methodology as our preferred option of DCP248a better facilitates Charging Objective 2 as there is a common and agreed approach for P272 customers when a MIC is set.	We believe that the greatest protection for customers is given by the implementation of DCP248A.
Engie	Accept	Accept	Reject	Reject	No comment	DCP248A doesn't appear to have made any provision for how customers who have already had their MIC determined with customers a result of P272 should be

						managed going forwards, if it gets approved.
Npower ltd	Accept	Accept	Accept	Accept	Positive impact to: General DCUSA objective 2. • This modification addresses competition concerns. Without this modification, customers may be charged inconsistently and unfairly. This modification will also contribute to customer trust in the industry, which is important for any competitive market to function. We agree with the majority workgroup that Charging objectives 2, 3 and 4 are better facilitated by this modification.	P272 is a significant change to the industry and its customers and has far reaching impacts. Regardless of what is approved (or not) this issue has been highlighted and largely agreed by workgroup members. Efforts need to be made by industry parties so that customers are fairly treated, particularly in regards to customers whose situation does not fit with the final determination of this modification.
Scottish Power Energy Retail Limited	Accept	Accept	n/a	n/a	DCUSA Charging Objectives 2 and 3 better facilitate DCP 248 (Option 1). Agree with the working group that these	n/a

					objectives provide a common approach and a level of protection against the occurrence of erroneous MIC charges to CT Metered customers impacted by P272 by allowing a retrospective adjustment.	
SSE Supply	Accept	Accept	Reject	Accept	We agree with the reasons given in the Change Report.	n/a
DISTRIBUTED GENERATOR PARTIES						
N/A						
GAS SUPPLIER PARTIES						
N/A						