




DCUSA Change Report		At what stage is this document in the process?
<h2>DCP 407:</h2> <h3>Access SCR: Speculative Development</h3> <p>Date raised: 06 May 2022</p> <p>Proposer: Brian Hoy</p> <p>Company Name: Electricity North West</p> <p>Company Category: DNO</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 issued in accordance with Clause 11.20 of the DCUSA, and details DCP 407 ‘Access SCR: Speculative Development’.</p> <p>Parties are invited to consider the proposed amendments presented as DCP 407 Solution 1 and DCP 407 Solution 2 (Attachment 2) and submit their votes using the Voting form (Attachment 1) to dcusa@electralink.co.uk by 12pm, 21 November 2022.</p> <p>The proposed DCP 407 Legal Text in relation to Schedule 22 and 32 for both DCP 407 Solution 1 and Solution 2 can be found in Attachment 2. The differences between the two options are highlighted in yellow and green. The yellow text indicates text for solution 1 and the green text indicates text for solution 2. Parties can vote to accept Solution 1; vote to accept Solution 2; or vote to reject both.</p> <p>The voting process for the proposed variation and the timetable of the progression of the Change Proposal (CP) through the DCUSA Change Control Process is set out in this document.</p> <p>If you have any questions about this paper or the DCUSA Change Process, please contact the DCUSA by email to dcusa@electralink.co.uk or telephone 020 7432 3011.</p>	
		<p>Impacted Parties:</p> <p>Suppliers, DNOs and IDNOs</p>
		<p>Impacted Clauses:</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	11 May 2022
Consultation issued to Industry Participants	12 August 2022
Change Report Approved by Panel	07 November 2022
Change Report issued for Voting	07 November 2022
Party Voting Ends	12pm, 21 November 2022
Change Declaration issued to Authority	21 November 2022
Authority Decision	TBC
Implementation Date	01 April 2023

1 Summary

What?

- 1.1. 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?

- 1.1 Revisions to the existing drafting in the CCCM describing speculative connections will be required.
- 1.2 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 This CP 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 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.

Next Steps

- 2.3 The DCUSA Panel considered that the Working Group has carried out the level analysis required to enable Parties to understand the impact of the proposed amendment and to vote on this CP
- 2.4 The DCUSA Panel recommends that this CP:
- be issued to Parties for voting.

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 CP 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.

4 Working Group Assessment

DCP 407 Working Group Assessment

- 4.1. The DCUSA Panel established a Working Group to assess this CP. 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. Any examples or attachments referenced in this section of the Change Report refer to examples and attachments provided in the consultation phase of this change and therefore can be found in Attachment 3 of this Change Report.
- 4.3. 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.
- 4.4. 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.*
- 4.5. 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.

4.6. 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.*

4.7. 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 (Attachment 2).

Proposed Solution

- 4.8. 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.
- 4.9. 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.
- 4.10. 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’.
- 4.11. The proposed criteria list is detailed in paragraphs 4.15 to 4.40.

Scope

- 4.12. 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 of the consultation.

Identification of and quantifying the selected criteria

- 4.13. 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.
- 4.14. 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

4.15. 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

- a low impact on the likelihood of the project progressing or
- providing a lower level of assurance that all phases of the project will be delivered.

4.16. 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).

4.17. The working group proposes the following criteria:

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

4.18. 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.

4.19. 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.

4.20. Domestic premises are exempt from this criterion because their ADMD (After Diversity Maximum Demand) loads are well established in the industry, 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, 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.

4.21. 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)

4.22. 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.

4.23. 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.

4.24. 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.

4.25. 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).

4.26. 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.

4.27. 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.

4.28. The WG identify this as a high importance criterion.

Capacity Profile

4.29. 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.

4.30. This criterion assesses the confidence associated with forecasted 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.

4.31. There were 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.

4.32. 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.

4.33. 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.

4.34. 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

4.35. 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.

4.36. The WG identify this as a high importance criterion.

4.37. 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.

4.38. 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.

- 4.39. 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.
- 4.40. 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.
- 4.41. The working group identify this as a high importance criterion.

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

- 4.42. Criterion 7 assesses the likelihood of the development being completed based on the type of Planning Permission granted.
- 4.43. 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.
- 4.44. 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.
- 4.45. 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.

Capacity Ramping

- 4.46. 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.
- 4.47. 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.
- 4.48. 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.
- 4.49. 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.

- 4.50. 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 Apportionment Factors. For Demand Connections there would therefore be no charge for the reinforcement (exceptions apply, for example the high-cost project threshold).
- 4.51. 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

- 4.52. 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

- 4.53. 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.
- 4.54. 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.
- 4.55. The total number of 'points' entered in the 'Speculative' and 'Non-Speculative' columns shall be added up in their respective columns.
- 4.56. 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].
- 4.57. 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].
- 4.58. All criteria may not apply to every project.
- 4.59. Worked examples of how this can be applied in practice can be found in Attachment 5.
- 4.60. Where appropriate, suitable comments to justify the scores applied shall be added in the Justification / Comments column for audit purposes.

4.61. 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.	
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	

Criteria	Non-Speculative'	Points	Speculative	Points
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			

Options considered by the WG but discounted

4.62. 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.

Schedule 32

Overview

- 4.63. 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.
- 4.64. 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).
- 4.65. 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

- 4.66. 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

- 4.67. 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%

4.68. 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.

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

4.70. 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

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

4.72. 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.

4.73. 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.

4.74. 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).

4.75. 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.

- 4.76. 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.
- 4.77. 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.
- 4.78. 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).
- 4.79. 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

- 4.80. 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 allocate 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.
- 4.81. 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 at each phase regardless of how much it had changed.
- 4.82. 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 its 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

- 4.83. 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.”

Overall

- 4.84. 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’.

5 Summary of Consultation and Responses

Summary of responses to the DCP 407 Consultation

- 5.1 The Working Group issued a consultation on 12 August 2022 which sought views from industry on the proposed solution and legal text for this CP.
- 5.2 There were 11 respondents to the consultation comprising of DNOs, IDNOs, Suppliers, Generators, and other interested parties. Set out below are the questions that the Working Group sought views on, and a summary of the responses received. A copy of the consultation document alongside the Party responses and Working Group conclusions can be found as Attachment 3.

Question 1 Do you understand the intent of DCP 407?

- 5.3 The Working Group noted that all respondents that answered the question (10) confirmed that they understood the intent of the CP.

Question 2 Are you supportive of the principles of DCP 407?

- 5.4 All respondents that answered the question (10) confirmed that they are supportive of the principles of this CP.

Question 3: Do you agree the proposed criteria of whether a development is speculative or not? If not, please provide your rationale.

- 5.5 Of the 11 respondents four agreed the criteria was appropriate as consulted on but the majority proposed changes/requested additional clarification. The Working Group has set out the points raised specific to each criterion below.

Criterion 1 – Industry Guidelines

- 5.6 Two respondents stated that the proposed industry guidelines were not clear and that those identified by the Working Group require a fee to access the documents therefore making it difficult for customers to find and provide. One respondent stated that the guidelines should be clearly visible to customers and

without cost and expressed concern over a consistent application where other guidelines may be provided to the DNO/IDNO Party.

- 5.7 One respondent considered that the lack of clarity will result in uncertainty and potential challenge and suggested that if this criterion is to be retained, it should (i) provide the customer the opportunity to present the information to the DNO/IDNO Party in support of its application (i.e., not a prescribed set of guidelines), and (ii) which would support lowering the weighted significance of the criterion.
- 5.8 One respondent stated that this criterion would necessitate changes to the information received as part of the connection application process which would impact the timescales for providing offers.
- 5.9 Two respondents believed that further clarity was needed to differentiate domestic, commercial and industrial sites.
- 5.10 Another respondent believed that further clarity may be needed about how to differentiate between mixed sites (i.e., split domestic and commercial usage).
- 5.11 The Working Group's conclusions to the above points can be found in paragraphs 6.3 to 6.6.

Criterion 2 - development is phased over a period of time

- 5.12 One respondent commented that the timescales of two years from time of initial application to completion is quite a short time period as it can take up to three months for connection offers to be issued and its acceptance period is six months. The respondent considered that the two-year period may cover smaller connections, but most larger ones will take longer.
- 5.13 The Working Group's response to this can be found in paragraph 6.4-6.5
- 5.14 One respondent understanding is that the criterion would be met by the provision of a "clear phasing plan" for the development. They believed this would appear to be easily met and therefore predicted that they would expect few instances where the criterion is not met. One respondent considered that "clear plan" could be interpreted differently, which would risk a consistent application.
- 5.15 The Working Group's conclusions to the points raised for criterion 2 can be found in paragraphs 6.7 to 6.8.

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

- 5.16 One respondent stated that it is unclear from the criterion description, how IDNO applications to a DNO would be treated if they were for domestic premises, and whether it applied to the connection to the IDNO network and noted a need for careful consideration to avoid introducing a market distortion.
- 5.17 The Working Group's conclusions to this point can be found in paragraphs 6.10.
- 5.18 One respondent requested evidence as to why two years and 100 dwellings were chosen as the thresholds.
- 5.19 The Working Group's response to this can be found in paragraph 6.11 to 6.12.

Criterion 4 - capacity ramp profile

- 5.20 One respondent stated further clarity on what a “capacity ramped profile” is will be required and considered that – in the context of the second option set out in paragraph 4.31 - that it appears to be similar to the “clear phasing plan” requirement in criterion 2.
- 5.21 The Working Group’s response to this point can be found in paragraph 6.13 to 6.16.

Criterion 5 - financial commitment

- 5.22 One of the respondents stated that they had reservations about the use of financial commitment to determine whether a development is speculative. They were concerned that the application of O&M charges to demonstrate financial commitment could result in double recovery of costs where a customer subsequently pays DUoS for the assets which have been installed. Customers who are faced with a decision to fully fund the reinforcement as a speculative application or pay 20% and score two points in the non-speculative category may utilise this as a cheaper way of funding the reinforcement. The respondent also questioned how this criterion would work in practice for connections being constructed by an independent connections provider (ICP).
- 5.23 The Working Group’s response to this can be found in paragraph 6.17.
- 5.24 One respondent stated that, whilst the first bullet in paragraph 4.37 is appropriate in principle, it considered that it would be unlikely to be identifiable in the connection application, and therefore proposed further practical consideration is needed.
- 5.25 The Working Group’s response to this can be found in paragraph 6.17 to 6.19.
- 5.26 The same respondent stated that clarification of the second bullet in paragraph 4.37 is required as it states the payment is for the “complete development” whereas normally O&M charges would only be applied to incremental costs above the Minimum Scheme.
- 5.27 The Working Group’s response to this can be found in paragraph 6.17 to 6.19.
- 5.28 The same respondent considered that the third bullet in paragraph 4.37 to be similar to the first option in criterion 4 in paragraph 4.30, and this therefore needs clarifying to avoid duplication.
- 5.29 The Working Group’s response to this can be found in paragraph 6.17 to 6.19.
- 5.30 Another respondent commented that they are comfortable with this criterion with the exception of the Customer providing a commitment to paying DUoS charges relative to the maximum capacity required. It is unclear to the respondent how the Customer provides this commitment beyond accepting a Connection Offer, as how much that Customer pays in relation to DUoS charges is subject to its contract with an Energy Supplier, and with how much that Energy Supplier pays a DNO/IDNO Party being subject to the DCUSA. Another respondent raised concern with this element of the criterion as well in relation to a customer entering into an agreement to pay DUoS charges based on the full capacity at the assessment stage, and proposed clarity is added via revised wording.
- 5.31 The Working Group’s response to this can be found in paragraph 6.17 to 6.19.

Criterion 6 - % connections in first phase

- 5.32 One respondent stated that further clarity is needed to define the “first construction phase”. They felt that, whilst the criterion may be appropriate in principle, the practical application is unclear.
- 5.33 The Working Group’s response to this can be found in 6.20.

Criterion 7 -Planning permission

- 5.34 One respondent noted that many connections are applied for before planning permission is sought or granted so it is unclear how applicable this criterion will be for some types of connection.
- 5.35 The Working Group's response to this can be found in paragraph 6.21.

Question 4: What other industrial guidelines should be considered under Criterion 1? Please provide your rationale.

- 5.36 The majority of respondents (10) were not aware of any additional industry guidelines for criterion 1.
- 5.37 However, some respondents commented on the need for standard and transparent guidelines and the need to differentiate between commercial and industrial customers.
- 5.38 One respondent reiterated its view that unless the DNO/IDNO Party applies clear and consistent guidelines, which is transparent to the customer prior to making its application, it may be more appropriate that this criterion is (i) relative to supporting evidence provided by the customer only and (ii) weighted as a lower significance to avoid penalising a customer for not providing guidelines that the Working Group itself has not provided. The same respondent considered that it may be appropriate to weight a customer providing this information as a higher significance than not i.e. weighted more in favour of supporting a non-speculative application.
- 5.39 The Working Group's response to these points can be found in paragraph 6.3 to 6.6.
- 5.40 One respondent suggested some consideration around future policy and technology changes so that consistent assumptions can be made for future load growth requirements should be made
- 5.41 The Working Group's response this point can be found in paragraph 6.3 to 6.6.

Question 5: What other criteria do you believe should be used to determine whether an application is speculative? Please provide your rationale.

- 5.42 Eight respondents stated they weren't aware of any additional criteria that could be used and three respondents proposed additional considerations.
- 5.43 One respondent suggested using a proportional cost payable up front would be a useful criterion. The respondent suggested payment of 75% of the total project costs would demonstrate a suitable financial commitment.
- 5.44 The Working Group's response to this can be found in paragraph 6.19.
- 5.45 One respondent suggested that a materiality threshold should be applied to reduce the assessment burden and would prioritise where the material risks are largest.
- 5.46 The Working Group's view on this can be found in paragraph 6.28
- 5.47 One respondent suggested that if the project was clearly speculative then the customer should be able to declare this up front to save going through the scoring process as it would save time.
- 5.48 The Working Group's views on customers wanting to self-declare can be found in paragraph 6.29.

Question 6: Do you agree that the specific criteria are appropriately weighted in terms of their significance? If not, please provide your rationale.

- 5.49 Ten respondents agree the weightings are appropriate however one respondent recognised its proposal to lower the significance of criterion 1 if it was relative to information provided by the customer only.
- 5.50 One respondent suggested criterion 4 may need to be reduced to low significance depending on how it is assessed, this would keep it consistent with criterion 2 if that is the intention.
- 5.51 The Working Group's response to this can be found in paragraph 6.15.
- 5.52 Another respondent suggested that this process should be kept under regular review based on decisions reached and any challenges brought forward.
- 5.53 The Working Group noted this comment, their views to this can be found in paragraph 6.30.

Question 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.

- 5.54 Nine respondents agree with the values of the measures used although one of the nine suggests that criteria three could use more clarity and these clarifications have been made throughout the change report.
- 5.55 One respondent would like to see evidence for the values used, particularly with regards to criterion 2 and criterion 6.
- 5.56 In relation to criterion 1, one respondent believes that more than double industry guidelines is significant and suggests that 50% is significantly over industry guidelines.
- 5.57 The Working Group's response this point can be found in paragraph 6.3 to 6.6.

Question 8: Do you agree with the Working Groups decision to not take forward the criteria identified in Section 4.62 of this consultation? If not, please provide your rationale.

- 5.58 Ten respondents agreed not to take forward the criteria identified in paragraph 4.62.
- 5.59 One respondent believes a materiality threshold should be considered which the respondent also raised in response to question 5.

Question 9: Do you agree with the Working Group that a change is needed to Schedule 32? If not, please provide your rationale.

- 5.60 Nine respondents agree that a change is needed to Schedule 32, with one respondent of the view that a separate CP should be raised and one respondent did not answer.
- 5.61 One respondent noted that this CP will have wider implications to DUoS charges that will need to be addressed with a sperate CP.
- 5.62 The Working Groups response to this can be found in paragraph 6.31.

Question 10: Do you have any comments on the proposed legal text for Schedule 32?

- 5.63 No additional comments – other than those received in relation to other questions – were received from any respondent.

Question 11: Overall, do you agree that the draft legal text delivers the intent of the Ofgem direction? If not, please provide your rationale.

- 5.64 Nine respondents said they agree with the draft legal text.
- 5.65 One respondent stated in general it did agree, but it proposed some amendments for the Working Group to consider without altering the intent.
- 5.66 One respondent didn't provide a response, and another said they did not agree with the legal text but provided no context as to why they didn't agree with the legal text.

Question 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.

- 5.67 Nine respondents agreed that this CP has positive impacts to the DCUSA Charging Objectives, particularly Charging Objective 1. However, not all respondents agreed strictly in line with the view of the Proposer in the consultation.
- 5.68 In line with the Proposer's view set out in the consultation, three respondents believe that there may be a negative impact to Charging Objective 6. However, one respondent did not state any positive impacts to any other Charging Objective.
- 5.69 Two respondents stated the view that Charging Objective 6 would be better facilitated, whereas one respondent did not agree that it would be negatively impacted (but did not say it would be positively impacted).
- 5.70 Two respondents stated the view that Charging Objective 2 would be better facilitated.
- 5.71 One respondent did not answer the question.

Question 13: Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

- 5.72 Nine respondents said they were unaware of any other industry developments that could be impacted by this CP.
- 5.73 One respondent noted that DCP 389 is with the authority for a decision and may need a change after this DCP is released due to this CP and DCP 389 changing the same paragraphs in Schedule 32.
- 5.74 The Working Group's response can be found in paragraph 6.22 to 6.23
- 5.75 Another response cited that the DUoS SCR changes will interact with this change.
- 5.76 The Working Group noted this response and that it was out of scope to the Access SCR changes as per their response in paragraph 6.31.

Question 14: Do you agree with the Working Group's proposed implementation date? If not, please provide your rationale.

- 5.77 All respondents that answered the question (one did not) agreed with the implementation date however one respondent noted that the change will require two charging methodologies to be in use for a period of time. This issue also applies to DCP 406.
- 5.78 The Working Groups response to this can be found in paragraph 6.32 to 6.33.

Question 15: Do you have any other comments?

- 5.79 There were new comments/queries i.e., ramped profiles which the Working Group have answered throughout section 6 of this Change Report.
- 5.80 One response noted in regard to the scoring instructions detailed under items 4.53 to 4.61, they believe that a minimum number of scored criteria should be considered for the score to be deemed conclusive. This was discussed by the Working Group and was rejected, because the proportion of applications that would meet this minimum number of criteria was considered to be so small, it would undermine the process.
- 5.81 One respondent stated that there should be an appeals process whereby the developer can challenge the decision. The same respondent would also like to raise that the time allowed for this consultation, considering its importance and that it was issued during the holiday period, is too short. This gives limited opportunity for scrutiny of the change proposals, and risks the proposals not being subjected to adequate review.
- 5.82 The Working Groups response to the comment in 5.81 can be found in paragraph 6.34.

6 Working Group Conclusions & Final Solution

- 6.1 After consideration of the consultation responses, the Working Group identified the following key areas for further consideration and the below is the output of those considerations.
- 6.2 For the purpose of this section, the criterion numbers will refer to the numbering that was issued within the consultation.

Criterion 1 – Industry Guidelines

- 6.3 There were a number of issues with this criterion and whilst it was appropriate in theory, the practical application was not developed such that it could be applied in a consistent and transparent manner.
- 6.4 The Working Group agreed with consultation respondent concerns that the guidelines set out in the consultation were not transparent and therefore the resulting lack of clarity was detrimental and risk uncertainty and therefore challenge by customers.
- 6.5 The Working Group considered making this criterion open to information provided by the customer only rather than specifying guidelines to be used. The Working Group agreed not to make this change as it would also risk an inconsistent approach being adopted.
- 6.6 The Working Group therefore consider that Criterion 1 does not meet the requirements of the Access SCR Direction to “ensure consistent interpretation across DNOs” and as such the Working Group agreed to remove it from the assessment framework.

Criterion 2: The development is phased over a period of time and the timing of the phases is unclear (duration) (Titled in legal text as - Programme (domestic and non-domestic developments))

- 6.7 In relation to concerns that the timescale of two years from initial application to completion was too short due to the time period available to issue and accept an offer, the Working Group considered options to address timing concerns. However, as the purpose of the criterion is to identify applications with timescales that are sufficiently short to provide the Network Operator with the confidence that the development will complete in its entirety, the Working Group felt that two years is desirable, beyond which, confidence in the development would likely start to decrease.
- 6.8 The Working Group recognised that the provision of a “clear phasing plan” may be easy to provide but noted that this criterion is assessed as low significance which mitigates the risk and is only relevant where the overall timescale is greater than two-years.

Criterion 3 - The development is phased over a period of time and the timing of the phases is unclear (housing developments only). (Titled in legal text as - Programme (domestic developments only))

- 6.9 The Working Group considered two options in terms of treatment if an IDNO is applying to a DNO to connect a new housing development:
- The application is treated as a single load connection and therefore this Criterion would not apply; or
 - The IDNO provides the details of the number of connecting premises and the Criterion would apply.
- 6.10 The Working Group considered the options and concluded that the second option was the appropriate approach to ensure that there were no market distortions introduced. The Working Group has added additional wording to the legal text to make this treatment transparent (Paragraphs 1.59 to 1.61 of legal text)
- 6.11 In relation to the response that commented that the definition for number of dwellings needs clarifying, the Working Group agreed with the interpretation of the respondent that if a development had 600 dwellings which were connected to two permanent substations downstream of the POC, then this would receive points in the ‘non-speculative column’. The Working Group has added additional legal text to cover the situations between when each Criterion considers a project to be speculative or non-speculative.
- 6.12 The Working Group recognise concerns raised by respondents that the number of dwellings is arbitrary, however it is considered reasonable and the Working Group recognise that any alternative will likely be equally arbitrary.

Criterion 4 - Capacity Ramp Profile - (Titled in legal text as – Load Profile)

- 6.13 The Working Group reviewed the drafting associated with Criterion 4 and 5 together. There were different views in the Working Group between the two options that were consulted on. The Working Group agreed to put forward an alternative so that both options would be available for Ofgem to consider.
- 6.14 The base legal text was updated in DCP 407 Solution 1 (Attachment 2). This drafting results in the assessment taking account of the newly defined term of a ‘Phased Capacity Site’. If the application meets the criteria for a Phased Capacity Site, then it would be scored as non-speculative.
- 6.15 The alternative legal text also contained in Attachment 2 results in the assessment taking account of whether a capacity ramped profile was provided. If the customer provides a ‘capacity ramped profile’ then the application would be scored as non-speculative. In response to a consultation response, in

this drafting, the Working Group reduced the significance to low in recognition that this requirement could be easily met and to ensure consistency of scoring with Criterion 2.

- 6.16 In relation to providing further guidance on the ramped capacity the Working Group discussed expanding the legal text to include more details of what was required within an acceptable phasing plan or capacity ramped profile. The Working group felt that these details may vary from project to project and so an all-encompassing definition would be difficult to produce. The Working Group's expectation is that details of what qualifies as an acceptable phasing plan or capacity ramped profile are best provided by the Network Operator on their website, or by other means by which they typically convey this information to prospective customers. The Working Group noted that whilst this could result in some inconsistencies there were existing ENA working groups that could look at developing further guidance if required.

Criterion 5 - Financial Commitment

- 6.17 The Working Group noted the point made in paragraph 5.22 regarding the double recovery of DUoS but concluded that it was out of scope as the charging of O&M was a separate issue. The Working Group noted that to be assessed as non-speculative, the customer would need to have funded additional extension assets and well as paying any applicable O&M. In recognition of the concerns raised, the Working Group decided to reduce the significance of this Criterion to low.
- 6.18 The Working Group agreed and made changes to the legal drafting. The drafting for this Criterion differs between the [base case] and the alternative. In the [base case] the assessment of financial commitment is limited to situations where the customer would be paying for extra extension assets and any associated O&M. In the alternate the financial commitment associated with a Phased Capacity Site is included in this Criterion (whereas in the base case it is included in Criterion 4).
- 6.19 The Working Group considered whether the payment of upfront costs could form part of the assessment but concluded that as all projects are paid for in advance, some with phased payments, then this proposal would not result in differential between speculative and non-speculative applications.

Criterion 6 - % connections in first phase (Titled in legal text as - Future Provision)

- 6.20 The Working Group amended the text to clarify the definition of the first construction phase.

Criterion 7 - Planning Permission

- 6.21 The Working Group acknowledged that many applications, particularly relating to distributed generation do not have planning permission when they apply. The Working Group noted that lack of planning permission is not considered in the assessment and therefore there would be no detrimental impact to these applications.
- 6.22 The Working Group identified superfluous text ("(inclusive of all phases)") in two paragraphs of the criterion, which was not consistent with the drafting in the other criterion. The Working Group agreed to remove this text.

Schedule 32

- 6.23 The Working Group recognise the consultation response flagging the interaction with DCP 389, specifically, where this CP introduces a new paragraph 6.5 and as does DCP 389 (which is awaiting an Authority decision). As the changes proposed to Schedule 32 are interactive between this CP and DCP 389, the Working Group has prepared two sets of legal text for Schedule 32 to illustrate changes needed pre-and post-DCP389 implementation, in case DCP 389 is approved prior to an Authority decision being made for this CP.

- 6.24 These alternative versions are articulated in Attachment 2 of this Change Report.
- 6.25 During the review, the Working Group identified a change needed regardless. The proposed addition of paragraph 6.5 to the baseline version stated that, where a site (a Final Demand Site) is a Phased Capacity Site, the DNO/IDNO Party would allocate the site to a charging band in accordance with paragraph 4.1 of that schedule. However, paragraph 4.1 would require the DNO/IDNO Party to take an average of the capacity, which is not in line with the Working Group's intent as set out the consultation. The Working Group therefore changed that paragraph such that the DNO/IDNO Party will re-allocate the site with reference to the revised capacity only as the Phased Capacity Site moves into the next development phase i.e., relative to the increased capacity only with no regard for the previous level.
- 6.26 With one exception, the Working Group has made the same changes to the DCP 389 version as it has the baseline version other than paragraph 6.5 in the baseline version is proposed to be paragraph 6.4A in the DCP 389 version. The exception noted is that DCP 389 introduces an Annual Allocation Review and which the Working Group propose is explicitly not applicable to a Phased Capacity Site. The Annual Allocation Review applies to a site with a maximum capacity which is allocated to a charging band based on estimated data e.g., the DNO/IDNO Party does not know the customer's Required Capacity. Whilst the Working Group consider it unlikely in practical terms that a Phased Capacity Site would be eligible for the Annual Allocation Review regardless, through discussions with Ofgem it was agreed that the changes proposed by DCP 389 would benefit from clarity that the provisions should not apply to a Phased Capacity Site, which will be reallocated in accordance with the changes proposed by this CP.

Other considerations/clarification requests that came out the consultation

- 6.27 There are also responses not related specifically to any particular criterion.
- 6.28 One respondent suggested a criterion based on the materiality of the applications; however, the Working Group believe it would be difficult to introduce a criterion based on a materiality threshold (i.e., the level of reinforcement required) as this will only be identified later in the quotation process.
- 6.29 In relation to the proposed additional criterion to allow a customer to declare upfront that it is speculative – to avoid the need to progress through the assessment process - the Working Group believe that it is unlikely that a customer would wish to self-declare as such as this would result in them paying for the reinforcement. Additionally, the assessment generally needs the customer to provide information to avoid being assessed as speculative. As it was considered unlikely and it would not require any additional effort from the customers, the Working Group concluded that no changes were necessary.
- 6.30 In relation to the process being kept under regular review, the Working Group noted this comment and considered that a new DCP could be raised to change any weightings or criterion if needed.
- 6.31 In relation to the point raised that this CP will have wider implications to the DUoS SCR , the Working Group agreed this is out of scope of this CP and implementation of any reform will be subject to a future CP.
- 6.32 The Working Group consider the point raised that two charging methodologies to be in use for a period of time. This issue also applies to DCP 406. The proposed solution for DCP 406 is to
1. Make the current schedule 22 Part A and to add text to make it applicable to applications received before 1 April 2023

2. Create two new sections 3 and 4 in part B that would apply to applications made on or after 1 April 2023.
- 6.33 The legal text that is approved under this CP will therefore be included in section 3 and 4 of Part B.
- 6.34 In response to the comment that there should be an appeals process whereby the customer can challenge the decision, the Working Group note that there is already a process that can be used for this and that Ofgem can also intervene to resolve such disputes.
- 6.35 The Working Group noted the concern regarding the consultation period; however, this is an urgent CP with a deadline for completion provided by Ofgem to which the Working Group had to meet.

7 Legal Text

- 7.1 Following the Working Group's review of the responses to the consultation, the amendments being made by DCP 407 include:

Legal Text

- 7.2 The proposed DCP 407 Legal Text in relation to Schedule 22 and 32 for both DCP 407 Solution 1 and Solution 2 can be found in Attachment 2. The differences between the two options are highlighted in yellow and green. The yellow text indicates text for solution 1 and the green text indicates text for solution 2.
- 7.4 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 based on the revised Maximum Import Capacity during the development phase of the Phased Capacity Site.
- 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."

8 Relevant Objectives

Assessment Against the DCUSA Objectives

8.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. There are five General Objectives and six Charging Objectives. The full list of objectives is documented in the DCUSA.

8.2 The list of DCUSA General Objectives is 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 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 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 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	Neutral
<input type="checkbox"/>	6. That compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	Neutral

8.3 The Working Group reviewed the impact of both options and concluded that the scoring was consistent for both as follows.

8.4 This change is to comply with an Ofgem direction arising from its Access SCR Decision and Direction and therefore directly supports Charging Objective 1.

8.5 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. However, the Working Group recognised there were benefits from a consistent approach and therefore assessed that the impact was neutral in relation to Objective 6.

9 Code Specific Matters

Reference Documents

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

10 Impacts & Other Considerations

Significant Code Review (SCR) or other significant industry change projects

10.1 This CP is part of a suite of changes that will implement the Access SCR Decision, therefore the SCR phase shall be treated as having ended.

Cross Code Impacts

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

10.2 There are no cross-code impacts of this CP.

Consideration of Wider Industry Impacts

10.3 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 session for parties interested in joining a DCUSA working group on these changes.

10.4 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'](#)

11 Implementation Date

11.1 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.

11.2 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.

11.3 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.

- 11.4 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.

12 Recommendations

Panel's Recommendation

- 12.1 The Panel approved this Change Report on 07 November 2022. The Panel considered that the Working Group has carried out the level of analysis required to enable Parties to understand the impact of the proposed amendments and to vote on DCP 407. As stated above, the proposed DCP 407 Legal Text in relation to Schedule 22 and 32 for both DCP 407 Solution 1 and Solution 2 can be found in Attachment 2. The differences between the two options are highlighted in yellow and green. The yellow text indicates text for solution 1 and the green text indicates text for solution 2. Parties can vote to accept Solution 1; vote to accept Solution 2; or vote to reject both.
- 12.2 The Panel have recommended this report be issued for voting for a period of two weeks and DCUSA Parties should consider whether they wish to submit views regarding this CP. The Voting Form can be found in Attachment 1.

13 Attachments

- Attachment 1: DCP 407 Voting Response Form
- Attachment 2: DCP 407 Legal Text Solution 1 and 2 (Schedule 22 and 32)
- Attachment 3: DCP 407 Consultation, Industry Feedback and Working Group Responses
- Attachment 4: DCP 407 Change Proposal Form