




DCUSA Consultation		At what stage is this document in the process?
<h1>DCP 414</h1> <h2>Transitional Protection for NHH CT</h2> <h3>Customers affected by regulatory change.</h3> <p>10 January 2023</p> <p>Standard Change</p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<b>Purpose of Change Proposal:</b> <p>DCP 414 seeks to provide transitional protection for Non-Half-Hourly Current Transformer customers moving to Half-Hourly settlement &amp; prevent penal excess capacity charges being applied to customers in any instance that the Maximum Import Capacity is a zero value because there is no site-specific connection agreement in place between users &amp; Distribution Network Operators.</p>		
	<p>This document is a Consultation issued to DCUSA Parties and any other interested Parties in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 414 'Transitional Protection for NHH CT Customers affected by regulatory change'</p> <p>The Working Group recommends that this Change Proposal should proceed to Consultation</p> <p>Parties are invited to consider the questions set in section 10 and submit comments using the form attached as Attachment 1 to <a href="mailto:dcusa@electralink.co.uk">dcusa@electralink.co.uk</a> by <b>24 January 2023</b>. The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the Change Proposal (CP).</p>	
	 <p>Impacted Parties: Suppliers/DNOs/IDNOs</p>	
	<p>Impacted Clauses: Section 2A –Schedule 2B –Schedule 16 –Schedule 32</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	18 October 2022
Consultation one issued to Parties	14 November 2022
Consultation two issued to Parties	10 January 2023
Change Report issued to Panel	08 February 2023
Change Report issued for Voting	17 February 2023
Party Voting Ends	10 March 2023
Change Declaration Issued to Parties	14 March 2023
Change Declaration issued to Authority	14 March 2023
Authority Decision	TBC
Implementation Date	29 June 2023

## 1 Summary

### What?

- 1.1 The Proposer suggests that the purpose of this Change Proposal (CP) is threefold as follows:
- To remove the excess capacity rate on new Half-Hourly (HH) customers where there is no Maximum Import Capacity (MIC) available;
  - To make arrangements for the transitional protection for Non-Half-Hourly (NHH) Current Transformer (CT) customers affected by Balancing and Settlement Code (BSC) Modification P432<sup>1</sup> and Market-wide Half-Hourly Settlement (MHHS); and
  - To ensure a fair and consistent approach is adopted wherever a change of residual charging band occurs as a consequence of regulation change.

### Why?

- 1.2 BSC modification P432 'Half Hourly Settlement for CT Advanced Metering Systems' has been raised to enact the Code Change and Development Group (CCDG) recommendation to carry out Change of Measurement Class (CoMC) ahead of the required migration to the MHHS Target Operating Model, (TOM), on the basis that it is a key enabler to facilitate the transition of the Advanced metered segment to the MHHS TOM by placing obligations on BSC parties for CT Advanced Meters ahead of the migration to MHHS to become HH settled.
- 1.3 On 26th August 2022 the Authority decided to send back P432<sup>2</sup> citing two reasons that require further development to enable the authority to make a final decision. The first reason is in relation to the proposed timings to implement P432 in light of the current market conditions, which is being addressed by the P432 working group and explained further in later paragraphs. The second reason is in relation to the likelihood of excess capacity charges being applied to customers in scope of the P432 solution, for which this modification seeks to address. The below extract from Ofgem's Decision to send back P432 outlines:

*"We understand and appreciate the benefits of de-risking the MHHS Programme and as such agree with the recommendation made by the CCDG to migrate CT Advanced Meters ahead of MHHS migration. However, we also recognise that in current market conditions, which have changed since this modification's conception, it may not be appropriate to require suppliers to prioritise migration of CT meters over the coming months."*

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<sup>1</sup> [P432 'Half Hourly Settlement for CT Advanced Metering Systems' - Elexon BSC](#)

<sup>2</sup> [Decision to Send Back Modification P432 'Half Hourly Settlement for CT Advanced Metering Systems' | Ofgem](#)

*We also agree with concerns that costs to customers might increase inappropriately if their capacity requirements are not properly understood ahead of migration. We indicated in [our decision on DCP161](#)<sup>3</sup> that we expected Network Operators to engage with customers being moved to HH to ensure that appropriate capacity limits were being set. We understand that no code requirements have been introduced to ensure that this happens and that customers who are moved to HH in response to regulatory (rather than customer) requirements may be at risk of being exposed to higher prices than is appropriate for their usage. We consider that it is important, particularly in the context of current energy prices, that action is taken to address this generally, and specifically in relation to P432”*

## How?

- 1.4 This CP aims to create transitional protection for customers affected by P432 and for any other regulatory reason that requires users to move from NHH-HH including MHHS programme requirements<sup>4</sup>.
- 1.5 Many elements of the required protections have been provided by amending the transitional text implemented by DCP248<sup>5</sup> 'Providing protection for customers against being charged inappropriate capacity charges during the implementation of P272', as described in Clause 19 and Schedule 16, Part 4 of the DCUSA.

## Clause 19

- 1.6 The transitional protection section in Clause 19 has been amended to cater for P432 and any other CT Metering Points migrated during the MHHS Programme. In addition, an obligation has been placed on Supplier Parties to communicate with their customers, as part of the migration process, regarding the protection that is to be provided and the process to be adopted to assign a MIC value where none is agreed in advance.
- 1.7 Distributors contact details as defined in SLC 14 charging statements, usually found in paragraph 1.12, are to be provided by the supplier so those customers wishing to agree a MIC in advance of the migration can do so.

## Schedule 16 Part 4

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<sup>3</sup> [Decision to defer implementation of DCP161 | Ofgem](#)

<sup>4</sup> [Programme Overview - MHHS Programme](#)

<sup>5</sup> [Providing protection for customers against being charged inappropriate capacity charges during the implementation of P272 - DCUSA](#)

- 1.8 Currently this covers the provision to retrospectively apply the MIC for a period of 12 months for P272 “Mandatory Half Hourly Settlement for Profile Classes (PCs) 5-8”<sup>6</sup> migration. This has been amended to cater for P432 and CT Metering Points migrated during the MHHS Programme.
- 1.9 Rather than provide a sunset clause which closed off the provisions of P272 protection on 31<sup>st</sup> March 2017, this has been amended to 12 months from the migration date.
- 1.10 During this period an agreement between distributors and customers may be reached on the MIC to replace the default value. In such circumstances, the revised MIC will be applied retrospectively from the date of the migration. This ensures that where the MIC is agreed, the charges are backdated to the migration date so that the customer is protected from either excess capacity charges due to the default MIC being set too low or being overcharged capacity charges where it is set too high.
- 1.11 Where customers have not entered negotiations with the distributor to agree a MIC during the 12-month period, the distributor will re-assess the value based on the data received and the maximum demand values during the period and calculate a more appropriate value to replace the default value. The customer will also be notified of this revised value.

#### **Schedule 2B**

- 1.12 Schedule 2B “National Terms of Connection (NTC)”, Section 3, Clause 12 “Limitations of capacity” specifies that retrospective changes cannot be applied to the MIC. An additional clause has been added to make it clear that such clauses do not apply where Part 4 of Schedule 16 of the DCUSA is applicable.

#### **Schedule 32**

- 1.13 An amendment to the exceptional Circumstances section has also been added to paragraph 6.1A to provide an additional criterion to where a Final Demand Site may be reallocated to a different charging band. This now caters for where there is a change to the Maximum Import Capacity, in accordance with Part 4 of Schedule 16.

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<sup>6</sup> [P272 - Elexon BSC](#)

## 2 Governance

### Justification for Part 1 Or Part 2 Matter

2.1 This CP should be treated as a Part 1 Matter as it is likely to have a significant impact on the interests of electricity consumers (see Clause 9.4.1). It should also be noted that this has been raised following the Authority's decision to send back P432.

### Requested Next Steps

2.2 This CP should:

- Be treated as a Part 1 Matter;
- Be treated as a Standard Change; and
- Proceed to the Working Group consultation phase.

## 3 Why Change?

### Background of DCP 414

- 3.1 DCP 161 '[Excess Capacity Charges](#)<sup>7</sup>' implemented in April 2018 introduced the ability for DNOs to apply a excess capacity charge to reflect costs and charges a DNO could incur wherever sites demand exceeds the MIC.
- 3.2 In 2015, Ofgem deferred the implementation of DCP161 to enable industry to work through the bulk of NHH-HH migrations in line with P322 "Revised Implementation Arrangements for Mandatory Half Hourly Settlement for Profile Classes 5-8"<sup>8</sup>, resulting in DCP161 implementation 1 year later (as opposed to before) than the P272 mandate completed. This meant most customers that moved to HH via P272 were not charged at an I excess capacity charge, even those who had not agreed a MIC. Therefore, this presents a strong case to prevent excess capacity charges being levied on customer bills in the first instance, as opposed the reconciling once a MIC is agreed, which could take 12 months to achieve..
- 3.3 In addition, DCP 385 "[No Retrospective Capacity Reductions](#)" implemented on 4th November 2021 also prevents customers from retrospectively agreeing a MIC on the basis that capacity charges should send cost signals to reflect current and future (as opposed to retrospective) availability of capacity across a distribution network, in accordance with the Charging

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<sup>7</sup> [Excess Capacity Charges - DCUSA](#)

<sup>8</sup> [P322 - Elexon BSC](#)

Methodology (Schedule 16) and LC14 Charging Statements, any changes to the MIC are only applied going forwards.

- 3.4 DCP161 & DCP385 were implemented in a window between P272 in 2017 & P432 being raised in December 2021. DCUSA Schedule 16 (CDCM) part 4 provided protection for customers affected by BSC Modification P272, which was and remains a regulatory (rather than customer) requirement to move customers to HH. The scope of P272 focussed on moving PCs 05-08 meters only which by PC definition required settlement meters to have maximum demand (MD) recording capability. As such meters were configured to record a maximum demand (KW &/or KVA) resulting in Meter Point Administration Number (MPAN) allocation to the PCs 05-08 range. This requirement does not extend to meters allocated to PCs 01-04, reducing the likelihood of being able to collect the required data to inform the capacity level for each MIC.
- 3.5 DCP161 & DCP385 have addressed defects applicable to customers who are established CT HH customers, as such reversing the changes to cater for the remaining NHH CT customers to move into HH settlement could send inappropriate cost signals to the existing HH market, even if enacted on a temporary basis to facilitate the required CoMC activity

### Background to P432

- 3.6 The combined total of NHH CT Meters in scope of P432 and those not in scope of P432 (not advanced CT meters) is estimated to be 50,000 accounting for approximately 800 – 1,500 GWh per year [1-2% of the total Supplier Volume Allocation import volume] moving to HH Settlement via the existing CoMC process, such that all CT Metering Systems will be settled HH no later than migration for the Advanced segment under MHHS TOM.
- 3.7 If P432 is approved, then CoMC activity would see Domestic CT users transfer from Measurement Class A (NHH) to Measurement Class F (Domestic HH) and Non-Domestic CT users with Advanced CT meters connected transfer from Measurement Class A to Measurement Class C (more than 100kW) or Measurement Class E (100kW or less). DCUSA Schedule 16 (CDCM) outlines that where a non-domestic user moves from aggregated Distribution Use of System (DUoS) tariffs to site specific DUoS tariffs, capacity charges become a separate chargeable item, with a capacity charge rate and an excess capacity charge rate, with both rates charged on a p/kVA/day basis, and represented as such in the network bill, concurrent with the CoMC EFD.
- 3.8 As noted in Section 1 above, the Proposer suggests it may also be appropriate to consider further changes to better enable supplier and DNO sharing of information. The rationale for this suggestion is the potential that the P432 migration window could be more than 2 years and is likely to overlap with the MHHS TOM Transition. Ultimately the requirement to ensure a MIC is in place does not go away and in turn DCUSA parties should actively promote and collaborate to ensure a MIC is in place at the earliest opportunity, particularly where it can be informed by accurate information (e.g. customer data, loads tests etc) early. As such DNOs may want to understand and in turn plan their resource for agreeing MICs, which would require suppliers to share information on the basis that they control the CoMC process. As such it may be appropriate



to provide transitional clauses to facilitate such requirements in Section 2A – Distributor to supplier/Generator relationships.

- 3.9 The method of transition to HH settlement under P432 (Via CoMC) and MHHS Transition (TBC but likely to be by connection type) are going to be different, as measurement classes will not exist under the MHHS TOM arrangements. P432's current proposed migration window may also enable the ability for suppliers to migrate Advanced CT meters into the MHHS TOM rather than CoMC because the M11 "Advanced & UMS segment go live" MMHS programme milestone is earlier than the proposed completion date NHH-HH activity under P432. The issues that prevent a customer's ability to set a MIC in advance remain the same for both P432 and MHHS TOM, which provides the rationale for this modification to implement a solution that prevents excess capacity charging from occurring for the entire NHH CT metered population transitioning to HH settlement arrangements, as opposed to just Advanced CT meters impacted by P432's proposals.

### Additional Background to this CP

- 3.10 A key element in calculating a site specific kVA level requires the measurement of reactive power (kVArh) as well as active power (kWh) to HH settlement periods. Currently NHH advanced CT meters allocated to PC 01-04 do not have requirements in place to measure maximum demand. As such it is likely in many cases that the Meter Equipment Manager will be instructed to re-configure the advanced meter to include the reactive power recording measurements on the meter around the time the MPAN becomes HH, in order to meet requirements defined in each DNO's Licence condition (LC) 14 Use of System Charging Statements.
- 3.11 In practical terms, the reason why suppliers may choose to configure metering in line with the MPAN HH EFD is because the act of re-programming an advanced meter may result in the loss of required NHH tariff configurations, which form a key part of NHH settlement arrangements as well as customer billing.
- 3.12 This means that many of the existing NHH advanced CT meters in scope of P432 will not currently be recording reactive power measurements of any kind. This makes it challenging for customers to accurately inform the MIC ahead of moving to HH settlement, leading to customer exposure against the excess capacity charging rate for any capacity taken above the MIC. Conversely if an assumption of reactive power is made (e.g. through a power factor assumption if historical active power HH data is available) then the MIC level could be set too high, which could not be retrospectively adjusted because of the DCP385 solution. As such calculating and agreeing a MIC with a customer in advance of moving to HH settlement is both problematic and can cause financial detriment to customers by being exposed to higher prices than is appropriate for their use of the network.
- 3.13 If suppliers were to CoMC NHH advanced CT customers to HH settlement from PC 03-04 without customers agreeing a MIC with their DNO, therefore resulting in a zero MIC being applied to the MPAN, capacity charges could be levied only on the higher excess capacity charging rates for all demand.



## 4 Code Specific Matters

4.1 It should be noted that a meeting was held between Elexon, ElectraLink, Ofgem and the Proposer on 09 September 2022 to discuss the raising of this CP following the Authority's send back of and covered:

- The DCUSA progression route and timelines,
- Whether Ofgem have considered DCP248 as a possible solution,
- Further clarification on addressing issues for customers that were migrated under P272, and
- Communication between DNOs and customers.

4.2 There was a further meeting on 16 September 2022, and following this meeting Ofgem have indicated that they will need to take a decision on P432 by 29 March 2023 and that ideally, Ofgem would be able to take a decision on P432 having already received the DCUSA Change Declaration for this CP. This is reflected within the P432 Send Back Consultation which was issued on 11 October 2022 with the inclusion of the below text:

*"Ofgem require this DCUSA modification to come into force before P432 obligations come into force. The P432 Workgroup are of the view, including the DCUSA modification Proposer, that this is reasonably achievable given their revised P432 Implementation Date of 29 June 2023. The Workgroup included a DCUSA representative who confirmed, subject to how Workgroup discussions and impact assessments unfold, should be achievable, particularly given the request from Ofgem to treat this as a priority. "*

## 5 Working Group Assessment

### DCP 414 Working Group Assessment

- 5.1 The DCUSA Panel established a Working Group to assess DCP 414. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website<sup>9</sup>.
- 5.2 The Proposer walked the Working Group through the CP and noted that it has been raised following Ofgem's send back of BSC modification P432. The proposer explained that this was sent back to ensure that costs to customers do not increase inappropriately if their capacity requirements are not properly understood ahead of migration. Ofgem also stated that no code requirements have been introduced to ensure that this happens and that customers who are moved to HH in response to regulatory (rather than customer) requirements may be at risk of

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<sup>9</sup> [www.dcusa.co.uk](http://www.dcusa.co.uk)

being exposed to higher prices than is appropriate for their usage. An extract of the Ofgem statement is in paragraph 1.3 together with a link to the P432 send back decision document.

- 5.3 The proposer also noted that it was clear that this CP could extend to MHHS itself. As P432 scope is limited to advanced meters it will not cover non-advanced meters moving into the MHHS TOM. Therefore, this same methodology could be applied to the MHHS migration.
- 5.4 The CP will also need to consider other transitional protections that will be needed for these customers and ultimately the proposal was seeking to have a fairer and more transparent way of charging customers entering the HH market.

#### **Implementation for DCP 414**

- 5.5 One Working Group member raised a concern that in the past some of these HH changes haven't been communicated to customers as effectively as they should be, especially some of the charges that are later applied and that in hindsight it would have been more appropriate for Suppliers rather than distributors to have communicated these changes to customers. The proposer advised that this has been raised as a point that needs to be considered by the Working Group within the proposal.
- 5.6 The Working Group also considered timelines and it was explained that P432 had an implementation date of June 2023 as long as the Ofgem decision is made by April. If the Ofgem decision comes later than April 2023 the implementation date will be 3 months post decision. Based on this the implementation date the suggested date for DCP 414 was also June 2023.
- 5.7 It was also explained by the proposer that Ofgem were expecting to have DCP 414 back by February 2023. The Working Group member from Ofgem validated this and advised getting this CP back to them as early in February would be helpful but no later than the end of February 2023 as the position with the BSC Modification is that Ofgem weren't comfortable for that activity to begin until a solution is set in place on the DCUSA side.

#### **Consultation 1**

- 5.8 The Working Group issued a consultation on the current process, P272 protection lessons learned and the potential impacted areas of DCUSA.
- 5.9 The Working Group discussed the communication between parties and customers. During DCP 248 '[Providing protection for customers against being charged inappropriate capacity charges during the implementation of P272](#)', this was distributor led. The Working Group agreed to explore this further with contributions from suppliers. In order for this to be developed, it was helpful to understand if there are any lessons learned from the industry changes raised to support the migration due to P272, so a question was raised regarding this.
- 5.10 The Working Group discussed the current Change of Measurement Class process specifically where this related to CT customers moving from NHH to HH measurement classes that would

result in tariffs with a capacity charge. A series of questions were developed which the Working Group believe would assist in developing the solution.

- 5.11 Another area the Working Group wanted further information was whether the current process was automated or manual, and if the former what would the likely system impact be as a consequence of the currently proposed solution.
- 5.12 The first consultation was issued to parties on 14 November 2022. There were nine responses received to the consultation. The Working Groups conclusions can be found in **Attachment 3** with a summary of each is shown below.

#### Question 1 – Do you understand the intent of the CP?

- 5.13 All respondents to the consultation understood the intent of DCP 414.

#### Question 2 –Are you supportive of the principles of the CP?

- 5.14 Six of the Respondents supported the principles of DCP 414, three of them did not.
- 5.15 One response stated, “This change will create an unlevel playing field for customers of the same type i.e., those customers who have historically traded as HH and there does not appear to be a rationale for treating customers differently”.
- 5.16 The Working Group’s response was that this is a set of customers who don’t have a MIC agreed with the distributor and this change is putting in protections for those customers. A similar approach to protecting customers was adopted for P272 within DCUSA.
- 5.17 Another respondent stated they had clearly documented their objections to BSC P432 and cannot support DCP 414 for the same reasons. The third respondent also cited their concern over P432. The Working Group noted the objections.

#### Question 3 – are there any lessons from P272 or other industry changes that would benefit this CP, specifically any communication improvements?

- 5.18 Several lessons and benefits to help develop this change proposal were identified namely:
- having as long as possible for the transition period so parties have plenty of opportunity to get accurate data and to allow enough time to develop the best solution;
  - the communications should be supplier led as the experience from P272 was the communications from distributors were largely ignored by customers or didn’t get to the correct recipient as distributors customer contact information wasn’t as robust as suppliers;
  - CP 1558 will help to identify the sites that will be impacted by this change by identifying the connection types within MPAS. It was stated that better communication between suppliers and distributors to obtain the correct data will also be helpful;

- an education piece for customers would support the change as this would help customers understand why the changes were happening and what the change meant; and
- understanding what a site is used for would be useful when assigning a MIC where MD data is not available.

#### **Question 4 – If a customer changes from Non-Hour-Hour(NHH) to Half-Hour (HH) what is your process for setting up capacity values and residual charges?**

5.19 The respondents use a variety of methods ranging from:

- Use data provided by the customer;
- Where a customer has a known agreed capacity this will be used for billing and setting the residual charge band;
- The use of default values.
- suppliers provided capacities for some sites as part of P272. Residual bands will fall out of the agreed capacity'.

5.20 One respondent noted that they still have circa 3,000 Profile Class 5-8 HH MPANs that they have been unable to migrate as part of P272. Whilst other respondents didn't provide volumes it was noted by many others that they also had some unmigrated MPANs as part of P272.

#### **Question 5 – How many NHH CT customers do you have that require migration and are suppliers are expecting to consider a mass migration approach?**

5.21 Based on the responses this could equate to 60,000 customers in total. P432 suggested around 50,000 impacted customers which is derived from data in 2018.

5.22 For the suppliers who responded, one stated that they would align with contract renewals rather than a mass migration and the other didn't provide a response.

#### **Question 6 – Is your process for moving customers from NHH to HH manual or automated?**

5.23 Half of the respondents who answered said the process was automated, the other half manual.

5.24 Both supplier respondents indicated a manual process, one of the suppliers hope to automate the P432 migration.

#### **Question 7 – What are the impacts to excess charging during the transition period?**

5.25 Many respondents mentioned that if the process was to charge the customer at the non excess capacity rates on the total demand once they have migrated to HH settled, in the absence of a valid MIC, new tariffs, new Market Domain Data and new Line Loss Factor Classes would indicate an implementation date of April 2025, and this would require changed to the CDCM, unless a derogation was granted as CDCM changes typically take no less than 15 months and

large changes to billing systems and a data cleanse activity would be required which can take up to six months to test and implement.

- 5.26 One respondent raised that a similar process could be introduced similar to the P272 process by having a default MIC and a reconciliation process.

#### **Question 8 – Are you aware of any wider industry developments that may impact upon or be impacted by this CP?**

- 5.27 The majority pointed to the MHHS Programme with another mentioning the proposed DUoS SCR which is currently with the Authority.
- 5.28 Another respondent pointed to a reverse migration phase within the MHHS Programme where a site may move to HH and then move back to NHH.
- 5.29 One respondent advised that they would encourage their customers to action that would take metering points out of scope, back out of scope such as to seek the removal of distributor assets such as CT chambers where the customer's capacity requirements did not require them.

#### **Question 9– What date do you believe this change proposal should be implemented? Please provide rationale?**

- 5.30 Most of the responses (seven) said that if the change is approved the implementation date should be in line with P432.
- 5.31 Another respondent raised that as billing systems required changing, the testing period for these changes can take up to 6 months so there was a risk that the initial stated implementation date for DCP 414 (June 2023) would create a risk as there wouldn't be enough time to rigorously test the changes that would be needed.
- 5.32 Another respondent stated that April 2025 would be an appropriate implementation date due to the reasons set out in the response to question 7.

#### **Question 10– What legal text changes do you believe are required to facilitate this change?**

- 5.33 Most respondents stated that as the solution was unknown at this time they couldn't comment.
- 5.34 One respondent provided text changes to both Part 4 of Schedule 16 and to the National Terms of Connection contained within Schedule 2B.
- 5.35 One respondent noted that in addition to the changes highlighted in the change proposal, Schedule 32 may also require changes citing Paragraph 6 covering exceptional circumstances.

#### **Question 11– Do you have any further comments on this change proposal?**

- 5.36 There were a number of different comments raised to this question ranging from:
- CP 1558 supporting the change as it helps identify the customer types;

- MHHS reverse migration;
- customers should remain on aggregated DUoS tariffs until MHHS transition completes, rather than move to site specific charging;
- excess capacity charges (exceeding the assigned MIC) shouldn't be applied by the distributors for the first 12 months of HH settlement of a P432 migrated; and
- to treat the customers the same as in P272, allocate a default capacity with the option to backdate for 12 months. This would be the easiest option from a system perspective.
- One respondent did not agree that a MIC level should be set solely based on peak kVA recorded as there are some cases where the maximum demand required may not be within the capability of the connection to the premises.

## Proposed Solution

5.37 In order to develop the solution, the Working Group identified the following areas for further development:

- MIC charging;
- Scope of the change proposal;
- Communications approach;
- Reverse migration; and
- Additional protection (National Terms of Connection and Schedule32).

## MIC Charging

5.38 After reviewing the consultation responses, the Working Group moved on to discussing the options for the solution. Three options were identified:

- Matching excess capacity charging rate to capacity charging rate.
- Using default values, similarly to what was used for P272; or
- Agree the MIC prior to migration.

### **Option 1 - Matching excess capacity charging rate to capacity charging rate.**

5.39 Distributors would need to amend the excess charging rate to be the same as the normal capacity charging rate which would result in a new set of tariffs being introduced. In addition, post the migration, distributors would then need to "unpick" the changes back to their current state. This option is the one contained within the change proposal and feedback on this was received during the first consultation.

5.40 Parties raised concerns over the proposed solution indicating that it would:

- take too long to implement;
- would impact distributors systems and processes significantly;

- lead to CDCM changes and model changes which would mean an implementation date of 2025 or derogations required from the Authority; and
- curtailing the migration window for P432.

### **Option 2 - Using default values**

- 5.41 The distributors would introduce a default value for all customers that did not have a MIC. There would be an enhanced reconciliation process whereby the distributors would reconcile the MIC value after 12 months based on metered data and any network constraints during that period, if not agreed with the customer in that intervening period. Any existing rights on capacity changes will remain noting that the National Terms of Connection preventing any amendments to the MIC would not apply during the 12 month post migration.
- 5.42 A number of respondents suggested the use of a default MIC within their consultation response. The Working Group believe that this is the easiest option to develop and implement and give the most optimal outcome for customers. It was also noted as the solution that could be delivered alongside P432.
- 5.43 If this Option is supported, the Working Group believe that rather than mandate a default value the distributors should decide what the value should be especially since these values are already part of some distributors' systems and processes.
- 5.44 An argument was put forward to determine a more accurate default value based on the type of customer rather than one value fitting all. Whilst this approach may provide a more accurate value, it is still an estimate, would result in significant work in advance to obtain the data, agree industry values by customer type and process time in entering the data on the distribution systems. In addition, the value of a default is that it is easily identifiable (i.e. that a customer has a default MIC) and the advanced reconciliation process will mitigate any inaccuracies.
- 5.45 The Working Group opted to leave the default value to the discretion of the distributor and this would need to be provided to suppliers as part of the communication to customers.

### **Option 3 - Agree the MIC prior to migration**

- 5.46 This process would require Suppliers to ensure that their agents can collect the data that would calculate the MIC in advance of migration. This option was developed because some of this data may already be available, and the metering equipment will need to be configured to provide it at the change of measurement class stage. The MIC could be either calculated or agreed with the



customer prior to migration thereby avoiding the need for any system changes associated with Option 1.

- 5.47 The Working Group agreed that this option would still need to have a MIC default value included for sites where such data has not been made available and this change proposal would not prevent a customer agreeing a MIC in advance of the migration.
- 5.48 It was also noted that this option may also require some Retail Energy Code changes around Meter Equipment Managers and suppliers.

### **Working Group's view**

- 5.49 The Working Group believe that option 2 is the best solution to develop further and would like Parties to consider the following questions.

**Question 1 – Which option do you support? Please provide rationale.**

**Question 2 – Where the customer has not agreed a MIC during the 12 month period post migration should the distributor calculate the MIC and notify the customer of the revised value? Please provide rationale.**

**Question 3 – Do you believe that the MIC Default value should be left to the distributor to determine? Please provide rationale.**

### **Scope of the change proposal**

- 5.50 The scope of the change is broad enough to not only cater for P432 but also for any other NHH CT metered customers that are not covered by the BSC Modification that will be migrated during the MHHS Programme.
- 5.51 It is clear from the first consultation (see paragraph 5.20) that the P272 migration still has some customers that have not migrated. These customers will be picked up by the MHHS Programme and will need to have the same protection provided initially by P272 (which has now lapsed due to a sunset clause) and avoids a further change proposal.
- 5.52 The Working Group agreed to cater for both the migrations of P432 and the MHHS migrations scenarios.
- 5.53 The Working Group then discussed whether to have a sunset clause. The MHHS Programme is still developing, and consulting on, a replan where the date of the transition period may be amended.
- 5.54 Equally P432 is suggesting that the migration is completed by the MHHS Transition Timetable M14 milestone (all Suppliers must accept MSIDs under the new TOM (one way gate)) which is circa six months later than M11 (start of 1 year migration for UMS/Advanced).
- 5.55 Notwithstanding the reverse migration that M14 could introduce (covered later in this document in paragraph 5.61) the Working Group therefore favour a twelve-month period from the migration

date of each Metering Point. This is a more flexible approach since the migration needs to cover both the P432 timescales and those of the MHHS Programme.

- 5.56 The Working Group is seeking views on whether this change should also cater for the MHHS migration and whether to have a sunset clause as was the approach for P272 or adopt a more flexible approach of a 12-month period after the migration under either process.

**Question 4 – Should the CT Metered Customers not covered by P432 be extended the same protection? Please provide rationale**

**Question 5 – Should the MIC protection be subject to sunset clause or a defined period after the migration has taken place? Please provide rationale.**

### Communications Approach

- 5.57 The Working Group discussed the communications required for the change proposal. It recognised the concerns raised within the first consultation regarding the approach adopted for P272 and agreed that this did not work satisfactorily. There was support for this to be led by suppliers. Suppliers have the main relationship with the customer, they have their contact details and more importantly they will be leading on both the P432 migration and the MHHS migration.
- 5.58 As part of the amendment to Clause 19 covering the transitional protection an additional obligation has been placed on Suppliers to communicate with their customers, as part of the migration process, on the protection that is to be provided and the process to be adopted on MIC values where none is agreed in advance.
- 5.59 The Working Group agreed that communication prior to migration should include as a minimum the following information:
- Site address information, including MPAN and meter serial number;
  - Reason for the correspondence;
  - Migration date;
  - Maximum Import Capacity, or if not already agreed with the Customer, MIC default value;
  - Distributor's contact details; and
  - Explanation of the consequences and protections offered, including any amendment to the MIC and any rebates that may be warranted.

- 5.60 The Working Group would like comments on the communication approach and the information provided to the customer in advance of the migration to HH settlements.

**Question 6 – Do you agree with the Working Group that the communications should be led by the supplier? Please provide your rationale.**

**Question 7– Is there any further information that needs to be added to the obligation placed on the supplier? Please provide your rationale.**

### **Reverse migration**

- 5.61 There is a window where a customer moves to HH settlements but may move back to NHH settlements. Whilst ultimately, they will eventually be settled HH this may result in a customer entering the protection offered by this change proposal and then reverting back.
- 5.62 The Working Group considered the impact and have suggested that this protection should only cover the 12 months following the first migration.
- 5.63 The Working Group are open to suggestions on how this should be developed and any unintended consequences the approach suggested may have.

**Question 8– Should the protection offered be a once only protection even though customers may revert back? And are there any unintended consequences Please provide your rationale.**

### **Additional protection (NTC and Schedule32)**

- 5.64 Schedule 2B “National Terms of Connection (NTC)”, Section 3, Clause 12 “Limitations of capacity” specifies that retrospective changes cannot be applied to the MIC.
- 5.65 To counter this the Working Group have added an additional paragraph to make it clear that such obligations do not apply where Part 4 of Schedule 16 of the DCUSA is applicable.
- 5.66 An amendment to the Exceptional Circumstances section of schedule 32 has also been added to paragraph 6.1A to provide an additional criterion to where a Final Demand Site may be reallocated to a different charging band. This now caters for where there is a change to the MIC, in accordance with Part 4 of Schedule 16.
- 5.67 The Working Group would like views on whether this additional protection is sufficient.

**Question 9– Is the additional protection provided in the national terms of connection and the Residual Charges schedules sufficient? Please provide your rationale.**

## 6 Relevant Objectives

### Assessment Against the DCUSA Objectives

6.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. There are five General Objectives and six Charging Objectives. The full list of objectives is documented in the CP form provided as Attachment 2.

	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 checked="" 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	Positive
<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 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	None
<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	None
<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 type="checkbox"/>	6. That compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	None

6.2 The view of the proposer has been updated during the course of the Working Groups developments and is below:

- **General Objective 2:** This change will ensure that a consistent approach is taken by DCUSA parties when dealing with customers affected by P272, P432 & MHHS TOM transition when they seek to actively agree an enduring MIC.
- **Charging Objective 2:** This change will ensure that DNOs apply a common approach when dealing with customers affected by P432 and the onward transition to MHHS, when they seek to actively agree an enduring MIC and where they are not able to prevent excess capacity rates being levied.
- **Charging Objective 3:** This change will allow time for customers affected by P432 to actively engage with the DNO and agree a MIC which is appropriate for their requirements and hence the costs they impose on the network.
- **Charging Objective 4:** This change will permit DNOs to adopt their own approaches to initially overcome the administrative burden of setting an initial MIC for the c. 50,000 CT metered sites affected by P432 whilst allowing affected sites sufficient time to actively agree an enduring MIC. This change will also ensure that all DNOs are applying a common approach when dealing with customers affected by P432 when they seek to actively agree an enduring MIC.

- 6.3 The Working Group would like views as to whether this change proposal better facilitates the objectives and if so which ones.

**Question 10 – Do you consider that the proposal better facilitates the DCUSA objectives?  
Please give supporting reasons.**

## 7 Implementation

- 7.1 The proposed implementation date is June 2023, this is to align with P432's proposed implementation date along with BSC CP1558 "New Registration data items and processes to support the MHHS Programme.

**Question 11: What date do you believe this change proposal should be implemented?  
Please provide rationale.**

## 8 Legal Text

### Legal Text

- 8.1 As noted in Section 1 above, it is suggested that amendments will need to be made to a number of areas of the DCUSA, including:
- The transitional protection section in Clause 19 has been amended to cater for P432 and any other CT Metering Points migrated during MHHS Programme. In addition, an obligation has been placed on Supplier Parties to communicate with their customers, as part of the migration process, on the protection that is to be provided and the process to be adopted on MIC values where none is agreed in advance;
  - Schedule 2B "National Terms of Connection (NTC)", Section 3, Clause 12 "Limitations of capacity" specifies that retrospective changes cannot be applied to the MIC. . An additional clause has been added to make it clear that such clauses do not apply where Part 4 of Schedule 16 of the DCUSA is applicable
  - Schedule 16 Part 4 has been amended to:
    - replace references relating to P272 to cater for P432 and CT Metering Points migrated during MHHS Programme;
    - replace the sunset clause to cover a period 12 months from the migration date;
    - additional protection is also provided where customers have not entered negotiations with the distributor to agree a MIC during the 12-month period, the distributor will re-assess the value based on the data received and the maximum demand values during the period and calculate a more appropriate value to replace the default value. The customer will also be notified of this revised value; and

- An amendment to the exceptional Circumstances section of Schedule 32 has also been added to paragraph 6.1A to provide an additional criterion to where a Final Demand Site may be reallocated to a different charging band. This now caters for where there is a change to the Maximum Import Capacity, in accordance with Part 4 of Schedule 16.

8.2 Proposed legal drafting for this DCP can be found in **Attachment 4- DCP 414 Draft Legal text**.

**Question 12: Do you have any comments on the draft legal text?**

**Question 13: Do you have any further comments on this change proposal?**

## 9 Consultation Questions

9.1 The Working Group is seeking industry views on the following consultation questions:

No.	Questions
1	Which option do you support? Please provide rationale.
2	Where the customer has not agreed a MIC during the 12 month period post migration should the distributor calculate the MIC and notify the customer of the revised value? Please provide rationale.
3	Do you believe that the MIC Default value should be left to the distributor to determine? Please provide rationale.
4	Should the CT Metered Customers not covered by P432 be extended the same protection? Please provide rationale.
5	Should the MIC protection be subject to sunset clause or a defined period after the migration has taken place? Please provide rationale.
6	Do you agree with the Working Group that the communications should be led by the supplier? Please provide your rationale.
7	Is there any further information that needs to be added to the obligation placed on the supplier? Please provide your rationale
8	Should the protection offered be a once only protection even though customers may revert back? And are there any unintended consequences Please provide your rationale.
9	Is the additional protection provided in the national terms of connection and the Residual Charges schedules sufficient? Please provide your rationale.
10	Do you consider that the proposal better facilitates the DCUSA objectives? Please give supporting reasons.



<b>11</b>	What date do you believe this change proposal should be implemented? Please provide rationale.
<b>12</b>	Do you have any comments on the draft legal text?
<b>13</b>	Do you have any further comments on this change proposal?

9.2 Responses should be submitted using Attachment 1 to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than, **24 January 2023**.

9.3 Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate any parts of a response that are to be treated confidentially.

## 10 Attachments

- Attachment 1 – DCP 414 Consultation 2 Response Form
- Attachment 2 – DCP 414 Change Proposal Form
- Attachment 3 – DCP 414 Consolidated Consultation 1 Responses
- Attachment 4 - DCP 414 Draft Legal text