





DCUSA Consultation		At what stage is this document in the process?
<h1>DCP 407</h1> <h2>Access SCR: Speculative Development</h2> <p><i>Date raised: 06 May 2022</i></p> <p><i>Proposer Name: Brian Hoy</i></p> <p><i>Company Name: Electricity North West</i></p> <p><i>Company Category: DNO</i></p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
Purpose of Change Proposal: <p>The purpose of this change proposal (CP) is to implement parts of Ofgem's Access SCR Decision in respect of Speculative Developments into the Common Connections Charging Methodology (CCCM) and consequential changes into Schedule 32 (Residual Charging Bands). This CP seeks to address paragraph 16 of the Access SCR Direction.</p>		
 	<p>This document is a Consultation issued to DCUSA Parties and any other interested parties in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 407 'Access SCR: Speculative Development.</p> <p>The Working Group recommends that this Change Proposal should proceed to Consultation.</p> <p>Parties are invited to consider the questions set in section 10 and submit comments using the form attached as Attachment 1 to dcusa@electralink.co.uk by 05 September 2022.</p> <p>The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the Change Proposal (CP).</p>	
	<p>Impacted Parties: Suppliers, DNOs, IDNOs</p>	
	<p>Impacted Clauses: Introduction of new Clause</p> <p>Schedule 22 – Common Connections Charging Methodology</p> <p>Schedule 32 – Residual Charging Bands</p>	

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Any questions?

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Timetable

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

Change Proposal timetable

Activity	Date
Initial Assessment Report Approved by Panel	11 May 2022
Consultation issued to Parties	12 August 2022
Change Report issued to Panel	05 October 2022
Change Report issued for Voting	05 October 2022
Party Voting Ends	19 October 2022
Change Declaration Issued to Parties	20 October 2022
Authority Decision	20 October 2022
Implementation	01 April 2023

1 Summary

What?

- 1.1. The On 3 May 2022 Ofgem published its final decision (the 'Access SCR Decision') and direction (the 'Access SCR Direction') to implement the Access Significant Code Review (SCR) which can be found [here](#).
- 1.2. Ofgem's work on the distribution connection charging boundary has considered whether current arrangements continue to work in the best interests of consumers – especially considering the need for increased investment associated with the electrification of heat and transport, as well as low carbon sources of generation. Ofgem has concluded that the charging arrangements no longer provide an effective signal for network users, and without change, may slow down the roll-out of low carbon technologies (LCTs) across the energy system.
- 1.3. The Access SCR Decision focuses on two main areas: changes to the connection charging boundary for demand and generation distribution network connections; and changes to better define non-firm access arrangements at distribution. Specifically, this CP seeks to implement the necessary changes to the DCUSA to deliver the obligations placed on DNOs in the Access SCR Direction with regard to Speculative Developments.
- 1.4. As part of implementation, Ofgem has directed the DNOs to raise a code modification(s) that will:
 - Amend the description of speculative developments as currently set out in the CCCM. This should include refining the characteristics in order to ensure consistent interpretation across DNOs, as well as considering more explicit treatment for connections where phased or future expansion may be the most appropriate approach for both the customer and DNO.
 - Clarify that where capacity caters for future expansion rather than the immediate requirements of an end user, i.e. for subsequent phases of a project, it does not always have to be treated as a speculative development. This should be subject to DNO discretion based on an evidence-based assessment of the timing and confidence in delivery of future phases of work. Ofgem expects the working group to further develop a clearer indication of the information and criteria that may be taken into account by the DNO in determining whether the connection should be treated as speculative.
 - Clarify that phased developments do not always have to be treated as speculative developments, where the customer can provide sufficient relevant evidence to support this treatment. This should include providing greater clarity on what information is required to determine what is a 'speculative phase' and an 'initial phase' and how the distinction is made.
 - Consideration of introducing a methodology for connections with planned phases or future expansion which would otherwise be deemed speculative, where a case can be made for the cost efficiency and wider network benefit of not treating them as such.

Why?

- 1.5. The Access SCR Direction places an obligation on DNOs to bring forward the necessary code changes to implement the Access SCR Decision. Failure to do so may lead to DNOs breaching their Licence obligations.

How?

- 1.6. Revisions to the existing drafting in the CCCM describing speculative connections will be required.
- 1.7. Changes to Schedule 32 will be needed to ensure that phased capacity developments are allocated to a 'residual charging band' appropriately for the purposes of Distribution Use of System (DUoS) charging to reflect phased demand requirements.

2 Governance

Justification for Part 1 Matter

- 2.1. DCP 407 is considered to be a Part 1 Matter in accordance with DCUSA Clauses 9.4.1 and 9.4.6, being:
 - 9.4.1 it is likely to have a significant impact on the interests of electricity consumers;
 - 9.4.6 it has been raised by the Authority or a DNO/IDNO Party pursuant to Clause 10.2.5, and/or the Authority has made one or more directions in relation to it in accordance with Clause 11.9A.
- 2.2. The DCUSA Panel have agreed that this CP is to be treated as an Urgent Change. It is important that the CP is submitted to Ofgem for approval by October 2022 to allow DNOs to meet the obligation placed on them in the Access SCR Direction.
- 2.3. This CP cannot be withdrawn without the Authority's consent to do so. In accordance with Clause 11.9A, the Authority may also, by direction, specify and/or amend the relevant timetable to apply to each stage of the Assessment Process.

Current Next Steps

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

3 Why Change?

Background of DCP 407

3.1. As noted this CP seeks to make the necessary modifications to the DCUSA in relation the CCCM and Schedule 32, to implement the changes to the connection charging boundary arrangements set out in the Access SCR Decision, in particular with reference to speculative connections. Specifically, this change has been raised to address paragraph 16 of the Access SCR Direction, which has been set out below for reference:

- 16) *The Proposal(s) should include amendments to the description of Speculative Developments, as defined in the CCCM. These amendments should include consideration of the following:*
- i) *Greater clarity on the characteristic “the capacity requested caters for future expansion rather than the immediate requirements of (an) end user(s)”, provided through clearer indication of the information required to determine whether the connection should be treated as speculative.*
 - ii) *Greater clarity on the characteristic “the capacity requested caters for future speculative phases of a development rather than the initial phase(s) of the development”, provided through clearer indication of what constitutes a “speculative phase” or an “initial phase”, and what information is required to determine this distinction. This should include clarification that phased developments are not always treated as speculative developments where the customer can provide sufficient relevant evidence.*
 - iii) *Consideration of introducing a methodology for connections with planned phases or future expansion which would otherwise be deemed speculative, where a case can be made for the cost efficiency and wider network benefit.*

3.2. Failure to develop these proposals and implement associated change by 1 April 2023 will result in failure to implement the Access SCR Decision, and in doing so could result in DNOs being in breach of the distribution licence.

Q1: Do you understand the intent of DCP 407?

Q2: Are you supportive of the principles of DCP 407?

4 Working Group Assessment

DCP 407 Working Group Assessment

4.1. The DCUSA Panel established a Working Group to assess DCP 406. This Working Group consists of Supplier, DNO, IDNO representatives and other interested industry participants. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.

- 4.2. In the Access SCR Direction, Ofgem identified three particular aspects that should be considered. Each aspect was reviewed by the Working Group which concluded that considering these in isolation was not appropriate.
- 4.3. The Working Group developed these ideas and used them to form part of the proposal that is documented below. This proposed methodology sets conditions whereby applications can be evaluated to consider whether they are speculative or not across a number of criteria. In terms of the specific aspects Ofgem required consideration of:
- i) *Greater clarity on the characteristic “the capacity requested caters for future expansion rather than the immediate requirements of (an) end user(s)”, provided through clearer indication of the information required to determine whether the connection should be treated as speculative.*
- 4.4. In relation to the first requirement above, this forms part of the proposed methodology, which the Working Group has sought to address through Criteria 4 and 5 in particular.
- ii) *Greater clarity on the characteristic “the capacity requested caters for future speculative phases of a development rather than the initial phase(s) of the development”, provided through clearer indication of what constitutes a “speculative phase” or an “initial phase”, and what information is required to determine this distinction. This should include clarification that phased developments are not always treated as speculative developments where the customer can provide sufficient relevant evidence.*
- 4.5. In relation to the second requirement above, the Working Group concluded that it was difficult to create clear definitions that distinguished between a “speculative phase” and an “initial phase”, but sought to address the requirement through Criteria 6.
- i) *Consideration of introducing a methodology for connections with planned phases or future expansion which would otherwise be deemed speculative, where a case can be made for the cost efficiency and wider network benefit.*
- 4.6. In relation to the third requirement above, the Working Group developed this idea and it forms part of the proposal that is documented below. In addition, proposed legal text was developed to set out how a ‘ramped capacity agreement’ could be established, see section 2.

Proposed Solution

- 4.7. The Access SCR Direction requires DNOs to provide greater clarity on the characteristics that may be deemed to be speculative and to consider introducing a methodology for connections with planned phases or future expansion plans. The Working Group (WG) queried how DNOs interpret the current definition of Speculative Developments and compared the approaches in order to highlight the discrepancies.
- 4.8. The WG built on these approaches to explain what each DNO would do in a variety of scenarios to facilitate the development of a solution. The review of scenarios established a number of criteria that could be applied to each of the scenarios.
- 4.9. The WG developed a set of consistent criteria which utilises a scoring matrix as part of a quantitative approach which it believes better meets the Access SCR Direction. This approach provides a clearer

indication to applicants of how the DNO has deemed the site to be either speculative or Non-Speculative. This approach is the 'Speculative Scoring Methodology'.

- 4.10. The proposed criteria list is detailed in paragraphs 4.14 to 4.16 'Identification of and Quantifying the Selected Criteria'.

Scope

- 4.11. The Speculative Scoring Methodology shall be applied to all customer projects that require reinforcement works, including those received from Building Network Operators (BNOs), Independent Connection Providers (ICPs) and Independent Distribution Network Operators (IDNOs) that have provided all the minimum information requirements. Further details are included in Attachment 4.

Identification of and quantifying the selected criteria

- 4.12. The WG developed criteria for the assessment of an application to determine if it should be treated as a Speculative Development. The proposed criteria utilise the characteristics of a Speculative Development that are in the existing CCCM and expands on these to provide greater clarity on their definition, significance, and how they are to be assessed to determine if the application is a Speculative Development.
- 4.13. The intention of the criteria is to enable applications to be reviewed clearly, consistently and objectively by each DNO. Clarity is provided for each criterion in the form of detailed explanations, with quantitative values (where applicable) and weighted scoring used relative to the importance of the respective criterion. Note that the quantitative values are not based on the outcome of a quantitative assessment, instead they are based on the experiences of the members of the WG and their respective organisations. This approach is considered to be clear and comprehensive for consistent application.

Weighting of criteria

- 4.14. Some criteria are deemed to have a lower level of significance than others and this has been recognised in the Speculative Scoring Methodology. The rationale for this is based on the criteria having either (i) a low impact on the likelihood of the project progressing or (ii) providing a lower level of assurance that all phases of the project will be delivered. The two criteria that are deemed to have these characteristics are Criterion 2 (that is associated with the project phasing) and Criterion 7 (that is associated with the project having only achieved outline planning permission).
- 4.15. The working group proposes the following criteria:

Criterion 1: Details of the electrical load requirements are not known

- 4.16. This is an important factor to consider because it is likely to have a high bearing on the extent of reinforcement works that may be required.
- 4.17. This criterion will only be applied to Commercial Use developments where neither (i) detailed electrical load requirements or (ii) basis of calculation of the requested capacity has been provided. It is only in the absence of load details that the network operator would assess the application against industry guidelines. If no load details are provided, then:
- If the load requested falls within existing industry guidelines, plus 20%, then this will be scored as a non-speculative development. The rationale for using 20% is to provide an additional tolerance around the range, to the Customers benefit.

- If the load requested is more than double industry guidelines, then this will be scored as a speculative development. The working group considered that if the load was more than double industry guidelines, without any justification, then it is reasonable for it to be considered a speculative development.

4.18. Domestic premises are exempt from this criterion because their ADMD (After Diversity Maximum Demand) loads are well established in industry and do not vary as extensively by premises type and are covered by Criterion 3. Industrial loads are exempt because their electrical loads can vary significantly and are dependent on the use of the premises, what equipment is installed and times of operation and therefore no suitable industry guidelines could be identified.

4.19. The WG propose therefore that the requested capacity for Commercial Premises only is reviewed against relevant Industry Guidelines. The Chartered Institution of Building Services Engineers and the Building Services Research and Information Association are examples of sources which may be referenced. These can be accessed via the following links [cibse.org] and [bsria.com] respectively, however other relevant guidance information and reference materials may also be considered by each DNO.

Criterion 2: The development is phased over a period of time and the timing of the phases is unclear (duration)

4.20. Criterion 2 assesses the development programme in relation to the overall duration and transparency of the development programme.

Non-speculative considerations:

- Should the development have an overall timescale of up to two years from time of initial application to completion of the final phase it will not be considered speculative.
- Should the applicant be able to provide a clear phasing plan for the complete development then the WG believes that this will provide the network operator with sufficient confidence that the reinforcement works can be completed with limited risk of being left with stranded assets, and it will not be considered speculative.

4.21. Accordingly, the application will receive points in the 'Non-Speculative' column of the Speculative Scoring Methodology.

Speculative considerations:

- Should the development have an overall timescale of over ten years then the assessment is dependent on whether a phasing plan is provided. If no phasing plan is provided, then the development would be considered speculative.

4.22. The WG believes that this could potentially pose a significant risk of stranded assets and the application should be deemed as more speculative. Accordingly, the application will receive 'points' in the 'Speculative' column of the Speculative Scoring Methodology.

4.23. The WG consider this to be a lower significance criterion and is weighted as such in the Speculative Scoring Methodology.

Criterion 3: The development is phased over a period of time and the timing of the phases is unclear (housing developments only).

- 4.24. This criterion assesses the development programme in relation to the size of the development (housing developments only) on the basis that connection assets of larger developments are likely to be installed in phases over time and possibly for a number of different applicants. In such cases, it is likely that there will be a delay in the connection assets being fully utilised. Should the complete development be less than one hundred dwellings or up to two permanent LV substations beyond the POC (Point of Connection), then the WG considers that this will provide limited risk of stranded assets and the application will receive 'points' in the 'Non-Speculative' column of the Speculative Scoring Methodology.
- 4.25. In contrast, should the complete development include more than 5,000 dwellings or require more than ten permanent LV substations beyond the POC, then the WG believes that this could potentially pose a significant risk of stranded assets and the application will receive 'points' in the 'Speculative' column of the Speculative Scoring Methodology.
- 4.26. The WG identify this as a high importance criterion.

Capacity Profile

- 4.27. The WG propose assessing the capacity profile of a development based on three separate criteria – Criterion 4, 5 and 6 which are described in more detail below.

Criterion 4: The capacity requested caters for future expansion rather than the immediate requirements of (an) end user(s).

Phased Capacity Site.

- 4.28. This criterion assesses the confidence associated forecast levels of capacity where the application is for capacity that is not immediately required but caters for future expansion. The applicant will need to provide a capacity ramp profile for the complete development to provide the network operator with sufficient transparency of the capacity allocation and sufficient information to allow the network operator to develop their investment plan for the associated network. Accordingly, the application will receive 'points' in the 'Non-Speculative' column of the Speculative Scoring Methodology.
- 4.29. There two slightly different approaches developed by the WG:
1. The customer has to agree to be a 'Phased Capacity Site' as explained in paragraphs 4.44 to 4.49 In this situation, the customer must provide a ramped profile plus agree to paying DUoS charges based on that ramped profile of capacity. It is considered that this financial commitment acts as a deterrent to the customer to overstate their capacity requirements.
 2. The customer only must provide a ramped profile of the capacity that they require without any financial commitment.
- 4.30. In either situation, if the conditions above are met, then, the application will receive 'points' in the 'Non-Speculative' column of the Speculative Scoring Methodology.
- 4.31. In contrast, if a capacity ramp profile cannot be provided and a portion of the capacity is for future expansion, then the application will receive 'points' in the 'Speculative' column of the Speculative Scoring Methodology.
- 4.32. The WG identify this as a high importance criterion.

Criterion 5: The capacity requested caters for future expansion rather than the immediate requirements of (an) end user(s).

Financial Commitment

- 4.33. The WG consider provision of a financial commitment to reflect a higher level of confidence that the development will be completed in its entirety and to the details provided at initial application. Should the applicant provide a financial commitment in support of the application, then the application will receive 'points' in the 'Non-Speculative' column of the Speculative Scoring Methodology.
- 4.34. The WG identify this as a high importance criterion.
- 4.35. A financial commitment is considered to be made where (and where applicable only):
- The assets installed at initial connection are sized sufficiently to accommodate the complete future development rather than just the capacity to be utilised in the early phases of construction.
 - The applicant agrees to pay Operation & Maintenance costs for the complete development which shall be included within the Connection Offer and payable prior to initial connection.
 - The applicant agrees to commit to the DUoS residual banding allocation upon initial connection respective of the capacity of the final phase of the development. For example, if the connection will be ramped from 1MVA to 5MVA over 10 years, then the customer will commit to DUoS charges (p/kVA/day) from initial connection relative to a 5MVA connection, and which may vary relative to the capacity at each stage of the development in terms of residual fixed charges.

Criterion 6: The capacity requested caters for future speculative phases of a development rather than the initial phase(s) of the development.

- 4.36. Criterion 6 assesses the capacity profile in relation to the proportion of the development included as part of the first construction phase of the development against the proportion of the development required for the proceeding phases. This criterion is included by the WG on the expectation that, where the first construction phase of a development accommodates a greater proportion of the connections or the capacity, then the risk of stranded assets is reduced.
- 4.37. Where more than 75% of the total connections or more than 75% of the total load are delivered in the first construction phase of the development, the application will receive 'points' in the 'Non-Speculative' column of the Speculative Scoring Methodology.
- 4.38. In contrast, where the infrastructure only is being provided, with no connections for end users requested and the development is not within a Local Authority Development Plan, then the application will receive 'points' in the 'Speculative' column of the Speculative Scoring Methodology. This is relevant because if evidence can be produced that an infrastructure only project has been included within a Local Authority Development Plan, it provides some assurance that the development is more likely to progress to completion as it has Local Authority support.
- 4.39. The working group identify this as a high importance criterion.

Criterion 7: Planning Permission granted for all phases of the project.

- 4.40. Criterion 7 assesses the likelihood of the development being completed based on the type of Planning Permission granted.
- 4.41. Should the complete development (inclusive of all phases) have achieved Full Planning Permission, then the application will receive 'points' in the 'Non-Speculative' column of the Speculative Scoring Methodology, and the WG believe this would reflect a high importance criterion to have achieved this milestone.
- 4.42. Should the complete development (inclusive of all phases) have achieved Outline Planning Permission only, then the application will receive 'points' in the 'Non-Speculative' column of the Speculative Scoring Methodology, but the WG believe this would reflect a low importance criterion in isolation.
- 4.43. The WG rationale for the difference in weighting between speculative and Non-Speculative is because Outline Planning Permission only gives consent to build the project in principle and identify any objections to the development, but Full Planning Permission approves all the details of a proposed development and therefore will provide the DNO with greater confidence that the development is likely to be completed.

Q3: Do you agree the proposed criteria of whether a development is speculative or not? If not, please provide your rationale.

Q4: What other industrial guidelines should be considered under Criterion 1? Please provide your rationale.

Q5: What other criteria do you believe should be used to determine whether an application is speculative? Please provide your rationale.

Capacity Ramping

- 4.44. Capacity ramping is one of the high importance criteria identified by the WG towards establishing whether a specific site is deemed speculative or not. It is the term used when the total requested site capacity, whether generation, demand or both, is not immediately required, however the future development of the site will require use of the requested capacity in stages that are outlined within a capacity ramp profile, provided by the applicant. This profile will clearly indicate specific dates when the capacity is required.
- 4.45. The current approach in Schedule 22, Paragraph 1.51 of DCUSA outlines that the capacity ramping approach for Licensed Distribution Network Operator (LDNO's) where the Bilateral Connection Agreement (BCA) will outline the phased Required Capacity based on the development phases i.e. the capacity ramp profile.
- 4.46. The dates for when the capacity is required shall be reviewed at agreed intervals to determine if the site is developing in line with the requirements outlined in the BCA. If the development is not progressing within the specific requirements outlined in the BCA the capacity may be released for use to other customers and the Maximum Capacity reduced in the BCA accordingly.
- 4.47. The WG have proposed an approach to extend this principle of capacity ramping to other customers, not limited to LDNOs. The WG have proposed an approach to cover the situation where an applicant can apply for capacity that is not immediately required but caters for future expansion. If they provide a capacity ramp profile for the entire development that gives forward notice of the ramped capacity

and enter into a financial commitment to paying DUoS charges based on that profile, they can be considered a 'Phased Capacity Site'. A 'Phased Capacity Site' would then be considered 'Non-Speculative' in the methodology.

- 4.48. For a 'Phased Capacity Site' the DNO would then ensure the capacity is available to meet that profile, reinforcing where required so that the network capacity is available when needed. Any reinforcement that is required would be charged based on the appropriate reinforcement methodology and the maximum capacity used at the end of the development phase shall be the basis for any Cost Apportioned Factors. For Demand Connections there would therefore be no charge for the reinforcement (exceptions apply, for example the high-cost project threshold).
- 4.49. The extension of this approach to other customers gives benefits to both parties:
 - For the customer, they can give forward notice of capacity requirements so that the DNO can carry out any necessary reinforcement in advance
 - For the DNO, they get oversight of the capacity requirements for the whole development and can consider holistic solutions rather than responding to incremental applications for additional capacity from the customer.

Speculative Scoring Methodology

- 4.50. Where the Minimum Information has been received and reinforcement works are identified; the Speculative Scoring Methodology detailed below shall be applied to determine whether the application should be treated as speculative. It should be noted that some of the criterion used are not applicable to the 'Speculative' column. Where this is the case, the relevant box has been shaded and identified as not applicable.

Scoring

- 4.51. It is important to consider that some aspects of an application may have a greater bearing on whether an application should be considered as speculative. In recognition of this, the criteria are weighted as either 'High' or 'Low' significance.
- 4.52. Only the 'points' identified in the scoring criteria shall be placed against each respective criterion that is relevant to the application e.g. each applicable 'High' significance item shall be scored 2 'points' and each applicable 'Low' significance criterion shall be scored 1 'point', without exception.
- 4.53. The total number of 'points' entered in the 'Speculative' and 'Non-Speculative' columns shall be added up in their respective columns.
- 4.54. If the total value of 'points' for the 'Non-Speculative' column [shown in the green box in the table below] are equal to or greater than the 'Speculative' column [shown in the red box in the table below], then the Customer's application will be considered as Non-Speculative [as shown in the blue Final Outcome box in the table below].
- 4.55. If there is no 'score' in either column, then the DNO may need to obtain additional information prior to making an assessment [e.g. as demonstrated in example 2].
- 4.56. All criteria may not apply to every project.
- 4.57. Worked examples of how this can be applied in practice can be found in Attachment 5.
- 4.58. Where appropriate, suitable comments to justify the scores applied shall be added in the Justification / Comments column for audit purposes.

4.59. The criteria used are detailed in the table below

Criteria	Non-Speculative'	Points	Speculative	Points
1. Their detailed electrical load requirements are not known (for Commercial use only) HIGH	Where the load requirement estimates are within [20%] of Industry Guidelines		Where the load requirement estimates are [100%] greater than Industry Guidelines	
2. The development is phased over a period of time and the timing of the phases is unclear LOW	Overall short timescale from time of initial application to connection of final phase, less than [24] months OR A clear phasing plan is provided for development.		Overall long timescale from time of initial application to connection of final phase, more than [10] years AND A phasing plan is not provided for development.	
3. The development is phased over a period of time and the timing of the phases is unclear (housing developments only) HIGH	Where there are less than [100] dwellings OR Where there are less than three permanent (distribution) substations on the total site (housing development sites only).		Where there are more than [5000] dwellings OR Where there are more than [10] permanent (distribution) substations on the total site (housing development sites only).	
4. The capacity requested caters for future expansion rather than the immediate requirements of (an) end user(s) HIGH	A capacity ramp profile is provided which gives forward notice of ramped capacity (see paragraphs 4.44 to 4.49).		No capacity ramp profile AND capacity is for future expansion.	

Criteria	Non-Speculative'	Points	Speculative	Points
5. The capacity requested caters for future expansion rather than the immediate requirements of (an) end user(s) HIGH	A financial commitment to assets needed for future expansion rather than immediate requirements.		Not Applicable	
6. The capacity requested caters for future speculative phases of a development rather than the initial phase(s) of the development HIGH	When more than [75%] of the total connections is delivered in the first phase OR More than [75%] of the total load is delivered in the first phase		The infrastructure only is being provided, with no connections for end users requested. AND Not within Local Authority development plans	
7. Planning Permission granted for all phases of the project	Project has achieved Outline Planning Permission - LOW OR Project has achieved Detailed Planning Permission - HIGH		Not Applicable	

High	2 Points
Low	1 Point

NON-SPECULATIVE TOTAL POINTS:	0	SPECULATIVE TOTAL POINTS:	0
Final Outcome:			
Non-Speculative			

Q6: Do you agree that the specific criteria are appropriately weighted in terms of their significance? If not, please provide your rationale.

Q7: For criteria 1,2,3 & 6 do you agree with the quantitative values of the measures used? If not, please suggest alternative values and provide your rationale.

Options considered by the WG but discounted

4.60. A number of the criteria originally identified were discounted following a review by the WG. Those discounted, and the associated reasoning, are set out below:

- Health Index (HI) and Load Index (LI): Assets with a high index may be due for replacement in future work programme and it may be inappropriate for any reinforcement costs to be met by a new connection customer. However, this creates a locational aspect to the assessment which could result in different assessments depending on where the connection is.
- Percentage of development considered to be a Speculative Development: Whereas this aligns with risk of capacity not being used it may be an arbitrary threshold which would be difficult to quantify a justifiable value.
- Special circumstances: This could cover exceptional circumstances with a view to future proofing the definition as there may be future industry developments, e.g. legislation, technology changes etc. that could impact this definition. This is difficult to quantify, could lead to an inconsistent approach and would be subjective.
- Materiality Threshold: This would limit the speculative assessment to where a significant risk to DUoS customers is identified however it may create arbitrary thresholds.
- Reinforcement £/kVA: This approach would provide a threshold above which a development would be considered as speculative. This approach was considered to be similar to the high-cost project threshold, didn't add any additional value, and would be licence specific.

Q8: Do you agree with the Working Groups decision to not take forward the criteria identified in Section 4.60 of this consultation? If not, please provide your rationale.

Schedule 32

Overview

4.61. DCUSA Schedule 32 'Residual Charging Bands' was introduced to implement Ofgem's Targeted Charging Review (TCR) Significant Code Review (SCR). The TCR reformed the 'residual' component of DUoS charges. The TCR moved residual cost-recovery from a volumetric (pence per kWh) basis to a fixed (pence per day) basis, using a 'banding' approach whereby, for example, all sites connected at the same voltage will pay the same amount where their maximum import capacity (MIC) is within an upper and lower boundary.

4.62. Sites are allocated to a 'charging band' and are generally in that 'band' for the duration of each electricity transmission price control period, with the boundaries and allocation to the bands revised and effective from the beginning of the next period (e.g. from RIIO-ET3, commencing 1 April 2026).

4.63. There are exceptional circumstances where a site can move between bands during a price control period, namely (specifically where there is a MIC):

1. a change in voltage of connection;
2. a change in site 'use' or 'configuration'; and
3. where 2. applies, the change is greater than $\pm 50\%$ relative to the MIC used to allocate the site to a band.

Schedule 32 issue

4.64. In the Access SCR Direction, Ofgem set out a requirement to consider “introducing a methodology for connections with planned phases or future expansion which would otherwise be deemed speculative, where a case can be made for the cost efficiency and wider network benefit”. Where a Customer has a phased capacity requirement for its import, the MIC for the site will change, for example, as the network is reinforced to provide additional capacity. Without a change to Schedule 32, the site may not be appropriately allocated to a band, which may manifest as a distortion in DUoS charging, namely where the Customer is likely to pay less than it would do if the capacity was not phased meaning DUoS customers in general will pay more.

Example

4.65. Context/assumptions:

1. Customer seeks a connection to a DNO EHV network for 15,000kVA with a phased capacity profile of 5,000kVA in year one, increasing by 2,500kVA per annum over the following four years.
2. The phases remain in line with original plan through the five years per table below.
3. Customer pays a connection charge to deliver the 15,000kVA.
4. Connection agreement for year one states a MIC of 5,000kVA.
5. For simplicity, assume the DUoS element of the customers' bill is 100% pass-through in its retail contract with the supplier.
6. Customer/site are used interchangeably but mean the same thing.

kVA	Year 1	Year 2	Year 3	Year 4	Year 5
MIC	5,000	7,500	10,000	12,500	15,000
% change (annual)	n/a	50%	33%	25%	20%
% change (to year 1)	n/a	50%	100%	150%	200%

4.66. In year one, the customer will pay volumetric (pence per kWh) charges relative to usage and capacity charges (pence per kVA per day) based on the 5,000kVA.

4.67. In years two to five the customer will pay capacity charges based on 7,500kVA to 15,000kVA respectively.

4.68. DUoS fixed charges (pence per day) are, as noted, in part determined by the MIC, and which band the site is allocated to. The EHV bands are currently:

Voltage	Band	Lower threshold (kVA)*	Upper threshold (kVA)*	Indicative DNO 2023/24 residual charges p.a.
Designated EHV Properties	1	0	5,000	£5,850
	2	5,000	12,000	£29,317
	3	12,000	21,500	£74,288
	4	21,500	∞	£236,760

* sites are allocated where the MIC is greater than the lower threshold and less than or equal to the upper threshold

4.69. The site would therefore be allocated to band 1 and the customer's fixed charge would include a residual component of around £5.9k.

4.70. In year two, the connection agreement would specify a MIC of 7,500kVA, therefore representing an increase in MIC of exactly 50% (compared to the previous MIC and therefore the MIC used to allocate the site to a band in this year). In isolation, the MIC in year two would warrant allocation to band 2 i.e. 7,500kVA is greater than 5,000kVA and less than or equal to 12,000kVA.

4.71. However, in accordance with Schedule 32, the site would not satisfy the criteria to be reallocated to a higher band as the increase is not greater than 50%. Even if it was, it is highly unlikely that the customer would request reallocation to a higher band and therefore pay more – therefore the onus is on the DNO/IDNO Party to proactively reallocate the site.

4.72. Therefore, the site would remain allocated in band 1 and continue to pay around £5.9k p.a. rather than around £29.3k p.a. (a saving of around £23.4k p.a., which other DUoS customers would cross-subsidise).

4.73. In year three, the connection agreement would specify a MIC of 10,000kVA, therefore representing an increase in MIC of 33%, but an increase of 100% relative to the MIC used to allocate the site in year one. As the increase is greater than 50% compared to the MIC used to allocate the site, subject to satisfying undefined criteria for a change in 'use' or 'configuration' of site, the site would be eligible for reallocation to band 2, and would therefore pay around £29.3k p.a.

4.74. However, if the sole use assets at the site have not changed, and the 2,500kVA increase is delivered by wider network reinforcement only, arguably there has been no change in site configuration.

4.75. Therefore, there is a risk that the site may still technically not satisfy the Schedule 32 exceptional circumstances criteria which would therefore not allow the DNO/IDNO Party to reallocate the site to a different band. Assuming the customer is producing more because of having a greater capacity available, the change in 'use' criteria could be considered to be applicable, if for example the site was recording a high measured maximum demand. However, a 'change of use' can be interpreted in different ways, is not straightforward to prove and therefore may be highly likely to be successfully disputed by the customer.

4.76. In this example, the worst case scenario is the customer would continue to pay a residual fixed charge of around £5.9k p.a., where if it was allocated based on 15,000kVA it would be in band 3 and

therefore pay around £74.3k (a potential saving of around £68.4k p.a. for the customer, but which would be cross-subsidised by other customers).

- 4.77. The WG agreed that this should not be the policy intent, and therefore a change is needed to Schedule 32 to ensure that an appropriate methodology exists where a customer is connected with a phased capacity requirement.

Proposal

- 4.78. The WG discussed the above scenario and considered options for avoiding distortions, including:

1. Allocating the site to a band based on the maximum MIC (i.e. the 15,000kVA in the example) - the WG agreed this would be unfair to the customer and create a different distortion where it was arguably cross-subsidising other customers;
2. Only considering the change in MIC between the years regardless of the MIC used to allocated the site – the WG agreed this is less likely to satisfy the materiality test of being greater than $\pm 50\%$;
3. Amending Schedule 32 to exempt sites with a phased capacity from being subject to the 50% materiality test; and
4. Introducing a new criterion for sites with a phased capacity where a change in ‘use’ or ‘configuration’, and therefore any applicable materiality test, are disregarded.

- 4.79. The WG agreed to proceed to consultation based on option 4, such that the DNO/IDNO Party could reallocate the site once the MIC has changed, as such the DNO/IDNO Party would assess which band the site should be allocated to relative to the MIC as each phase regardless of how much it had changed.

- 4.80. This revised methodology allows a customer with a phased capacity requirement to be charged based on the full capacity when it is available, and avoids it paying less than a customer that does not seek a phased capacity requirement for a MIC equivalent to any of the phased milestones where one does have a phased capacity requirement. For example, based on the example above, if a new site connected with a MIC of 10,000kVA at the same time the customer in the example increased it's MIC to 10,000kVA, both would be allocated to the same band. The proposed methodology will ensure an equitable treatment of customers regardless of phasing and ultimately seeks to avoid gaming opportunities and protect DUoS customers from paying more than they need to.

Legal text changes

- 4.81. Attachment 3 is a marked-up version of Schedule 32, where the WG proposed three minor amendments:

1. Insert limb (d) in Paragraph 6.1: “or, the Final Demand Site is a Phased Capacity Site.”;
2. Insert Paragraph 6.5: “Where Paragraph 6.1(d) applies the DNO/IDNO Party shall allocate the Final Demand Site pursuant to Paragraph 4.1.”; and
3. Insert the definition of Phased Capacity Site into Paragraph 8.2: “means a Final Demand Site whose Maximum Import Capacity has changed in line with a development phase as agreed with the DNO/IDNO Party.”

Q9: Do you agree with the Working Group that a change is needed to Schedule 32? If not, please provide your rationale.

Q10: Do you have any comments on the proposed legal text for Schedule 32?

Overall

4.82. The WG considered four key areas when developing this solution; identification of and quantifying the selected criteria, capacity ramping, methodology and scoring, and minor changes to Schedule 32 'Residual Charging Bands'.

Q11: Overall, do you agree that the draft legal text delivers the intent of the Ofgem direction? If not, please provide your rationale.

5 Relevant Objectives

Assessment Against the DCUSA Objectives

5.1 For a DCUSA CP to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. There are five General Objectives and six Charging Objectives. DCP 407 will be measured against the DCUSA Charging Objectives, which are set out in the table below:

	DCUSA Charging Objectives	Identified impact
<input checked="" type="checkbox"/>	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	Positive
<input checked="" type="checkbox"/>	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)	Neutral
<input checked="" type="checkbox"/>	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	Neutral
<input checked="" type="checkbox"/>	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	Neutral
<input type="checkbox"/>	5. That compliance by each DNO Party with the Charging Methodologies facilitates compliance with the EU Internal Market Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators; and	None
<input checked="" type="checkbox"/>	6. That compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	Negative

- 5.2 This change is to comply with an Ofgem direction arising from its Access SCR Decision and Direction and therefore directly supports Charging Objective 1.
- 5.3 The change could introduce different charging arrangements for speculative and non-speculative connections and therefore adds more complexity into the assessment of the type of connection so that the appropriate charging regime can be applied; therefore there is potentially a negative impact in relation to Charging Objective 6. However, the Working Group recognise that the Access SCR Decision has determined that this change compared to the current arrangements is justified.

Q12: Do you consider that the proposal better facilitates the DCUSA Charging Objectives?

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

If not, please provide supporting reasons.

6 Impacts & Other Considerations

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

- 6.1 This CP potentially removes/reduces the locational charge associated with new connections, this may be something that will be considered in the Forward Looking Charges phase of the Access SCR (the 'DUoS SCR') which the Working Group expect Ofgem to publish further information on in Q4 2022.

Does this Change Proposal Impact Other Codes?

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

Consideration of Wider Industry Impacts

- 6.2 The focus of this CP has been subject to a number of industry consultations as part of the Access SCR process. In addition, the ENA held two briefing sessions for parties interested in joining a DCUSA working group on these changes.
- 6.3 It should be noted that in order to implement the Access SCR Decision/Access SCR Direction, four DCUSA CPs were raised in total. The other three CPs that relate to the SCR are detailed below:
- [DCP 404 'Changes to Terms of Connection for Curtailable Customers'](#)
 - [DCP 405 'Managing Curtailable Connections between Licensed Distribution Networks'](#)
 - [DCP 406 'Changes to CCCM'](#)

Q13: Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

7 Implementation

- 7.1 Clause 11.9A(2) of the DCUSA, sets out that in respect of all Authority Change Proposals, which DCP 407 is considered to be, the Authority may by direction, specify and/or amend the date from which the variation envisaged by the CP is to take effect.
- 7.2 Within the Access SCR Direction, the Authority, in accordance with paragraph 22.9E(a) of SLC C22 directed the DNOs to raise one or more code modification proposals in the terms and for the reasons set out in the Annex of the Access SCR Direction in sufficient time to enable the modifications to be effective as of 01 April 2023.
- 7.3 As noted previously, this CP seeks to introduce processes that will implement the Access SCR Decision. Given this, the Working Group agreed that implementation date for this CP should set for 01 April 2023.
- 7.4 The implementation applies to all new applications received on or after this date. There will therefore be a transition period where DNOs will continue to issue connection offers based on the existing CCCM for application received before the Implementation Date. Therefore, both methodologies will be active for this transition period.

Q14: Do you agree with the Working Group's proposed implementation date? If not, please provide your rationale.

8 Legal Text

- 8.1 The proposed DCP 407 Legal Text in relation to Schedule 22 can be found in Attachment 2.

8.2 The proposed DCP 407 Legal Text in relation to Schedule 32 can be found in Attachment 3.

8.3 Key aspects of the DCP 407 will include the following:

Schedule 22

- Details of the structured scoring system in relation to determining a site speculative. This includes the criteria for the Speculative Developments scoring system and how the scoring system should be applied.
- Additional text added after the 'Capacity Ramping for LDNOs' to include consideration of other customers.

Schedule 32

- Insert a limb (d) in Paragraph 6.1: “or, the Final Demand Site is a Phased Capacity Site.”;
- Insert Paragraph 6.5: “Where Paragraph 6.1(d) applies the DNO/IDNO Party shall allocate the Final Demand Site pursuant to Paragraph 4.1.”; and
- Insert the definition of Phased Capacity Site into Paragraph 8.2: “means a Final Demand Site whose Maximum Import Capacity has changed in line with a development phase as agreed with the DNO/IDNO Party.”

9 Code Specific Matters

9.1 The Access Decision and Access SCR Direction can be found [here](#).

10 Consultation Questions

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

Number	Questions
1	Do you understand the intent of DCP 407?
2	Are you supportive of the principles of DCP 407?
3	Do you agree the proposed criteria of whether a development is speculative or not? If not, please provide your rationale.
4	What other industrial guidelines should be considered under Criterion 1? Please provide your rationale.
5	What other criteria do you believe should be used to determine whether an application is speculative? Please provide your rationale.

6	Do you agree that the specific criteria are appropriately weighted in terms of their significance? If not, please provide your rationale.
7	For criteria 1,2,3 & 6 do you agree with the quantitative values of the measures used? If not, please suggest alternative values and provide your rationale.
8	Do you agree with the Working Groups decision to not take forward the criteria identified in Section 4.58 of this consultation? If not, please provide your rationale.
9	Do you agree with the Working Group that a change is needed to Schedule 32? If not, please provide your rationale.
10	Do you have any comments on the proposed legal text for Schedule 32?
11	Overall, do you agree that the draft legal text delivers the intent of the Ofgem direction? If not, please provide your rationale.
12	Do you consider that the proposal better facilitates the DCUSA Charging Objectives? If so, please detail which of the Charging Objectives you believe are better facilitated and provide supporting reasons. If not, please provide supporting reasons.
13	Are you aware of any wider industry developments that may impact upon or be impacted by this CP?
14	Do you agree with the Working Group's proposed implementation date? If not, please provide your rationale.
15	Do you have any other comments?

7.1 Responses should be submitted using Attachment 3 to dcusa@electralink.co.uk no later than, **05 September 2022**.

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

Attachments

- Attachment 1: DCP 407 Consultation Response Form
- Attachment 2: DCP 407 Draft Legal Text - Schedule 22
- Attachment 3: DCP 407 Draft Legal Text - Schedule 32
- Attachment 4: Speculative Scoring Methodology Minimum Information Requirements

- Attachment 5: Worked Examples
- Attachment 6: DCP 407 Change Proposal Form