

DCP 410

‘Fairer re-assessment of the allocation of Final Demand Sites prior to subsequent price control periods’

COLLATED CONSULTATION RESPONSES WITH WORKING GROUP COMMENTS

Company	Confidential/ Anonymous	1. Do you understand the intent of the CP?	Working Group Comments
SP Energy Networks	Non-confidential	Yes	Noted.
Northern Powergrid	Non-confidential	Yes	Noted.
Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc	Non-confidential	Yes	Noted.
National Grid Electricity Distribution	Non-confidential	Yes	Noted.
UK Power Networks	Non-confidential	Yes	Noted.
SSE Generation	Non-confidential	Yes, we do.	Noted.
Working Group Conclusions: All respondents understood the intent.			

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Company	Confidential/ Anonymous	2. Are you supportive of the principle of the CP?	Working Group Comments
SP Energy Networks	Non-confidential	Yes	Noted.
Northern Powergrid	Non-confidential	<p>Yes. We agree that issue of fairness needs to be addressed where a site has been reallocated to a different band within the 24 months to be averaged for the banding allocation exercise. However, we do not think this CP goes far enough, as it does not consider the impact on other customers who have changed capacity within the 24-month period but have not triggered the 50% clause or have not sought a reallocation (e.g. if banding was not transparent to a customer).</p> <p>- These would be ineligible for reallocation under the proposed changes to section 6 of Schedule 32 and would therefore be banded on an average including some months at their old capacity, which could see them allocated into a different (perhaps ‘unfair’) band.</p>	<p>This was raised during discussions on DCP 359, and the WG moved to the TCR decision of a 24 month average. This is specific to the process related to the transmission price control. The WG deem this to be out of scope. The party can raise a change if they believe it is sensible to do so.</p>

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		<ul style="list-style-type: none">- A customer could be in a higher band in two successive banding periods because they have not reduced their capacity by more than 50% and because of the timing of that reduction. If the reduction was before the 24-month period they would be allocated to a band based on the lower capacity, but if it was within the 24-month period then some months at the old capacity will be included which could see them allocated to a different band.- Most customers will be unaware of the months to be included in the 24-month average and therefore cannot ensure that they request any changes in capacity before this period begins. Further, and in line with Ofgem’s TCR decision, residual charges should not incentivise behaviour. Hence, it is arguably not preferable that a customer should seek to change in a certain way – at a certain time – to influence the outcome of what is in simple terms a cost-recovery mechanism.- The 24-month period to be used for the next allocation process includes several months from before the TCR changes were implemented in Apr-22, meaning that it is likely that most customers were not aware of the impacts of the TCR change and the implications of higher MICs in time to request changes to their MICs which will impact the next allocation exercise.- It is possible that two sites with the same starting MIC and reducing by the same amount (<50%) could be allocated to different bands depending on the effective from date of their change in capacity.	
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Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc	Non- confidential	Yes	Noted.
National Grid Electricity Distribution	Non- confidential	Yes	Noted.
UK Power Networks	Non- confidential	Yes	Noted.
SSE Generation	Non- confidential	Yes, we are.	Noted.
<p>Working Group Conclusions:</p> <p>The WG noted that all bar one respondent supported the principles of the change. The other believed that the change did not go far enough. The suggested change aligned with their thinking during the initial TCR change proposal DCP 359. The WG agreed that this change is specific to the process related to the transmission price control and will only consider those changes impacted by the exceptional circumstances and the dispute process so that the same principle applies to all other sites as the initial banding process.</p>			

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Company	Confidential/ Anonymous	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.	Working Group Comments
SP Energy Networks	Non-confidential	No	Noted.
Northern Powergrid	Non-confidential	Yes. DCP407 ‘Access SCR: Speculative Development’ also proposes 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). DCP407 is likely to impact paragraph 6.5, which is also proposed to be amended by DCP389 as identified by the Working Group.. In our DCP407 consultation response, we proposed changes to the wording that would be implemented by DCP389, therefore all of these CPs may be ‘interactive’ and therefore additional care needs to be taken.	ACTION – WG to look at potential impacts/interactions with DCP 407
Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc	Non-confidential	DCP 389 would be impacted by this change, as 389 looks to introduce an annual review. If this change was to be implemented then the specific scenarios within the proposal could occur during the annual review and would need to be taken into account. We do not believe the introduction of this change proposal would make DCP 389 any less viable to implement and would make the annual review process fairer.	WG are aware of DCP 389 and await the Authority decision for next steps. If approved, WG could attempt to cater for it in the CP if time allows, or industry will need to consider a further Change.
National Grid Electricity Distribution	Non-confidential	No	Noted.

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UK Power Networks	Non-confidential	<p>As noted by the working group, DCP389 which has been with the Authority for a decision since 13 July, does have a potential impact upon this CP, and so consideration does need to be given to what (if anything) can be done, in the absence of an earlier Ofgem decision on DCP389, to avoid the need for a further CP were this CP and DCP389 to both be approved.</p>	<p>WG are aware of DCP 389 and await the Authority decision for next steps. If approved, WG could attempt to cater for it in the CP if time allows, or industry will need to consider a further Change.</p>
SSE Generation	Non-confidential	<p>We note that the Working Group has, in paragraph 4.4 of the consultation document, made reference to DCP389 which seeks to amend the same DCUSA Schedule (32), and which is currently with Ofgem for decision.</p> <p>We recognise that the two proposals are separate in that they apply to different stages of the residual banding process but we also consider that there are potential interactions which the Working Group should explore further.</p> <p>In particular, if Ofgem rejects DCP389 but approves DCP410, then the materiality threshold for triggering exceptional circumstances remains unchanged, i.e. re-banding could be triggered by relatively small changes in a site's MIC (which the proposer considers an unintended outcome of the existing legal text), but following such a (potentially unfair) re-banding, the site may be more likely to retain its revised band (resulting in a continuation of the initial unfair outcome).</p> <p>We propose that the Working Group explores some scenarios to assess the potential impacts of this link between the two CPs where DCP389 is rejected but DCP410 is approved by the Authority.</p>	<p>Having subsequently tested this concern with some examples, no adverse effects were found. It was thought that it was due to the fact that the two CPs focus on different periods in the residual banding cycle.</p>

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Working Group Conclusions:

The working Group recognised the potential interaction with other in flight CPs and identified the need for a potential additional change or the change being sent back as part of the decisions made on the other CPs.

Company	Confidential/ Anonymous	4. Do you consider that the proposal better facilitates the DCUSA Charging Objectives? Please give supporting reasons.	Working Group Comments
SP Energy Networks	Non-confidential	Yes, we agree with the proposer that the change enacted by DCP 410 would facilitate better competition by removing methodology barriers which could unfairly reallocate sites to the wrong band.	Noted.
Northern Powergrid	Non-confidential	<p>Charging Objective 2 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.</p> <p>The impact remains negative for single sites that have changed capacity by less than 50% within the 24-month period, as described in our answer to Q2 above. Therefore, it is our view that this CP could have a greater positive impact on Charging Objective 2.</p>	Noted.
Scottish Hydro Electric Power Distribution plc and Southern	Non-confidential	Yes the proposal prevents customers being reallocated to ‘incorrect’ bands based on outdated data. In line with Objective 2 this proposal sets out to ‘reduce harmful distortions which impact competition in the market’.	Noted.

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Electric Power Distribution plc			
National Grid Electricity Distribution	Non-confidential	We agree that this change would have a positive effect on Charging Objective 2.	Noted.
UK Power Networks	Non-confidential	We are in agreement with the working group, 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 promote enhanced competition among similar end users.	Noted.
SSE Generation	Non-confidential	<p>As this CP is not for one of the Charging Methodologies, I believe that it is the General Objectives that should apply (rather than the Charging Objectives).</p> <p>1. The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks</p> <p>Impact: neutral</p> <p>2. The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity</p>	This schedule was introduced as part of Ofgem’s TCR so is being measured against the charging methodologies. DCUSA does not specify which schedules must be measured against which objectives.

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		<p>Impact: potentially positive, as it could allow sites to remain in a residual band following a reallocation, through the exceptional circumstances process, between the scheduled banding reviews. However, the impact of DCP410 could be negative in some instances if Ofgem rejects DCP389 – see our response to q.3.</p> <p>3. The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences</p> <p>Impact: neutral</p> <p>4. The promotion of efficiency in the implementation and administration of the DCUSA and the arrangements under it</p> <p>Impact: neutral</p> <p>5. Compliance with the EU Internal Market Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Cooperation of Energy Regulators.</p> <p>Impact: cannot comment</p>	
<p>Working Group Conclusions:</p> <p>All respondents identified Charging Objective 2 as being better facilitated although one caveated this by suggesting that it may be negative in some instances if DCP389 is rejected.</p>			

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Company	Confidential/ Anonymous	5. Are you aware of any wider industry developments that may impact upon or be impacted by this DCP?	Working Group Comments
SP Energy Networks	Non-confidential	No	Noted.
Northern Powergrid	Non-confidential	No	Noted.
Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc	Non-confidential	No	Noted.
National Grid Electricity Distribution	Non-confidential	No	Noted.
UK Power Networks	Non-confidential	No	Noted.
SSE Generation	Non-confidential	We have no comments at this time.	Noted.
Working Group Conclusions: The Working Group noted that there were no wider industry developments impacting this CP.			

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Company	Confidential/ Anonymous	6. Are you supportive of the proposed implementation date?	Working Group Comments
SP Energy Networks	Non-confidential	Yes	Noted.
Northern Powergrid	Non-confidential	<p>We believe that the legal text has been misinterpreted by the working group and that the change needs to be implemented by Apr-24 in order to be used for the next round of banding allocations rather than Apr-23.</p> <p>The legal text specifies that the data needs to be provided to the banding agent by 31 March in year t-3, which would be 31 March 2024 (i.e. March in the 2023/24 regulatory year), therefore this could be implemented by Apr-24 at the latest.</p>	WG agree to review the implementation date. End date requires 12 months to be added, having reviewed paragraph 3.1 of the legal text.
Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc	Non-confidential	Yes	Noted.

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National Grid Electricity Distribution	Non-confidential	Yes	Noted.
UK Power Networks	Non-confidential	Yes	Noted.
SSE Generation	Non-confidential	We agree with the proposed implementation date of no later than 1 April 2023, to ensure that the change is made in time for the next transmission price control residual banding review.	WG agree to review the implementation date. End date requires 12 months to be added, having reviewed paragraph 3.1 of the legal text.
<p>Working Group Conclusions:</p> <p>The WG agreed that they misinterpreted the legal text and that the end date is 2024 and not 2023.</p>			

Company	Confidential/ Anonymous	7. Do you have any comments on the draft legal text?	Working Group Comments
SP Energy Networks	Non-confidential	The new paragraphs of legal text all end with “following the effective from date of the reallocation”. This does not read well, we would suggest rewording slightly to “following the date of the band reallocation”, to enhance understanding for the layperson.	ACTION - Amend legal text to ‘following the date when the band reallocation became effective’.

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Northern Powergrid	Non-confidential	<p>This CP goes someway to address the concerns we set out in DCP360 ‘Ofgem Targeted Charging Review Implementation: Allocation to Bands and Interventions’, where we did not support the ‘blind average’ approach taken to allocating a Final Demand Site to a charging band. We argued for a more proactive approach which we considered would reduce the potential for:</p> <ul style="list-style-type: none">▪ reallocations mid-price control period; and▪ disputes raised by customers. <p>However, this CP does not go far enough.</p> <p>We propose that the legal text is amended to allow a DNO/IDNO Party to consider changes in MIC during the period in which average data is being assessed and which is not restricted to where a Final Demand Site has been reallocated in the previous fixed banding period via the exceptional circumstances. We do not think that this necessarily needs to be subject to a prescriptive materiality test but we recognise that the absence of such a defined threshold may lead to inconsistent approaches taken by different DNO/IDNO Party(ies). As such, the Working Group should consider a lower threshold to satisfy this test when initially allocating a Final Demand Site to a charging band, such as [20%]. Whilst this threshold may be arbitrary, the 50% test that exists now is equally so.</p>	As mentioned in response to question 2, WG agree not in scope of this change.
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		We recognise that either method would create divergence between the revised allocation approach (to be implemented by this CP) and the exceptional circumstances set out in section 6 of Schedule 32. It is our view that facilitating allocation of a Final Demand Site to the appropriate charging band would reduce the number of customers seeking reallocation mid-period – and therefore a change to the materiality applicable to exceptional circumstances is not necessary to justify this CP being implemented (i.e. different approaches to materiality can be justified).	
Scottish Hydro Electric Power Distribution plc and Southern Electric Power Distribution plc	Non-confidential	No	Noted.
National Grid Electricity Distribution	Non-confidential	No	Noted.
UK Power Networks	Non-confidential	No	Noted.

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SSE Generation	Non-confidential	<p><u>Disputes process</u></p> <p>Paragraph 4.9 of the consultation document sets out that “the Proposer and the Working Group agree that the disputes process is equally impacted, and its inclusion meets the spirit of the change. The Working Group is seeking confirmation from the Panel for this minor amendment to the scope of the change. The legal text includes the amendment [by referencing para 7.17] while the Working Group seeks approval from the Panel. If approved the summary section will be updated at the change report stage.”</p> <p>We consider that good practice has not been followed in this instance because:</p> <ul style="list-style-type: none"> As it stands, the DCUSA Panel may redirect the Working Group if any development and refinement the revised intent is not reasonable and appropriate, after the consultation. We consider that the Working Group should have awaited the Panel's advice on this matter before issuing the consultation so that stakeholders would have had the opportunity to take account of this in their responses. As a minimum we consider that the Working Group should have included a consultation question on this proposed amendment. 	Note the comment received. Future WGs to ensure similar situations are considered.
<p>Working Group Conclusions:</p> <p>The Working Group agreed to amend slightly the suggested text submitted by SPEN.</p> <p>The Working Group rejected the text submitted by NPg (linked to an earlier comment on the suggestion being out of scope.</p>			