




DCUSA Change Report	At what stage is this document in the process?
<h1 data-bbox="124 353 552 443">DCP 410</h1> <h2 data-bbox="124 488 1066 824">Fairer re-assessment of the allocation of Final Demand Sites prior to subsequent price control periods</h2> <p data-bbox="124 837 855 873"><i>Raised on the 17 June 2022 as a Standard Change</i></p>	01 – Change Proposal
	02 – Consultation
	03 – Change Report
	04 – Change Declaration
<p><b>Purpose of Change Proposal:</b></p> <p>DCP 410 seeks to ensure that DNO/IDNO Parties are able to utilise a fair and consistent approach to the re-assessment of the allocation of each Final Demand Site prior to the start of each onshore electricity transmission owner price control period to take account of any Final Demand Site that has been reallocated to a different charging band as a result of Paragraphs 6 ('EXCEPTIONAL CIRCUMSTANCES RESULTING IN RE-ALLOCATION TO A DIFFERENT BAND WITHIN A PRICE CONTROL PERIOD') or 7 ('DISPUTES') of Schedule 32.</p>	
	<p>This document is issued in accordance with Clause 11.20 of the DCUSA, and details DCP 410 'Fairer re-assessment of the allocation of Final Demand Sites prior to subsequent price control periods'. Parties are invited to consider the proposed amendment (Attachment 1) and submit their votes using the Voting form (Attachment 2) to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> by 9 December 2022.</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 <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> or telephone 020 7432 3011.</p>
	<p>Parties Impacted: DNOs, IDNOs, Suppliers and CVA Registrants.</p>
	<p>Impacted Clauses: DCUSA Schedule 32 – amendments to Section 4</p>

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**Any questions?**

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## Timetable

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

### Change Proposal timetable

Activity	Date
Initial Assessment Report Approved by Panel	20 July 2022
Consultation issued to Parties	15 September 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	13 December 2022
Change Declaration issued to Authority	13 December 2022
Authority Decision	TBC
Implementation	5 WDs after Authority decision but no later than April 2024

## 1 Executive Summary

### What?

- 1.1 The Proposer suggests that the description of how Final Demand Sites are allocated to residual charging bands (Schedule 32 Paragraphs 4.1 and 4.2) needs to be extended to take account of Final Demand sites that have made a significant change to their Maximum Import Capacity (MIC) or usage to qualify to have their band reallocated in accordance with Paragraphs 6.1, and 6.2.

### Why?

- 1.2 Without this change a Final Demand site that has been reallocated following a change of use, typically to a lower charging band, could potentially be re-banded to a higher charging band, or potentially even their original charging band, which the Proposer does not believe is the intention of the original change as well as it being inequitable to the end customer.

### How?

- 1.3 Include amendments to Schedule 32 Section 4 to allow DNO/IDNOs to take any re-banding, that falls within the 24 month period of the reassessment, into account when allocating customers to charging bands at future transmission price control reviews.

## 2 Governance

### Justification for Part 1 Or Part 2 Matter

- 2.1 DCP410 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 The Panel is to consider if the Working Group have carried out the level of analysis required to enable Parties to understand the impact of the proposed amendment and to vote on DCP 410.
- 2.3 The DCUSA Panel recommends that this CP be issued to Parties for voting.

### 3 Why Change?

#### Background of DCP 410

- 3.1 This change needs to be made to correct a defect in the current text that could result in a customer that has changed their capacity or consumption by greater than 50%, resulting in a change to their charging band, being allocated to a different band in the next round of calculations i.e. during the Transmission Price Control banding review, if this change was made during the two year period used to calculate the average MIC to be used to determine the banding.
- 3.2 Schedule 32 provides a timeline of the Transmission Price Control banding review which starts with the distributor using the Maximum Impart Capacity values of Final Demand Sites as at January 2024. These are provided to the Banding Agent at the end of March 2024 resulting in the charging band boundaries being calculated and provided back to the distributors at the end of April 2024. The distributor has until the end of June 2024 to allocate each MPAN to a boundary using section 4 of schedule 32.

### 4 DCP 410 Working Group Assessment

- 4.1 The DCUSA Panel established a Working Group to assess DCP 410. 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 change and explained that if a customer gets their charging band reassessed during the period used for determining the recalculation, they could potentially get allocated back to a charging band higher than the one intended, which is detrimental to the end consumer. An example was produced and added as an attachment to the consultation document to aid the reader in responding to the first two questions.
- 4.3 The Working Group identified two further areas for consideration. The first being other CPs impacting Schedule 32 and the second being whether the scope should include the disputes process.

#### Other Schedule 32 change proposals

- 4.4 The Working Group identified DCP 389 'TCR – Clarification on Exceptional Circumstances and Allocation Review for "New" Sites' as a potential impact on this CP. DCP 389 is currently with the Authority for its decision. DCP 389 amends the exceptional circumstances section, which this CP is also doing, and introduces an allocation review process that may also result in the same unintended circumstances identified in this CP. Further consideration may need to be given to the consequences of DCP 389 on this CP if Ofgem approves it during the development of this CP, otherwise a further CP may need to be raised.

## Scope of the CP

- 4.5 The Working Group reviewed the draft legal text and considered that there is a further section that should be considered by this CP, i.e. a site can also be allocated to a different band as a result of the disputes process.
- 4.6 The Proposer and the Working Group agreed that the disputes process is equally impacted, and its inclusion meets the spirit of the change. The Working Group sought confirmation from the Panel for this minor amendment to the scope of the change. The legal text included the amendment for consideration during the consultation while the Working Group sought approval from the Panel.

## 5 DCP 410 Consultation

- 5.1 The DCP 410 consultation was issued on 15 September 2022 and there was a total of five 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 the CP?

- 5.3 All consultation respondents understood the intent of the CP.

### Question 2 - Are you supportive of the principle of the CP?

- 5.4 All consultation respondents supported the principle of the CP.
- 5.5 In addition, one consultation respondent added that it did not believe the CP went far enough, as it does not consider the impact on other customers who have changed capacity in the 24-month period but have not triggered the 50% clause or have not sought reallocation.

### Question 3 - Are there any other DCUSA changes that you are aware of that this Change could impact? If so, please provide the change numbers and your rationale.

- 5.6 One consultation respondent identified DCP 407 as a potential interaction with this CP due to the CP proposing to amend Section 6 of Schedule 32 to ensure a fair allocation of a Final Demand Site with a phased MIC, comparable to one without a phased MIC.
- 5.7 Three consultation respondents also referred to DCP 389, as identified by the Working Group. In summary the following comments were made regarding either CPs:
- care is required as there may be interactions between all three of these CPs; and
  - consideration needs to be given to what, if anything, can be done in the absence of an earlier decision on DCP 389 to avoid the need to raise a further CP if both DCP 389 and DCP 410 were approved.

**Question 4 - Do you consider that the proposal better facilitates the DCUSA Charging Objectives? Please give supporting reasons.**

5.8 All consultation respondents agreed that the CP better facilitates DCUSA Charging Objective 2. In support of this objective respondents quoted the following:

- “by removing methodology barriers which could unfairly reallocate sites to the wrong band”;
- “will be positively impacted for single sites that have changed capacity by more than 50% within the 24-month period to be used for the banding allocation exercise”;
- “this proposal sets out to ‘reduce harmful distortions which impact competition in the market’; and
- “it will allow sites to be allocated to an appropriate residual charging band based on a fairer assessment of the average capacity/consumption and thus would promote enhanced competition among similar end users”.

**Question 5 - Are you aware of any wider industry developments that may impact upon or be impacted by this DCP?**

5.9 No consultation respondents identified any wider industry developments of concern.

**Question 6 - Are you supportive of the proposed implementation date?**

5.10 Four of the consultation respondents were supportive of the proposed implementation date.

5.11 The other consultation respondent stated that it believed the Working Group had misinterpreted the legal text and that the change needs to be implemented by April 2024 to be used for the next round of banding allocations, rather than by April 2023. It further clarified that the legal text states the data needs to be provided to the banding agent by 3 March in year t-3, which would be 31 March 2024 (i.e., March in the 2023/24 regulatory year).

**Question 7 - Do you have any comments on the draft legal text?**

5.12 Three consultation respondents made no further comments on the draft legal text.

5.13 One consultation respondent suggested an amendment of the legal text to improve understanding by the layperson, by changing “following the effective from date of the reallocation” to “following the date of the band reallocation”.

5.14 Another consultation respondent explained that DCP 410 goes some way to addressing the concerns it set it in DCP 360 ‘Ofgem Targeted Charging Review Implementation: Allocation to Bands and Interventions’, where it did not support the ‘blind average’ approach taken to allocating a Final Demand Site to a charging band. It argued for a more proactive approach which it considered would reduce the potential for:

- reallocations mid-price control period; and
- disputes raised by customers.

## 6 Working Group Conclusions & Final Solution

- 6.1 The Working Group reviewed the responses and noted that the consultation respondents supported the intent and the principles of the CP.
- 6.2 The Working Group identified the following areas from the consultation responses for further consideration:
- Sites that did not trigger the 50% threshold;
  - in flight CPs; and
  - legal text amendments.
- 6.3 Consideration to the DCUSA objectives and the implementation date and will be covered under section 7 and 9 below.

### **Sites that did not trigger the 50% threshold**

- 6.4 The respondent to the consultation stated that the principles of the change did not go far enough and suggested that this change should consider all sites where a change of MIC was made irrespective of whether they triggered the 50 % threshold within the 24 month assessment period. They should also be considered by either without a materiality test or a reduced one set at 20% rather than the 50% threshold used in the exceptional circumstances process.
- 6.5 After discussing this suggestion, the Working Group agreed that this would mean that the transmission price control process and that of mid price control process undertaken by either the exceptional circumstances process or the disputes process would be measured against a different set of criteria and create a divergence (equally identified by the respondent).
- 6.6 The Working Group agreed that the same threshold should apply, and that this suggestion is considered out of scope. In addition, it was suggested that any agreement to amend the scope would mean that the Panel would also need to approve a further scope change and the resultant legal text be subject to a further consultation.

### **In flight change proposals**

- 6.7 In addition to DCP389 identified by the Working Group a further change was identified, that of DCP 407 as a potential interaction due to this CP amending Section 6 of Schedule 32 to ensure a fair allocation of a Final Demand Site with a phased MIC comparable to one without a phased MIC.
- 6.8 DCP407 is also under development and close to the Change Report being submitted to the Pane. Both are likely to be with the Authority for approval at the same time.
- 6.9 The Working Group believe that if DCP389 had been approved at the time of this CP, its outcome would have been incorporated into this CP and, similarly, DCP407. It is likely that if this CP is also approved a further CP will be required to consider the changes made under DCP389 and/or DCP407.



## Legal text amendments

- 6.10 The suggested rewording of “following the effective from date of the reallocation” to “following the date of the band reallocation”, was discussed. The Working Group agreed to amend the text but to a slightly different version “following the date when the band reallocation became effective”.

## 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 Charging Objectives are better facilitated by DCP 410.

	DCUSA Charging Objectives	Identified impact
<input 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	Neutral
<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 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

- 7.3 The Working Group's view is that this change will better facilitate DCUSA Charging Objective 2, as it will allow sites to be allocated to an appropriate residual charging band based on a fairer assessment of the average capacity/consumption and thus would facilitate competition among similar end users.



7.4 The Working Group's view is that there is a neutral impact on the rest of the objectives.

## 8 Impacts & Other Considerations

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

8.1 No impact.

**Does this Change Proposal impact Other Codes?**

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

**Consideration of Wider Industry Impacts?**

8.2 No wider industry impacts were identified.

## 9 Implementation

9.1 The proposed implementation date for DCP 410 is 5 working days after Authority approval but no later than 1 April 2024. This is to ensure that the re-banding associated with the transmission price control reflects the changes suggested within the CP, i.e., just prior to the re-banding process to be undertaken as indicated in paragraph 3.2 earlier in this document.

## 10 Legal Text

10.1 The legal text for DCP 410 has been reviewed by the DCUSA legal advisors and is provided as Attachment 1.

10.2 The DCP 410 legal text introduces amendments to Schedule 32 specifically to section 4 in addition to a new paragraph within it as highlighted below.

- Paragraphs 4.1, 4.2 and 4.3 have been amended to include a reference to new paragraph 4.2A; and
- A new paragraph 4.2A which states:

If a Final Demand Site has been reallocated to a different charging band in accordance with Paragraph 6.1 or 7.17 with effect from a time which falls within the 24 months before the time of the assessment under Paragraph 4.1 or 4.2, then the time period used for the purposes of such assessment shall be the time since the date when the last band reallocation became effective.

10.3 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 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 amendment and to vote on DCP 410.

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 410 Legal Text
- Attachment 2 - DCP 410 Voting Form
- Attachment 3 - Consultation Responses & Working Group Comments
- Attachment 4 - DCP 410 Change Proposal