




DCUSA Change Report		At what stage is this document in the process?
<h1>DCP 403</h1> <h2>DCP 403 Title: Clarify the application of the TCR fixed charge.</h2> <p><i>Raised on the 14 April 2022 as an Urgent Change</i></p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<b>Purpose of Change Proposal:</b> The intent of this change proposal is to ensure back-up connections do not pay the DUoS residual charge when it is already being paid for on another connection that relates to the same capacity.		
	This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 403 ‘Clarify the application of the TCR fixed charge’ Parties are invited to consider the proposed amendment ( <b>attachment 1</b> ) and submit their votes using the Voting form ( <b>attachment 2</b> ) to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> by 09 December 2022.	
	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.	
	If you have any questions about this paper or the DCUSA Change Process, please contact the DCUSA by email to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> or telephone 020 7432 3011.	
	Parties Impacted: DNOs, IDNOs, Suppliers and CVA Registrants.	
	Impacted Clauses: DCUSA Schedule 32.	

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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	26 April 2022
Consultation issued to Parties	22 August 2022
Change Report issued to Panel	09 November 2022
Change Report issued for Voting	18 November 2022
Party Voting Ends	09 December 2022
Change Declaration Issued to Parties	12 December 2022
Change Declaration issued to Authority	12 December 2022
Authority Decision	TBC
Implementation	01 April 2023

# 1 Executive Summary

## What?

- 1.1 The criterion for applying the residual charge is to a Single Site which is defined by a single connection agreement. In some cases, there are sites which import power via multiple connection points and have separate connection agreements in place for each point of connection. However, where the capacity is limited in aggregate (i.e., one of the connections is considered as back-up) the proposer suggests that it is not reasonable for the customer to pay the residual element on all connections. The rationale for this is based on the Ofgem comment under paragraph 3.57 on this scenario in their decision<sup>1</sup> on the Targeted Charging Review (TCR) as follows

9) **Redundant connection capacity:** The process for setting and allocating users to charging bands, for the purposes of calculating the level of fixed charge to apply to a site, should recognise circumstances where a customer retains connection capacity to a site for redundancy purposes only. Redundancy here refers to circumstances where a connection is unused other than when an alternative connection to a customer's site is unavailable. This must be clearly demonstrated, supported by documentary evidence to show that the capacity is not used in parallel with the other connection and the capacity of the primary connection(s) is / are not exceeded. In such cases, total consumption volumes across all connections should be combined for the purposes of allocation of residual charges. A process should be devised where this can be accounted for.

## Why?

- 1.2 The proposer does not believe that the Ofgem decision has been implemented correctly as the TCR solution within DCUSA only applies where one connection agreement covers both the main connection and back-up connection. The proposer suggests that there are many cases where this is not the case, and it is not always practical for multiple connection agreements to be amalgamated into one agreement. Furthermore, when a customer imports via a private network but maintains a back-up connection to the distributor's network, the capacity is only reserved once but under the current arrangements will be paid for twice. If this change is not made, there will be sites across Great Britain (GB) that are effectively double charged for the residual element of Distribution Use of System (DUOS) for the same capacity reserved on the distributor's network.

## How?

- 1.3 Introduce further clarification to the Scope section of Schedule 32 stating that premises with a Back-up Connection will not be subject to residual charges in respect of the Back-up Connection and will not be counted as a Single Site in their own right. They will however form part of the Single Site connected via the Connection Agreement governing the primary connection.

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<sup>1</sup> <https://www.ofgem.gov.uk/publications/targeted-charging-review-decision-and-impact-assessment>

- 1.4 Add a new paragraph into the re-classification section of Schedule 32 stating that where the evidence necessary to satisfy the definition of a Back-up Connection has been provided to and accepted by the DNO/IDNO Party, no residual charges will apply to those premises in respect of the Back-up Connection.
- 1.5 The definition of Single Site has been amended to disregard any Back-Up Connections and a new definition added to explain what a Back-up Connection is.

## 2 Governance

### Justification for Part 1 Or Part 2 Matter

- 2.1 The Change Proposal (CP) has been designated as a “Part 1” matter as it satisfies one or more of the following criteria:
- a) *it is likely to have a significant impact on the interests of electricity consumers;*
  - b) *it is likely to have a significant impact on competition in one or more of:*
    - i. *the generation of electricity;*
    - ii. *the distribution of electricity;*
    - iii. *the supply of electricity; and*
    - iv. *any commercial activities connected with the generation, distribution, or supply of electricity*
  - c) *it is likely to discriminate in its effects between one Party (or class of Parties) and another Party (or class of Parties).*

### Requested Next Steps

- 2.2 Since the CP was raised as an urgent change, the DCUSA Panel met at an ex-committee meeting in April and agreed that the CP should:
- be treated as a Part 1 Matter;
  - be treated as an Urgent Change; and
  - proceed to the Working Group phase.
- 2.3 Following a review of the Consultation responses, the Working Group developed further the detail of the solution for DCP 403 and produced this Change Report.
- 2.4 The DCUSA Panel recommends that this CP:
- be issued to Parties for voting.

## 3 Why Change?

## Background of DCP 403

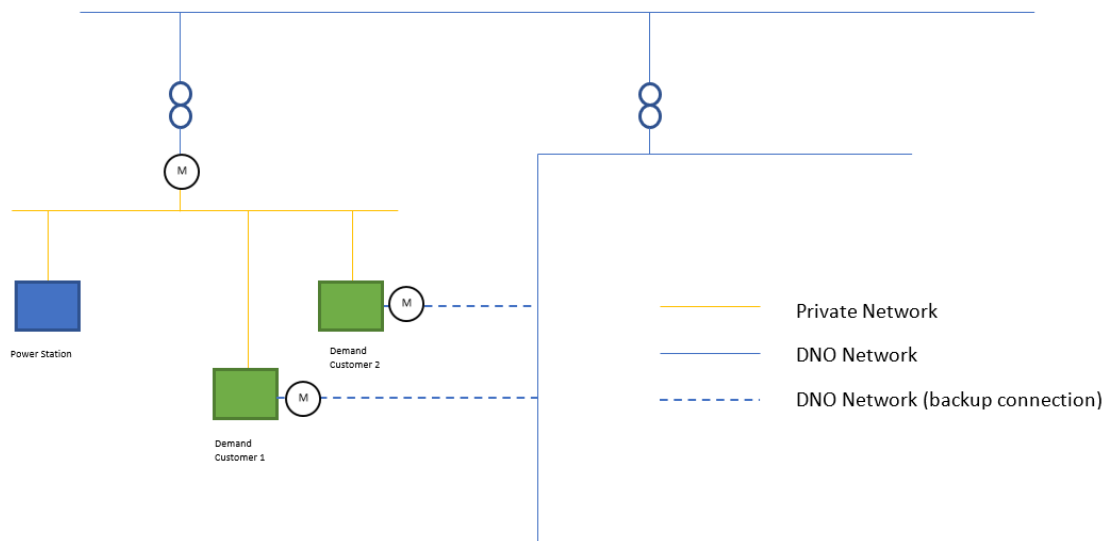
- 3.1 The proposer believes that the Ofgem decision has been implemented incorrectly as the TCR solution within DCUSA only applies where one connection agreement covers the main connection and back-up connection as shown in the definition from Schedule 32 below:

Single Site	means one or more Non-Domestic Premises that are connected to the distribution system pursuant to a single Connection Agreement (whether a Bespoke Connection Agreement or one created via the National Terms of Connection).
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- 3.2 The proposer suggests that there are many cases where this is not the case, i.e., a connection agreement is in place for the main connection and a separate or multiple connection agreements for the back-up connection/s. This could be resolved by merging the agreements, but the proposer is of the view that this is not always practical for multiple connection agreements to be amalgamated into one agreement especially where they are associated with different customers on a private network.
- 3.3 Furthermore, when a customer imports via a private network but maintains a back-up connection to the distributor's network, the capacity is only reserved once for the site but under the current arrangements will be paid for twice, once on the main connection and again for the back-ups due to a separate connection agreement for each.
- 3.4 If this change is not made, there will be sites across GB that are effectively double charged for the residual element of DUoS for the same capacity reserved on the distributor's network

## 4 DCP 403 Working Group Assessment

- 4.1 The DCUSA Panel established a Working Group to assess DCP 403. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – [www.dcusa.co.uk](http://www.dcusa.co.uk).
- 4.2 The Proposer walked the Working Group through the CP and noted that if approved, the potential benefit of the change is that it could result in customers being charged for back-up connections when they're already paying on the main connection.
- 4.3 The Working Group considered the proposal and reviewed a line diagram of a current situation of where such residual charges are being applied together with the current definition of Single Site.
- 4.4 In the diagram below, the three customers' main point of connection is with the Private Network Operator, with back-up connections for the two embedded demand customers within the private network to the distribution system. All three have connection agreements, the back-up connection agreements in this example however are with the embedded demand customer and not the Private Network Operator. The back-up connections cannot operate in parallel due to a manual interlock device on each of the two demand customers.



4.5 The Working Group agreed with the proposer that under the current definition all three connections would be picking up a residual charge and to avoid this one of the options is that the connection agreements would need to be merged. However, due to the nature of the connection (i.e. the embedded demand customers have connection agreements with different entities – the private network for their primary connection and the DNO for their back-up connection) this option is not available.

4.6 The Working Group considered whether this was unique only to private networks or whether the same situation occurs with back-up connections with customers that have more than one connection agreement or whether the merging of connection agreements has started to take place because of the definition of Single Site.

## Request for Information

4.7 The Working Group agreed to undertake a request for information to explore the current processes relating to back-up connections.

4.8 The Working Group had responses from five members to the request. A summary of the Working Group conclusions to each of the questions are shown below. The request and responses are in **attachment 5**.

## Licence distribution connections

### *How many Single Sites have a separate back-up connection agreement?*

4.9 The feedback was mixed ranging from two respondents who provided numbers although small, to other respondents who were unable to provide the information. One respondent suggested that self-declaration of such arrangements would be helpful.

### *Are there any Single Sites with more than one back-up connection agreement? Please indicate how many.*

4.10 A similar response was received to that of the first question, the respondents quoted either zero or unknown.

***Have you approached or been approached by customers to merge agreements? If so, how many and how long does it take to merge them?***

4.11 Only one respondent could cite an instance where they had been approached to merge agreements.

***Are there any instances where the merging of agreements cannot be achieved? If so, please provide examples.***

4.12 The examples provided were for arrangements with different voltages, different LLFCs, different customers or determined on a site-by-site basis.

***Do you charge, or would you charge the residual charge for a back-up connection which has its own, separate connection agreement?***

4.13 The respondents would charge apart from one respondent who would aggregate based on using the same LLFC although it is suspected that this may be an error and in fact, they do not have any such arrangements as stated in an earlier response.

4.14 One respondent stated that there is a specific set of circumstances whereby some large Extra High Voltage customers, for example airports, are purposefully put on to a separate Grid Supply Point (GSP) so don't share any distribution infrastructure with their main connection. These customers are reserving capacity on the back-up circuit that cannot be offered to other customers. The respondent is of the view that such a circumstance should be out of the scope of the CP and would expect these customers to continue paying the residual element of the standing charge on both connections.

#### **Private Networks**

4.15 The following questions were then asked where there was a Private Network Operator connection agreement with back-up connections with the distributor for embedded customers on the private network operator site (as per the CP).

***How many of these arrangements exist on your network?***

4.16 The respondents indicated that there were none or not aware of any.

***Do you charge, or would you charge the residual charge for a back-up connection which has its own, separate connection agreement?***

4.17 Most of the respondents indicated that they would charge.

#### **RFI Overall Summary**

4.18 The Working Group's overall conclusions are that if the back-up connections were on different connection agreements, they would be charged the residual charge.

4.19 The Working Group agreed to include a question on whether the back-up connection to a Single Site from a different GSP should result in residual charges being applied or whether it shouldn't.

4.20 The Working Group also concluded that there aren't many instances of these agreements that industry is aware of due to limited information on these types of sites.

## Redundant connections

- 4.21 The Working Group discussed the rationale for the change. Whilst Ofgem, in their TCR decision document, referred to redundant connections and provided a definition for these, they did not specify that such back-up connection sites should be treated differently to other Single Sites in terms of their residual liability but did state that a process should be put in place. However, some Working Group members considered that exempting such connections from their residual liability was justified and within the spirit of the TCR.
- 4.22 The Working Group reviewed a number of scenarios:
- Main connection and back-up connection on same connection agreement;
  - Main connection and back-up connection on different connection agreements with same customer; and
  - Main connection and back-up connection on different connection agreements with different customers.

### Main connection and back-up connection on same connection agreement

- 4.23 Under this arrangement there would be only one residual charge because there is only one connection agreement. This arrangement exists for both multi feeder sites as well as back-up connections and the consumption are aggregated across each connection points. This is the status quo and meets the legal definition.

### Main connection and back-up connection on different connection agreements with same customer

- 4.24 Under this arrangement there would be two residual charges because there are two connection agreements. To meet the current definition these agreements could be merged or facilitated by this CP. The volumes seem to be low based on the RFI.

### Main connection and back-up connection on different connection agreements with different customers

- 4.25 Under this arrangement there would be residual charges to each customer because there are multiple connection agreements. The complexity is that these customers are on a private network and the distribution connection is a back-up should there be a fault on the private network. However, they could not operate in parallel (to meet the TCR redundant connection capacity criteria and in the example shown in paragraph 4.4. The RFI indicated that such arrangements are none or not aware of any. However, this CP has identified one such arrangement.
- 4.26 The Working Group sought clarification from Ofgem on whether the TCR decision on the definition of a Single Site was specific to one customer or multiple customers (as is the case here). Ofgem confirmed that they are responsible for licenced distributors and as such the understanding is that each will be classed as a Single Site in line with the TCR decision although they recognised the complexity of the issue raised.

## Proposed solution



- 4.27 The Working Group reviewed the proposer's suggestion contained in the CP that an amendment to the definition of Non-Final Demand be made to accommodate back-up connections and any difference in capacity.
- 4.28 This approach was rejected because the Working Group considered that defining a back-up connection which would ultimately become a Final Demand Site when the main point of connection was unavailable would contravene the TCR policy intent. It also would not cater for instances where both connections were live, and the interconnector not switched over thereby maintaining a non-parallel operation which is the case in the example used to support this CP.
- 4.29 The Working Group reviewed several alternative approaches and agreed that the legal text needs to cater for both licence and private network situations where there are back-up connections.
- 4.30 In addition, consideration was given to amending the definition of Single Site to cater for the private network situation and include a definition of back-up connection. This was rejected in preference of a simpler solution by adding an extra category into the reclassification section of Schedule 32.
- 4.31 This introduces the concept of a sub-set of a Final Demand Site which is associated with back-up connections. Two new terms, a Back-up Connection Site and Licence Exempt Back-Up Connection Site are also introduced. In each instance evidence is required from the supplier or customer to meet the criteria of the definition.
- 4.32 In addition, where such criteria are met the Single Site will be allocated to the relevant "No Residual" charging band based on the voltage of connection.
- 4.33 The Working Group developed a consultation document to help develop further a solution.

## 5 DCP 403 Consultation

- 5.1 The DCP 403 consultation was issued on 22 August 2022 and there was a total of seven responses received.
- 5.2 Set out below are the questions that the Working Group sought views on, and a summary of the responses received. The full set of responses and the Working Group's comments are provided in **Attachment 3**.

### Question 1 - Do you understand the intent of DCP 403?

- 5.3 All respondents understood the intent with no additional comments made.

### Question 2 – Do you support the principles of DCP403?

- 5.4 The majority of respondents (six) agreed with the principles of the change.
- 5.5 One respondent did not agree that paragraph (3.57 (9) in the Ofgem's TCR decision provided a rationale for the proposal and also queried a lack of clarity within paragraph 3.57 (10) which also referred to redundancy. The respondent asked that this is recorded in the change report.

**Question 3 - Do you consider that back-up connections should be exempt from residual charges? Please provide your rationale.**

- 5.6 The majority of respondents (six) stated they believed back-up connections should be exempt from the residual charge.
- 5.7 The respondent who didn't agree stated that Ofgem's policy intent is not clear on how sites which are banded based on their MIC, and which have redundant connections should be treated. The same respondent also stated that in the example cited in the CP (a site where a customer imports via a private network but maintains a back-up connection to the distributor's network), this could give this customer an advantage over sites which don't have a back-up connection, especially to a network separate to their main supply so they should contribute via the residual charge, to the upkeep of the network which provides their back-up connection.
- 5.8 One of the respondents stated that this change may impact DCP 389.
- 5.9 Another respondent who agreed that back-up connections should be exempt from the residual charged stated that future work may be required to determine whether the provision of back-up connections incurs costs that would be recovered through residual charges, and whether there are scenarios where back-up connections should be liable for residual charges.

**Question 4 – Should a Single Site be specific to one customer or multiple customers if within a private network? Please provide your rationale.**

- 5.10 The majority of respondents (four) stated that a Single Site could be linked to multiple customers.
- 5.11 One respondent stated that with limited visibility of arrangements on all private networks, this would be difficult to assess.
- 5.12 Another respondent didn't state a preference but mentioned that future changes to industry arrangements for a private network may need to consider impacts to DCP 328.
- 5.13 Another respondent stated that the TCR definition of a Single Site is not defined in terms of customers but in terms of non-domestic premises that are connected to the distribution system pursuant to a single Connection Agreement. This led them to believe that the term 'customer' is not relevant' in this change context and attempts to include this term could materially affect the implementation of the TCR's policy intent, which may go beyond the scope of this proposal.

**Question 5 - Do you consider that the proposed solution meets the TCR decision on redundant connection capacity? Please provide your rationale.**

- 5.14 A majority of respondents (five) stated that they believed the solution met the TCR decision on redundant capacity.
- 5.15 Two respondents stated that they did not agree that the proposed solution met the TCR decision.
- 5.16 One of the respondents who didn't agree stated that principally, the introduction of a Back-up Connection Site definition is flawed because back-up connections are additional connections to a Single Site and should not affect the charges for all connections to a site. They also stated that

they believed the Working Group should not introduce arrangements for private networks operating under a licence exemption as part of this change, as this was not part of the TCR decision. This respondent provided an alternative draft of legal text in which can be found in **attachment 3** of the collated consultation response document.

- 5.17 The other respondent who didn't believe the solution met the TCR decision stated that they'd laid their answers as to why in question 6 below.

**Question 6 – Should the introduction of a subset to a Final Demand Site result in the allocation to a zero-charging band? Please provide your rationale.**

- 5.18 Four respondents believed that the introduction of a subset to a Final Demand Site should result in the allocation to a zero-charging band.
- 5.19 One respondent who stated no said that this could introduce further complex change into a market already going through significant change and with the DUoS SCR still to come.
- 5.20 Another respondent who replied no believed the introduction of a subset to a Final Demand Site to be outside the scope of the TCR Direction. The approach of introducing a subset to a Final Demand Site excludes instances where the back-up and primary connection to a site are under the same connection agreement, we believe a simpler more direct approach to identify the back-up connection element is more appropriate.
- 5.21 The Third and final respondent who replied no stated they believed the proposed approach does not seem workable. For the purpose of the TCR, Single Site means one or more Non-Domestic Premises that are connected to the distribution system pursuant to a single Connection Agreement. They also noted as the proposal concerns sites which have more than one connection agreement (for both a main and a redundant connection), under the TCR, such sites cannot be Single Sites.

**Question 7 - If the Back-Up Connection Site is connected to a different GSP to the main connection, should it be exempt from residual charges? Please provide your rationale.?**

- 5.22 Six of the respondents believed that if the back-up connection is connected to a different GSP to the main connection, they **should not** be exempt from residual charges.
- 5.23 One respondent stated they believed it should be exempt stated yes, as it doesn't matter where the back-up connection is located.

**Question 8 – Do you consider that the proposal better facilitates the DCUSA General Objectives? If so, please detail which of the General Objectives you believe are better facilitated and provide supporting reasons. If not, please provide supporting reasons.**

- 5.1 The table below captures each respondents' views on if any of the DCUSA General Objectives are better facilitated.

General Objectives					
Responder	1	2	3	4	5
Responder 1	X	X	X		
Responder 2	X		X		
Responder 3	X	X	X	X	
Responder 4	X	X	X		
Responder 5	X	X	X		
Responder 6					
Responder7	X	X	X		

5.2 The respondent believed this change will better facilitate DCUSA Charging objectives 1-4 as it is a fairer representation of the costs, they would expect to incur by the DNO for a site with a back-up connection, currently charging the customer twice contravenes those objectives.

5.3 The Working Group will consider the objectives further under section 7.

#### Question 9 - Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

5.4 Four respondents believed that there are no wider industry developments that could be impacted by this CP.

5.5 Respondents who believed there may be wider industry developments cited:

- DCP 389 'TCR - Clarification on exceptional circumstances and allocation review for new sites'
- DCP 328 'Use of System Charging for private networks with competition in supply'
- licence exemption review; and
- the DUoS SCR.

5.6 One respondent stated that they considered that the proposal may not be in line with Ofgem's TCR intent.

#### Question 10 – What date do you believe this change proposal should be implemented? Please provide your rationale.

5.7 There were a variety of dates proposed by respondents. These were:

- as soon as possible with changes in tariffs backdated to April 2022;

- April 2023;
- As soon as possible; and
- this proposal should not be implemented as it stands.

5.8 The Working Groups response to the above implementation dates can be found in section 9 below.

#### Question 11 Do you have any comments on the proposed legal text?

- 5.9 Four respondents had no comment on the legal text.
- 5.10 One respondent stated they didn't believe the definition of a Back-up site perhaps was clear and that the use of the term 'site' is perhaps confusing as they are not separate 'sites' they are separate connections to the same site.
- 5.11 Another respondent provided an alternative draft of the legal text, which can be found in **Attachment 3**. They stated that there is no such thing as a back-up connection site, only back-up connection to Single Sites which should not incur residual charges.
- 5.12 Another respondent stated that they didn't believe the text to be workable.

## 6 Working Group Conclusions & Final Solution

- 6.1 After consideration of the consultation responses, the Working Group agreed that parties understood the intent and, in most cases, the principles of the CP. The Working Group identified the following areas for further consideration:
- References to redundancy in the Ofgem's TCR decision document;
  - Do back-up connections incurs costs that would be recovered through residual charges;
  - Wider industry impacts;
  - Connections to more than one GSP; and
  - Review of all proposed legal drafting.

#### References to redundancy in the Ofgem's TCR decision document

- 6.2 Redundancy is quoted within one paragraph in Ofgem's TCR decision document (paragraph 3.57 subsection 9 and subsection 10). To clarify the queries raised by the respondent throughout their response to the consultation the Working Group sought guidance from Ofgem.
- 6.3 In response to paragraph 3.57 (9) Ofgem's intent is to not charge for redundancy but reiterated that the capacity must not be exceeded, and that sufficient evidence needed to be provided. The reference to consumption was referring to the total consumption across all connections within the band.
- 6.4 In response to paragraph 3.57 (10) Ofgem stated that there are other instances where a site is not charged twice, so it would appear to follow that all items in that list are in the same category,

where we are only applying charges based on a 'per site basis' as per the paragraph heading. Ofgem's view regarding the reference to 'other than' means to refer to para (9) for these redundancy provisions i.e. capacity not exceeded, connections not used in parallel and evidence provided.

- 6.5 The Working Group have included the key references from the TCR decision document paragraph 3.57 (9) i.e. capacity not exceeded, connections not used in parallel and evidence provided within the definition for Back-Up Connection.

### **Do back-up connections incurs costs that would be recovered through residual charges**

- 6.6 The Working Group considered the comments about whether future work may be required to determine whether the provision of back-up connections incurs costs that would be recovered through residual charges, and whether there are scenarios where back-up connections should be liable for residual charges.
- 6.7 The view of the Working Group was that this would require a separate CP because it was deemed out of scope since the intent of this change is to align the change to the TCR decision document and not reopen where the costs come from.

### **Wider industry impacts**

- 6.8 Respondents identified a number of areas that may need to be considered further, these were:
- DCP 389 'TCR - Clarification on exceptional circumstances and allocation review for new sites';
  - DCP 328 'Use of System Charging for private networks with competition in supply'
  - licence exemption review; and
  - the DUoS SCR.
- 6.9 The Working group reviewed this change against each of the areas identified above and provide the following understanding.
- 6.10 DCP389 impacts schedule 32 but not the sections covered by this CP. The Working Group also agreed that this change can be progressed in isolation and has no impact on DCP389.
- 6.11 Similarly, DCP328, whilst it does consider how residual charges are catered for on a private network, it does not consider any exemption to them and as such does not impact this CP.
- 6.12 The BEIS licence review is reviewing who is exempt rather than any potential impact on this CP and its findings have yet to be published.
- 6.13 The DUoS SCR is still with Ofgem, so it is unknown regarding its interaction with residual charges if any.

### **Connections to more than one GSP**

- 6.14 All respondents to the consultation agreed that if the back-up connection is from a different GSP then a charge for residual should be applied. There was only one respondent who thought otherwise stating that it doesn't matter where the back-up connection is located.
- 6.15 The Working Group reviewed the Ofgem TCR decision document and found no reference to GSP. However, based on Ofgem's intent being not to charge for redundancy there was a concern that the CP may be rejected or sent back. A suggestion was made that an alternate CP could accompany this to cover both scenarios.
- 6.16 Prior to agreeing to this approach, Ofgem was asked to seek clarification as to whether GSP was considered in their decision to not charge for redundancy. Prior to agreeing to this approach, Ofgem was asked to seek clarification as to whether GSP was considered in their decision to not charge for redundancy. Ofgem's initial thoughts would be to categorise this under the 'complex sites' heading. Considering paragraph 3.57 (9) it would seem that the back-up should be exempt from residual regardless of the source of the connections. However, this is something Ofgem would need to consider further at the decision stage should different GSPs result in a residual charge being applied.
- 6.17 The Working Group reviewed the response from Ofgem together with the responses to the consultation and were of the view that the square brackets in the definition of Back-Up Connection referring to the need for connections to be within the same GSP is not necessary. The distributors would review each request together with the evidence provided in order to determine whether no residual charge would be applied to any back-up connections.

#### Review of legal text

- 6.18 The Working Group reviewed the feedback on the consultation proposed definitions together with the alternative proposals raised by the respondents and the one previously raised by the Working Group covered under paragraph 4.30 above and agreed that the proposed definitions of Back-up Connection Site and Licence Exempt Back-Up Connection Site were not appropriate.
- 6.19 The Working Group worked with the legal advisor to develop the legal text to amend the current definition of Single Site and add a new definition of Back-up connection together with a refinement to the scope of schedule 32 and to the re-classification section to ensure that the back-up connection does not incur residual charges.
- 6.20 The criteria to support the back-up connection was taken from the Ofgem decision document paragraph 3.57 (9).

## 7 Relevant Objectives

### Assessment Against the DCUSA Objectives

- 7.1 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. The full list of objectives is documented in the CP form provided as **Attachment 4**.



7.2 The Working Group considers that the following DCUSA Objectives are better facilitated by DCP 403.

	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)	Positive
<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	Positive
<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	Positive
<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

7.3 The Working Group believe that this change proposal will better facilitate charging objectives 1, 2, 3 and 4 by producing DUoS charges that more closely reflect Ofgem's TCR policy intent with regard to redundant connections, by avoiding charging the residual element of the fixed charge twice to sites for the same capacity.

7.4 This is in line with the Ofgem TCR decision and therefore facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence (objective 1) and properly take account of developments in each DNO Party's Distribution Business (objective 4).

7.5 The charges will be more cost reflective as a result of this change (objective 3) which will facilitate competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity (objective 2).

## 8 Impacts & Other Considerations

### Who (i.e., which Industry roles) are impacted?



8.1 N/a.

### 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"/>            |
| Other     | <input type="checkbox"/>            |
| None      | <input checked="" type="checkbox"/> |

### Consideration of Wider Industry Impacts?

8.2 The Working Group did not identify any additional wider industry impacts other than those already highlighted in other areas of the Change Report.

## 9 Implementation

- 9.1 The Working Group considered various responses from Parties. These were to:
- backdate the change to April 22,
  - the next is to implement April 23 and
  - ASAP.
- 9.2 On the first option, although the solution is relatively straight forward by amending the LLFC from any specific date, the Working Group had concerns that backdating creates a dangerous precedent for further changes should this be proposed.
- 9.3 The Working Group agreed to support the implementation date for DCP 403 as the 01 April 2023. This ties in with other charging methodology changes and allows some time for distributors and impacted parties to implement processes and consider requests for existing back-up connection arrangements.

## 10 Legal Text

- 10.1 The legal text has been amended in Schedule 32 as described in the following paragraphs.
- 10.2 Further clarification to the Scope section by stating that premises with a Back-up Connection will not be subject to residual charges in respect of the Back-up Connection and will not be counted as a Single Site in their own right. They will however form part of the Single Site connected via the Connection Agreement governing the primary connection.
- 10.3 Add a new paragraph into the re-classification section of Schedule 32 stating that where the evidence necessary to satisfy the definition of a Back-up Connection has been provided to and accepted by the DNO/IDNO Party, no residual charges will apply to those premises in respect of the Back-up Connection.

- 10.4 The definition of Single Site has been amended to disregard any Back-Up Connections and a new definition added to explain what a Back-up Connection is.
- 10.5 The legal text for DCP 403 has been reviewed by the DCUSA legal advisors and is provided as **Attachment 1**.
- 10.6 The Working Group has considered the legal text and is satisfied that it meets the intent of the solution.

## 11 Code Specific Matters

### Modelling Specification Documents

- 11.1 N/a

### Reference Documents

- 11.2 N/a

## 12 Recommendations

### Panel's Recommendation

- 12.1 The Panel approved this Change Report on 16 November. 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 amendment and to vote on DCP 403.
- 12.2 The Panel have recommended that this report is issued for Voting and DCUSA Parties should consider whether they wish to submit views regarding this CP.

## 13 Attachments

- Attachment 1 - DCP 403 Legal Text
- Attachment 2 - Voting Form
- Attachment 3 - Consultation Responses & WG Comments
- Attachment 4 - DCP 403 Change Proposal
- Attachment 5 - Request for Information