









| DCUSA Change Proposal (DCP) | | At what stage is this document in the process? |
|---|---|--|
| <h1>DCP 406A:</h1> <h2>Access SCR: Changes to CCCM</h2> <p>Date Raised: 18 October 2022</p> <p>Proposer Name: Lee Wells</p> <p>Company Name: Northern Powergrid</p> <p>Party Category: DNO</p> | 01 – Change Proposal | |
| | 02 – Consultation | |
| | 03 – Change Report | |
| | 04 – Change Declaration | |
| <p>Purpose of Change Proposal:</p> <p>The purpose of this change proposal (CP) is to implement parts of Ofgem’s Access SCR Decision in respect of the Common Connections Charging methodology (CCCM). This CP seeks to address paragraphs 12 to 15 and 17 of the Access SCR Direction.</p> | | |
|  | <p>Governance:</p> <p>The Proposer recommends that this Change Proposal should be:</p> <ul style="list-style-type: none"> • Treated as a Part 1 Matter; • Treated as an Urgent Change; • Treated as an Authority Change; and • Progressed to the definition phase and for a Working Group to further refine the proposed solution. <p>The Panel will consider the proposer’s recommendation and determine the appropriate route.</p> | |
|  | <p>Impacted Parties:</p> <p>Suppliers, DNOs and IDNOs</p> | |
|  | <p>Impacted Clauses:</p> <p>Schedule 22 – Common Connections Charging Methodology</p> | |

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| Indicative Timeline | |  DCUSA@electralink.co.uk |
| The Secretariat recommends the following timetable: | |  020 7432 3011 |
| Initial Assessment Report | 20 October 2022 | Proposer: |
| Change Report Approved by Panel | 20 October 2022 | Lee Wells |
| Change Report issued for Voting | 20 October 2022 |  email address lee.wells@northernpowergrid.com |
| Party Voting Closes | 12pm, 03 November 2022 |  telephone 07885 712 226 |
| Change Declaration Issued to Parties | 03 November 2022 | |
| Change Declaration Issued to Authority | 03 November 2022 | |
| Authority Decision | TBC | |

1 Summary

What?

- 1.1 On 3 May 2022 Ofgem published its final decision on 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 changes to the connections boundary.
- 1.4 Regarding the distribution connection charging boundary, Ofgem has decided to:
 - Reduce the overall connection charge faced by those connecting to the distribution network. This includes (i) removing the contribution to wider network reinforcement for demand connections, and (ii) reducing the contribution to wider network reinforcement for generation connections.
 - Retain and strengthen existing protections for bill payers. This ensures that bill payers will be protected from cost increases associated with the most expensive types of connections. In these instances, the connecting customer will continue to be required to contribute more to the costs of reinforcement.

Why?

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

How?

- 1.6 Throughout the development of DCP 406 it became apparent that there was a need to develop four potential solutions. This was based on both the Working Group and Ofgem's request.
- 1.7 DCUSA governance only allows for two alternative solutions to be presented in a single CP. It was therefore determined that this DCP 406A should be raised to allow for all four options to be presented to Ofgem, when determining their decision.
- 1.8 DCP 406 presents two solutions:
 - Demand/Generation definitions aligned with the TCR (option 1b as presented in consultation)

- Demand/Generation definitions not aligned with the TCR (option 3b as presented in consultation)

- 1.9 In the first solution the definitions of Demand and Generation align with the TCR. The Working Group consider this to be consistent with the Access SCR Direction.
- 1.10 The second solution retains the principles of the TCR but takes into account the 'primary purpose' of a site in line with the Access SCR Decision.
- 1.11 A high-cost project threshold will also be introduced for a Demand Connection (in addition to the existing one for a Generation Connection) that results in customers contributing to any reinforcement at the same voltage and the one above the voltage of their point of connection.
- 1.12 The changes to the connection boundary caused the Working Group to review some of the existing charging principles to check alignment with Ofgem's policy intent. Two situations were identified that would result in potentially inequitable treatment of connection customers. In order to address this anomaly, changes have been made to Exemption 1 so that the assets remain Extension Assets and are paid for by the connection customer as they are necessary for the new connection to the site. A similar anomaly was identified by the Working Group when it reviewed the existing Exception 5. In order to address this, a new Exception is proposed that extends the principle from the current Exception 5 so that the new connection pays for the assets that connect it to the network.
- 1.13 After discussions, the Working Group agreed that DCP 406 solutions 1 and 2 should also be presented with the changes to exception 1 and the introduction of a new exception. This therefore created two additional alternative solutions.
- 1.14 This DCP 406A is raised in order to introduce the new Exception and amend the existing Exception 1.
- 1.15 This therefore creates four possible solutions as per the table below:

| | Demand/Generation definitions aligned with the TCR (option 1b as presented in consultation) | Demand/Generation definitions not aligned with the TCR (option 3b as presented in consultation) |
|---|---|---|
| Current Exceptions | DCP 406 Solution 1 | DCP 406 Solution 2 |
| New Exception 5 and changes to exception 1 | DCP 406A Solution | DCP 406A Solution |

2 Governance

Justification for Part 1 and Part 2 Matter

Requested Next Steps

- 2.1 This Change Proposal should:

- Be treated as a Part 1 Matter;
- Be treated as an Urgent Change
- Be treated as an Authority Change; and
- Proceed to the Working Group phase.

- 2.2 The implementation date directed in the Access SCR Decision is 1 April 2023 to align with the start of the RIIO-ED2 Price Control Period. The time available from the Access SCR Decision to this implementation date is therefore short. This therefore meets criteria 10.7 (A Change Proposal should be treated as urgent if it relates to a current or imminent issue that if not urgently addressed may cause one or more Parties to be in breach of the Relevant Instruments or other law) as failure to meet the implementation could put DNOs at risk of being in breach of a Relevant Instrument (i.e. the distribution licence in this case). This CP cannot be withdrawn without the Authority's consent to do so.
- 2.3 The Ofgem Access SCR decision has an implementation date of 1 April 2023.
- 2.4 In order to ensure that the Proposal(s) is/are capable of implementation by 1 April 2023, in its Direction, Ofgem directed the DNOs present to it a detailed plan no later than 31 May 2022. This plan should set out how they intend to work with other DNOs and other relevant industry stakeholders to ensure that the Proposal(s) is/are submitted to Ofgem for decision no later than 31 October 2022.

3 Why Change?

- 3.1 As noted this CP has been prepared in response to specific requirements set out in the Access SCR Direction, and modifications to the DCUSA in relation the CCCM to implement the changes to the connection charging boundary arrangements set out in the Access SCR Decision. Specifically, this change has been raised to address paragraphs 12 to 15 and paragraph 17 of Ofgem's Access SCR Direction, which have been set out below for reference:

Distribution connection charge boundary¹

12) *Reforms to distribution connection Cost Allocation rules² as defined in the Common Connection Charging Methodology (CCCM) under DCUSA Schedule 22³ are explained under 'Details of our Decision' in Chapter 3 of the Access SCR Decision (Decision on the Distribution Connection Charging Boundary), specifically in the following sections:*

- i) *'Definition of Demand and Generation Connections', paragraphs 3.37 – 3.42*
- ii) *'DUoS mitigations: the high-cost cap', paragraphs 3.50 – 3.67*
- iii) *'DUoS mitigations: speculative developments', paragraphs 3.68 – 3.79*

¹ Reforms set out under 'Distribution connection charge boundary' pertain to Part B of Electricity Distribution Standard Licence Condition 13A, which does not apply to IDNOs

² Informally referred to as the distribution connection charge boundary in the Decision

³ DCUSA Schedule 22 (the CCCM) is available here: <https://www.dcusa.co.uk/dcusa-document/>

13) *The Proposal(s) must set out definitions of:*

- i) *Demand Connection which should encompass all connections which would be classed as a Final Demand Site for the purposes of Schedule 32 of the DCUSA, and any other terms considered necessary for purposes of connection charging.*
- ii) *Generation Connection which should encompass all connections which would not be classed as a Final Demand Site for the purposes of Schedule 32 of DCUSA, including Non-Final Demand Sites, and any other terms considered necessary for purposes of connection charging.*
- iii) *Generation high-cost project threshold⁴ set at £200/kW, calculated using Reinforcement at the voltage at Point of Connection plus the voltage above, which will supersede the informal definition in DCUSA Schedule 22 Clause 1.15.*
- iv) *Demand high-cost project threshold set at £1720/kVA, calculated using Reinforcement at the voltage at Point of Connection plus the voltage above.*
- v) *Any additional terms considered necessary to give effect to this Direction.*

14) *The Proposal(s) should result in cost allocation for Generation Connections as follows:*

- i) *The costs of Reinforcement at the voltage of the Point of Connection should be apportioned between the customer and the DNO using the existing cost apportionment factor methodology set out in the CCCM⁵, excepting where the Generation high-cost project threshold is exceeded, or where other exceptions⁶ apply.*
- ii) *Where the Generation high-cost project threshold is exceeded, the sum of Reinforcement costs at the voltage of the Point of Connection and the voltage above in excess of the threshold should be paid in full by the customer. Reinforcement costs below the threshold should be apportioned between the customer and the DNO using the existing cost apportionment factor methodology set out in the CCCM, including where these costs are at the voltage above the Point of Connection.*
- iii) *For the avoidance of doubt, Reinforcement costs at one or more voltages above the Point of Connection should be paid in full by the DNO, and the cost of Extension Assets will continue to be paid in full by the connecting customer.*
- iv) *The above cost allocations will be superseded where exceptions apply.*

15) *The Proposal(s) should result in cost allocation for Demand Connections as follows:*

- i) *The cost of Reinforcement should be paid in full by the DNO, excepting where the Demand high-cost project threshold is exceeded, or where other exceptions¹⁸ apply.*
- ii) *Where the Demand high-cost project threshold is exceeded, the sum of Reinforcement costs at the voltage of the Point of Connection and the voltage above in excess of the threshold should be paid in full by the customer. Reinforcement costs below the threshold will be paid in full by the DNO, including where these costs are at the voltage above the Point of Connection.*
- iii) *For the avoidance of doubt, the cost of Extension Assets will continue to be paid in full by*

⁴ A high-cost project threshold for generation is defined for generation in DCUSA Schedule 22, Clause 1.15, and is informally referred to as a high-cost cap or HCC in the Access SCR Decision.

⁵ The existing cost apportionment factor methodology is set out in DCUSA Schedule 22, Clause 1.23

⁶ By way of example, but not limited to, the treatment of Speculative Developments, as outlined in paragraph 16 of the Direction.

connecting customers.

iv) *The above cost allocations will be superseded where exceptions apply.*

17) *The Proposal(s) should ensure that:*

- i) *Terms are reflected throughout Schedule 22 (the CCCM) of the DCUSA, including worked examples.*
- ii) *For the avoidance of doubt, the following terms will continue to reflect their current purpose under the new connection charging boundaries:*
 - a) *Three phase connections*
 - b) *The Minimum Scheme*
 - c) *An Enhanced Scheme*
 - d) *Point of Connection*

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 Solution and Legal Text

Legal Text

4.1 The draft legal text is attached in a document the covers the Charging Methodology and Glossary of Terms.

Text Commentary

4.2 The legal text has been developed to fulfil the intent of the Ofgem decision in terms of changes to connections charging.

5 Code Specific Matters

Reference Documents

5.1 Ofgem Decision and Direction on Access SCR which can be found [here](#).

6 Relevant Objectives

| | DCUSA General Objectives | Identified impact |
|--------------------------|--|-------------------|
| <input type="checkbox"/> | 1. The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks | None |

| | | |
|--------------------------|--|------|
| <input type="checkbox"/> | 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 | None |
| <input type="checkbox"/> | 3. The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences | None |
| <input type="checkbox"/> | 4. The promotion of efficiency in the implementation and administration of the DCUSA | None |
| <input type="checkbox"/> | 5. 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. | None |

| | DCUSA Charging Objectives | Identified impact |
|-------------------------------------|--|-------------------|
| <input checked="" type="checkbox"/> | 1. That compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence | Positive |
| <input checked="" type="checkbox"/> | 2. That compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences) | Neutral |
| <input checked="" type="checkbox"/> | 3. That compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business | Negative |
| <input checked="" type="checkbox"/> | 4. That, so far as is consistent with Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business | Neutral |
| <input type="checkbox"/> | 5. That compliance by each DNO Party with the Charging Methodologies facilitates compliance with the EU Internal Market Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators; and | None |
| <input checked="" type="checkbox"/> | 6. That compliance with the Charging Methodologies promotes efficiency in its own implementation and administration. | Negative |

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

6.2 The changes result in less costs being charged to the connecting customer and therefore more costs recovered through DUoS. How DUoS costs are recovered is not in scope of this change proposal and therefore may require reviewing to ensure desired alignment and cost recovery and is therefore potentially negative in relation to Objective 3.

- 6.3 The change also introduces different charging arrangements for demand and generation connections and therefore adds more complexity into the assessment of the type of connection so that the appropriate charging regime can be applied.

7 Impacts & Other Considerations

- 7.1 BEIS are intending to make changes to ECCR in parallel to ensure alignment of treatment of customers once this change is implemented.

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

- 7.2 This change removes/reduces the locational charge associated with new connections, this may be something that will be considered in the Forward Looking Charges phase of the Access SCR.

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

- 7.3 The issue has been subject to a number of industry consultations as part of the Access SCR process. In addition the ENA has held one briefing session for parties interested in joining a DCUSA working group on these changes and plans to hold another prior to the formal change process commencing.

Confidentiality

- 7.4 No parts of this CP are confidential.

8 Implementation

Proposed Implementation Date

- 8.1 1 April 2023.

9 Recommendations

The Code Administrator will provide a summary of any recommendations/determinations provided by the Panel in considering the initial Change Proposal. This will form part of a Final Change Report.