



DCUSA DCP 328 Change declaration

Voting end date: 31 October 2022

DCP 328	WEIGHTED VOTING				
	DNO	IDNO	SUPPLIER	CVA REGISTRANTS ¹	GAS SUPPLIER ²
CHANGE SOLUTION	Reject	Reject	Reject	N/A	N/A
IMPLEMENTATION DATE	Reject	Reject	Accept	N/A	N/A
RECOMMENDATION	<p><u>Change Solution – Reject</u></p> <p>With regards to DCP 328, the Parties' recommendation to the Authority is that the change solution is rejected. 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 reject the change solution was more than 50%.</p> <p><u>Implementation Date – Reject</u></p> <p>The Parties' recommendation to the Authority is that the implementation date is rejected. 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 reject the implementation date was more than 50%.</p>				

¹ This Party Category was not eligible to vote on this CP

² This Party Category was not eligible to vote on this CP

PART ONE / PART TWO**Part One – Authority Determination Required**

PARTY	SOLUTION (A / R)	IMPLEMENTATION DATE (A / R)	WHICH DCUSA OBJECTIVE(S) IS BETTER FACILITATED?	COMMENTS
DNO PARTIES				
Electricity Northwest Limited	Reject	Reject	: We believe the proposed change would have the following impacts against the charging methodology. Charging Objective 2 - Adverse By introducing a charging scheme for private networks that is different to that for single sites, we believe this We believe the proposed change would have the following impacts against the charging methodology. Charging Objective 2 - Adverse By introducing a charging scheme for private networks that is different to that for single sites, we believe this change may introduce a distortion to effective competition between connectees on private and DNO networks. Furthermore, the change report relates legal advice that DNOs undertake an As Efficient Competitor analysis to determine if the proposed change is allowable under competition law. It is our judgement that the voting period is not sufficient to undertake this analysis, and in any event in-house analysis by a DNO might not accord with a potential determination by a court. However, we note that the proposed methodology can produce charges that are either higher or lower than the existing IDNO charges (without clear cost reflectivity	We acknowledge the need to develop a solution for charging for private networks with competition in supply. We believe alternative arrangements are possible that do not introduce differential DUoS charges for such arrangements, perhaps by using a single nominated supplier to pay DUoS “boundary” bills based on existing tariffs, which could then be allocated to the parties on the private network according to arrangements agreed by those parties. If this change proposal is rejected, we hope to be able to contribute to developing alternative solutions in the future.

			reasoning to support the difference), and therefore we consider that there is a risk that the charging scheme introduced by this change may result in margin squeeze in some circumstances. Charging Objective 3 - Adverse We believe the averaging of capacity and reactive charges into a fixed charge results in charges that are less cost reflective than current boundary charges. Charging Objective 4 – Favorable The proposed change provides a solution for charging for private networks with competition in supply, which are potentially a widespread arrangement in future. Charging Objective 6 - Adverse The introduction of extra tariffs and a new class of customer, and so does not promote efficiency of administration. In the round, we do not consider this proposal better facilitates the Charging Methodologies.	
Northern Powergrid (Northeast) PLC	Accept	Accept	We believe the following objectives are better facilitated: • 2: the change will ensure that competition to supply customers connected to private networks is not distorted by the application of inappropriate UoS charges in respect of some or all customers connected to private networks. • 3: the change will ensure that the charges faced by multiple Suppliers supplying customers on a private network are broadly equivalent to the charges faced by a single Supplier supplying the private network operator on an equivalent site without competition in supply. • 4: we are seeing increasing volumes of requests to facilitate competition in supply on private networks. Without the change and the	We believe charging objective 6 is perhaps not as well met as the fully settled solution introduces a large number of new tariffs which could decrease efficiency in the calculation of charges and the application of LLFCs.
Northern Powergrid (Yorkshire) PLC	Accept	Accept		

			regulatory clarity, it seeks to create, there is a risk of a divergence in application of the common charging methodologies across DNO licensees.	
Eastern Power Networks	Reject	Reject	<p>We do not believe that the DCUSA Charging Objectives are better facilitated as a result of this change. The proposed solution is likely to distort the market, as it could result in Network Companies being significantly impacted in their revenue recovery where a Private Network is connected to their own network as the volume of customers connected to a Private Network is not known and so any forecasting of units for these customers will be extremely difficult to forecast, which we believe negatively impacts upon Charging Objective 2.</p> <p>Charging Objective 4 will also be negatively impacted, as this change has taken a number of years to reach a conclusion, and it is now expected that we will shortly have an SCR on DUoS charges being launched, and it would seem more appropriate that any changes to this area are considered (whilst taking on board the discussions from this change proposal) as part of any wider review rather than being progressed in isolation.</p> <p>Finally Charging Objective 6 will be negatively impacted as it is unclear how we can realistically implement these tariffs with effect from April 2024, given the difficulties identifying where they should be applied, as described at 4.136 in the change report.</p>	Further to the points above, we have concerns that this solution would significantly increase confusion for suppliers and customers over the application of different sets of tariffs for similar properties.
London Power Networks	Reject	Reject		
South Eastern Power Networks	Reject	Reject		

			There should be a clearly defined transition arrangement as with other DCPs e.g. by requiring customer application and agreement for the tariffs to apply, which is not part of the proposed legal text for this change proposal.	
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IDNO PARTIES				
The Electricity Network Company Limited	Reject	Reject	<p>None of the DCUSA charging objectives are better facilitated by this change proposal and there is a negative impact on se</p> <p>To the contrary, we think that, in the round, the change proposal has a negative impact on the DCUSA charging objectives. We set out our detailed reasons below but our principal reasons for the assessment are:</p> <ul style="list-style-type: none"> • The change proposal does not produce cost reflective tariffs • The change proposal has an unintended consequence of margin squeeze on IDNOs • The change proposal has not properly considered the implementation issues • The change proposal causes further issues of undue discrimination between licensed and unlicensed networks. <p>Tariffs to the boundary of licence exempt networks should only be discounted (from the all the way tariff to the consumer/generator) to the extent that the licence exempt network operator substitutes the network and services</p>	<p>Competition Law concerns</p> <p>As per our comments on the impact to the DCUSA Charging Objectives we have considerable competition concerns that this change proposal will introduce undesirable distortions in the distribution of electricity and the competition in the provision of connections to the electricity network. We set out our concerns in three broad areas</p> <ul style="list-style-type: none"> • The lack of consideration of real costs will lead to margin squeeze on IDNOs in some areas; • The tariff structure of LEN tariffs being materially different to 'all-the-way' tariffs and LDNO tariffs; and • The different treatment between licenced and unlicensed networks on supplier billing and associated bad debt costs/risk. <p><u>Margin Squeeze on IDNO Networks</u></p> <p><i>The below is based on analysis which was previously undertaken by the working group</i></p>

			<p>that the licensed network operator would provide.</p> <p>The proposer of the change proposal sets out that its intent is <i>“to ensure that use of system charging remains cost-reflective when competition in supply on a private network is in place”</i>.</p> <p>We think the change report gets confused about the scope of the intent. For example, we think it is outside the scope of the intent to develop:</p> <ul style="list-style-type: none"> (i) DUoS billing solution in respect of MPANs connected to licence exempt networks (ii) To better facilitate the settlement processes and arrangements in respect of licence exempt networks (iii) Charging arrangements for the provision of MPRS and data transfer services. <p>Whilst the above points are important, (for example it is unclear what rights of access a supplier has to an MPAN on a private network and what the arrangements are for a MEM to work on a licence exempt network operator’s network (given that they are not party to the REC) they are outside the stated intent of the proposal.</p> <p>Unfortunately we think significant focus of the change report is developing invoicing solutions, rather than focussing on the total costs that the DNO avoids in connecting to the licence exempt network.</p> <p>Notwithstanding the above, we think that part of the proposed solution which looks at</p>	<p><i>members. This analysis was not part of the change report pack issued to parties for voting.</i></p> <p>The solution for DCP 328 is likely to cause margin squeeze. It is important to preface this section by saying that we are aware of the issues that licence exempt network operators face and we do not object to the concept of a separate, reduced tariff for Licence Exempt Networks per se. However, the outcome of the solution chosen for DCP 328 will result in charges to licence exempt networks that are not cost reflective and which in addition will lead to margin squeeze for IDNOs in certain market segments in a way which we believe to be a breach of competition law. The situation arises where a customer is connected to a licence exempt network which connects to an IDNO network and then the IDNO connects to a DNO network. In these situations the DNO will charge the IDNO the ‘LDNO tariff’ and the IDNO will charge the supplier the ‘LEN Tariff’. There are certain circumstances, based on the average consumption for a customer in a customer class, where the LDNO tariff is higher than the LEN tariff and the IDNO would be charged more by the DNO than it is able to recover from the supplier for the customer connected to the LEN. This situation is particularly prevalent for Non-domestic Aggregated Band 1 tariffs. In 9 out of the 14 GSP groups, if the IDNO connects to the DNO at LV and the LEN consequently connects to the IDNO at LV then the IDNO will make a negative margin. The highest margin available to IDNOs in this scenario, based on average consumption, is £5.42 in UKPN East. It is impossible to say that the outputs of DCP 328 can be compliant with competition law</p>
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		<p>the tariffs to licence exempt networks is fundamentally flawed and fails meet the DCUSA obligations and the requirements of competition law.</p> <p>Obligations to facilitate competition in supply on their networks principally reside with licence exempt operator. Whilst electricity distributors with a DSA have an obligation to offer terms for (a) the provision of Meter Administration Services, and separately (b) the provision of Data Transfer Service to any person</p> <p>We think these services should be charged to the licence exempt operator separately from DUoS under SLC 35. Under this proposal DUoS is still charged to the supplier. However, we understand that DNOs do not have agreements with licence exempt operators for the provision of such services, but nonetheless provide them at no cost (given the margin to licence exempt operators is the same as that to the IDNOs, but where IDNOs are required to provide such services).</p> <p><i>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 – Negative impact to Objective</i></p> <p>Under the Electricity distribution licence condition 4.6(b) DNOs have an obligation in setting use of system charges to not restrict, distort or prevent competition in the distribution of electricity. This change</p>	<p>(i.e. that prices are set to allow a notional downstream business, operating as efficiently as the DNO, to obtain a normal profit) given that one of the outcomes of this is that the IDNOs will make negative margins for networks which they own and operate.</p> <p>Although not as blatant, this same distortion will manifest in areas where an incredibly small margin is available to IDNOs. As working group members we have consistently advocated for a more accurate allocation of price control costs and revenue to be utilised to determine the discount for LEN tariffs. In order to introduce a LEN tariff we believe that a full assessment of the costs avoided by the DNO in providing a connection to the LEN, such as is undertaken in the PCDM, would have mitigated this undesirable outcome. A proper assessment of price control cost would have ensured that the tariffs and discount properly reflected where and by whom costs were incurred.</p> <p><u>LEN Tariff composition</u></p> <p>The margin squeeze which is caused by the cost allocation from this change proposal has the potential to be exacerbated by the way that the LEN tariffs are constructed, specifically the balance between unit rates and fixed rates (including capacity). Under the DCP 328 solution the LEN tariff removes the modelled costs of the network tiers which the LEN owns. These are more likely to lower network tiers such as HV and LV where the LEN is providing connections to a group of end customers. The CDCM uses standing</p>
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			<p>proposal fails to identify the differences between the total avoided costs to the DNO where a licence exempt network operator substitutes the last mile of network that the DNO would otherwise provide compared to circumstances where an IDNO provides the last mile of network.</p> <p>If implemented, this change proposal will have the clear and direct effect of restricting competition in the distribution of electricity by applying charges to licence exempt distribution networks which are not cost-reflective and are unduly discriminatory in favour of licence exempt network operators compared to the way charges are levied to licensed IDNOs connecting to the DNO distribution system. This change proposal will sterilise competition in the provision of licenced distribution networks by squeezing margins available to IDNOs in the provision of certain connections. We set out our broad thinking on our concerns of competition in our response on the next section of this voting form.</p> <p><i>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) – Negative impact to Objective</i></p>	<p>charge factors to convert costs into fixed components for network tiers which are 'shallow' in comparison to the user's connection. E.g. for LV aggregated connections all of the LV network tier is converted into a fixed charge. Ultimately, this means that the LEN tariffs are likely to receive a largely fixed discount in comparison to the all the way tariff as they are substituting network which would be charged through the fixed components. Conversely, IDNO discounts are calculated by applying a percentage discount to all the network tiers. This means that IDNO revenues and margins are, in £ terms, subject to the consumption of the customers connected to their networks. In itself this treatment should require robust justification as this reduces volatility of LEN cost recovery when comparing to IDNOs. This justification has not been made in the change report.</p> <p>We challenge why different charging principles should apply to licence exempt operators compared to IDNOs. The basic principles of the PCDM should apply to Licence exempt networks, but importantly should recognise and reflect that differences in avoided costs between the two distributors.</p> <p>The different treatment proposed by the change proposal exacerbates the potential for margin squeeze as it increases the scenarios where an IDNO may find that they earn negative margin for providing a connection. As the LEN margin is largely fixed, a lower consumption for a customer does not impact the LEN margin but it will impact the LDNO revenue and margin. It is possible that the charge that the IDNO can make to the supplier for a LEN connected customer is lower than the charge which the DNO will make to the IDNO for</p>
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			<p>As per our answer to question 1, this change proposal does not promote competition in the distribution of electricity (reasoning set out in answer to the next question)</p> <p><i>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. – Negative impact to Objective</i></p> <p>As we have set out above, we think the scope of the proposed solution extends beyond the scope of the change proposal and beyond the scope of this objective. In respect of charging we provide the following comments.</p> <p>The proposed solution put forward by this change proposal does not reflect the costs incurred or reasonably expected to be incurred by the DNO party in its distribution business. This is the case for two reasons.</p> <ol style="list-style-type: none"> 1. The proposed methodology relies solely on an assessment of cost relating to the 500MW model costs in the CDCM. The 500MW model costs which are contained in the CDCM are costs based on a hypothetical increment and do not relate to the total actual costs incurred by the distribution business (for example costs of reinforcement and replacement are not modelled by the CDCM and the assets costs are discounted by customer contributions). Although Opex associated with the CDCM costs is based on actual 	<p>that same connection as the IDNO's margin is subject to the consumption of its customers. We make no specific argument about which of these approaches to defining a downstream margin is 'better' but the unintended consequence of exacerbating the competition law issue without justification or mitigation means we cannot recommend implementation of this change proposal.</p> <p><u>Supplier Billing responsibility</u></p> <p>Notwithstanding that we believe billing sits outside the intent of the change proposal we make the following comments.</p> <p>We think the proposals unduly discriminate between licence exempt network operators and IDNOs. Under this proposal DNOs provide "free" billing services for licence exempt services. Contrast this with IDNOs who operate as a billing and collection agent for DNOs. Billing services provided to licence exempt operators should be subject to separate charging arrangements outside DUoS.</p> <p>We provide more detail below.</p> <p>DCP 328's billing solution is that the supplier will be billed the LEN tariff directly by the DNO where they are registered to supply points which are connected to a licence exempt network. This tariff represents the proportion of the DNO/IDNO network which is being utilised (albeit we question the accuracy and reflectivity of this cost). Where a customer is connected to an IDNO network the DNO will bill the IDNO the LDNO tariff, representing the DUoS costs incurred on the DNO network and the IDNO will bill the supplier the All-the-way (ATW) tariff, the difference being</p>
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			<p>Opex, not all of this is included in the allocation in the CDCM and those operating costs which are allocated are allocated by MEAV (from the outputs of the 500MW model) which is unlikely to be capable of being considered a cost reflective allocation of most Opex. Basing the costs avoided by the DNO on the hypothetical asset costs of providing a new increment and a proportion of the operating costs which have not been reflectively allocated cannot lead to a solution which reflects the costs incurred by the DNO party in its distribution business.</p> <p>2. The issue is compounded by the pseudo-allocation of the residual charge based on the percentage of pre-scaled costs which have been avoided by the DNO. This does not consider the costs which have been incurred and avoided by the DNO business in any meaningful way.</p> <p>3. The allocation of costs fails to recognise that the exempt licence operator is not substituting all of the last mile costs; for example licence fee costs, DCC charges, costs associated with industry codes and systems, costs associated with customer engagement and managing system faults, costs associated with performance regulations.</p> <p>Where the DNO connects to an IDNO network the charge to the IDNO is based on a top-down allocation of price control revenues which is driven by an allocation of price control revenues to network tiers based on</p>	<p>the IDNO margin. The IDNO billing approach leaves the IDNO exposed to non-payment, bad debt and the associated cash flow risks of the ATW tariff whereas the LEN only has this exposure in relation to the tariff it levies on customer on its network (whether through a service charge or separately through an Ofgem approved methodology). Again, this approach provides an unjustified benefit to the licence exempt network when comparing it to a licensed network. As per the tariff composition we make no specific around which method of billing is necessarily better but the inconsistency in liability on different types of distributor, is likely to unduly incentivise unlicensed distribution over licensed distribution.</p> <p>We are concerned that the suppliers registered to fully settled sites are unlikely to reduce their retail charges to customers to reflect that they are receiving a lower DUoS bill. We recognise that how suppliers bill end consumers is not within the scope of this change proposal or properly within the scope of the DCUSA but we still think it should be considered that suppliers will be receiving discounted bills for customers connected to LENS (to the extent that the licence exempt operator does not charge them directly for use of that network) and those suppliers may not change the bills for consumers connected to LENS. In today's market the suppliers may charge at the retail price cap or energy price guarantee for all domestic customers, notwithstanding that for some of those domestic customers, connected to LENS, the suppliers will be receiving DUoS bills which are significantly under the average.</p>
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			<p>actual cost data and on the services that the IDNO substitutes. These cost data then inform the percentage discount to be applied to the tariffs to allow the IDNO to earn a margin which is reflective of the network tiers and services that the IDNO substitutes on behalf on the DNO. Throughout this change proposal we have consistently advocated for a similar approach to be undertaken (or a continuation of the existing PCDM) to properly assess the costs which have been incurred and/or avoided by the DNO in the substitution of the network by a LEN.</p> <p>Licence exempt networks, where there is competition in supply, are unlikely to fully substitute services provided by the DNO. It is likely that the DNO will still be providing MPAS, billing and data services. No consideration of these costs has been given in the change proposal solution as they are not cost reflectively allocated within the CDCM. This may result in the discount to the tariffs that the LEN is receiving being unduly high as they are not providing equivalent services to the DNO. It is not satisfactory to say that this change proposal is 'better' than the status quo as some discount is given to LEN tariffs. The lack of cost reflectivity and a proper assessment of the costs which have been avoided by the DNO causes significant competitive distortions which are likely to have an adverse impact on the provision of competition in new connections and distribution systems.</p>	<p>Ultimately, we do not believe that this change proposal can be implemented in its current format as it will unduly distort competition in the distribution of electricity. We recognise the need for an enduring solution to ensure that cost reflective charges are levied on Licence Exempt Networks but the unintended consequences created by this change proposal far outweigh any benefit and dealing with the issue of licence exempt network operator tariffs in isolation, without consideration for the wider industry impacts and without consideration of the cost properly avoided by the distributor in the substitution of services does not lead to satisfactory outcomes for the electricity industry and consumers. We understand that there are ongoing workstreams which will be impacted by this change proposal (such as the MHHS programme and the DUoS SCR) which have not properly been considered by this change proposal and any change on tariffs for unlicensed networks needs to be properly cognisant of developments in the industry such that it is able to dovetail with other solutions being developed for charging and for data.</p>
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			<p>Objective 4 – <i>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.</i> – Neutral</p> <p>We do not believe that this charging objective is impacted by this change proposal positively or negatively. Whilst the developments in the electricity market arrangements have allowed the proliferation of licence exempt networks, we do not believe that this change proposal properly takes those developments into account insofar as it fails to properly consider the cost-reflectivity of charging for those licence exempt networks. This change proposal does not, however, negatively impact this objective.</p> <p>Objective 5 - <i>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.</i> – None</p> <p>There is no impact on this charging objective.</p> <p>Objective 6 -<i>That compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.</i> – Negative</p>	
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			<p>The solution developed under DCP 328 requires significant implementation work which we do not believe has been addressed properly by the final solution and change report. In order to identify that a meter point is eligible for a LEN tariff, it is almost certain, that a separate LLFC ID (or DUoS Tariff ID as proposed under the Market-wide Half-Hourly Settlement programme) will need to be assigned to that MPAN than would be assigned to a meter point directly connected to the licensee's distribution system. The additional industry data requirements to facilitate the tariffs as part of this change proposal are likely to place to a significant, and not properly considered, burden on industry parties including distributors, suppliers and their agents, IT service providers, and Elexon. Under the Targeted Charging Review reforms there were significant additional LLFC IDs required to facilitate the additional tariffs which were created by banding non-domestic customers. These additional LLFC IDs (and the associated combinations of other data items required to support the settlement system including combinations of LLC, Profile Class, Standard Settlement Configuration and Meter Timeswitch Code) required an industry wide engagement programme between all distributors and Elexon to ensure the timely and efficient implementation of the additional data within Market Domain Data. The Targeted Charging Review increased the number of tariffs within the CDCM from 16 to 32. DCP 328 increases the number of tariffs</p>	
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			<p>(excluding LDNO tariffs as the LDNO sets the LLFC on these) from 32 to 96. The impact on the required increase in LLFCs and combinations is dramatically more onerous for IDNOs as the IDNO LLFC needs to take into account the voltage of connection to the host DNO and the IDNO can only use an LLFC in one GSP group (i.e. it needs 14 sets of LLFCs). In simple terms this would require each IDNO to introduce just over 6,000 LLFC IDs, each of which would require supporting data combinations running into the hundreds of thousands of lines of MDD which need to be added to facilitate this change for each IDNO. During the Target Charging Review the BSC Panel Chair wrote to Ofgem to express the panel's concern that, in spite of the weekly meetings and co-ordination of the programme of change, the timetable for change (several months) was not sufficient for Elexon to be able to process the necessary data. This impact to other industry codes and bodies has not properly been accounted for and considered in this change proposal and this is likely to have a significant negative impact on the 6th DCUSA Charging Objective.</p> <p>The change report notes that identification of MPANs which are on licence exempt networks on fully settled sites (such as high-rise flats or office blocks) may require additional information from licence exempt network operators. This, in itself, is likely to negatively impact the efficiency and administration of the charging methodology but we believe that the problem is likely to be</p>	
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			wider than this. The change report suggests that the supplier may be made aware by the customer when negotiating contract but the customer, on a fully settled site, is unlikely to know whether they are connected to a licence exempt network. In order to implement this change proposal there will be significant work for all distributors to ascertain to which MPANs the LEN tariffs should apply.	
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SUPPLIER PARTIES				
British Gas	Reject	Accept	<p>Whilst we appreciate this is a complex area, and the proposal should result in a common approach across DNOs, we do not consider the proposal better facilitates any DCUSA objectives.</p> <p>Due to the complexity of the proposed solution, we do not believe it will facilitate improved competition in supply for customers connected to a private network and so has a neutral impact on objective 2 (facilitating competition), and a negative impact on objective 6 (promoting efficiency).</p> <p>We also do not believe that a boundary supplier should be liable for the transportation of energy for which it is not responsible (as proposed under the shared/difference approaches) and so the proposal has a negative impact on objective 3 (cost reflectivity).</p>	<p>We do not agree with the assertion underpinning this change proposal:</p> <p><i>"Competition in supply on a private network does not alter the use of the Distributor's network; hence the CP form asserts that the UoS charges faced by the multiple Suppliers involved when competition in supply is in place should sum to the same total as would be applied if a single Supplier were supplying the site as a whole."</i></p> <p>In our view, competition in the supply of customers on a private network will only truly be facilitated by treating these customers identically to equivalent customers connected to a licenced network. Therefore, customers on a private network who request competition in supply should receive identical charges to those which they would receive if they were connected to the licenced DNO/IDNO (e.g. all-the-way domestic charges for domestic users). This will maximise supplier engagement in competing for these customers.</p> <p>We acknowledge that this will result in a different total Use of System (UoS) revenue compared to the total recovered prior to competition in supply, but</p>

				<p>we believe this is an improvement in cost reflectivity as it treats embedded customers as individual end users (depending on premise and voltage of connection), rather than as a fraction of a single boundary end user.</p> <p>The following net metering approach was originally suggested in our response to the DCP158 consultation in 2013.</p> <p><u>The net metering standard DUoS tariff approach</u></p> <p>A simpler solution with minimal impact on industry systems and processes would be for the licensed network operator to charge their standard DUoS rates to both the supplier of the boundary mpan and the supplier(s) of any embedded mpan(s) based on the normal (net metering) settlement data for both (noting that the applicable DUoS tariff may be different for the two depending on the final voltage of connection). In this way the embedded customer will be charged the same rate, using the same processes and systems as any equivalent customer connected to the licensed network.</p> <p>The private network operator may need to recover its Embedded Use of System costs for relevant embedded mpans. We suggest the simplest way to do this is for the Private Network Operator to charge the licensed DNO in accordance with the private networks' approved UoS methodology for relevant embedded mpans. This is likely to facilitate maximum engagement by the Private Network Operators since their costs will be recovered from a single party with no need to implement or maintain a change of supplier process.</p> <p>We also recognise that licensed DNOs who have received UoS income in relation to embedded customers, will be 'out of pocket' if this revenue is to be counted against their overall revenue</p>
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				<p>allowances and they then need to pay the charges levied by the Private Network Operator for Embedded Use of System. This can be rectified by classifying such costs as negative revenue, or by treating them as a pass-through item in the DNO licence.</p> <p>This approach is not the same as the 'rebate' approach suggested in the DCP328 change report where the rebate is based on the difference between the all the way tariff revenue and the boundary tariff revenue. Instead, the amounts paid to the PNO are based on Ofgem approved charging methodologies which should ensure they are reasonably reflective of costs.</p>
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CVA REGISTRANT PARTIES				
N/A				

GAS SUPPLIER PARTIES				
N/A				