





| DCUSA Change Declaration | | At what stage is this document in the process? |
|---|--|--|
| <h1>DCP 406A</h1> <h2>Access SCR: Changes to CCCM</h2> <p><i>Date raised:</i> 18 October 2022</p> <p><i>Proposer:</i> Lee Wells</p> <p><i>Company Name:</i> Northern Powergrid</p> <p><i>Company Category:</i> DNO</p> | 01 – Change Proposal | |
| | 02 – Consultation | |
| | 03 – Change Report | |
| | 04 – Change Declaration | |
| <p>Purpose of the 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>DCUSA Parties have voted on DCUSA Change Proposal (DCP) 406A with the outcome being a recommendation to the Authority as to whether or not the Change Proposal (CP) should be accepted. As DCP 406A is considered to be a Part 1 Matter, the recommendation will be issued to the Authority for their final decision.</p> <p>The DCUSA Parties consolidated votes are provided as Attachment 1.</p> | |
|  | <p>For DCP 406A, DCUSA Parties recommend to the Authority to:</p> <ul style="list-style-type: none"> • Accept the proposed variation (solution); and • Accept the implementation date. | |
|  | <p>Impacted Parties:</p> <p>Suppliers, CVA Registrants, DNOs and IDNOs</p> | |
|  | <p>Impacted Clauses:</p> <p>Schedule 22 – Common Connections Charging Methodology</p> | |

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Any questions?

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Timetable

Change Proposal timetable

| Activity | Date |
|---|------------------------|
| Initial Assessment Report | 20 October 2022 |
| Change Report Approved by Panel | 20 October 2022 |
| Change Report issued for Voting | 20 October 2022 |
| Party Voting Ends | 12pm, 03 November 2022 |
| Change Declaration issued to Authority | 03 November 2022 |
| Authority Send Back | 15 December 2022 |
| Re-issued - DCP 406A Change Report to Panel | 23 December 2022 |
| Re-issued - Change Report issued for Voting | 23 December 2022 |
| Re-issued - Party Voting Ends | 11 January 2023 |
| Re-issued - Change Declaration to Authority | 12 January 2023 |
| Authority Decision | February 2023 |
| Implementation Date | 01 April 2023 |

1 Summary

What?

- 1.1 DCP 406 was raised to address paragraphs 12 to 15 and 17 of the Access SCR Direction and provided two alternatives in relation to Demand and Generation Connections.
- 1.2 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.
- 1.3 The changes to the connection boundary caused the DCP 406 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, regardless of which DCP 406 solution is implemented.
- 1.4 In the current charging methodology, Exception 1 covers a situation where there is interconnection downstream of the Point of Connection (and is illustrated in example 2B of the current version of Schedule 22). In this scenario, the addition of the interconnection results in what were Extension Assets (and fully funded by the new connection) become treated as Reinforcement and the costs shared between the connecting customer and DUoS customers. With the changes from the Access SCR Decision, for a Demand Connection, this would result in no charges being made for the assets that actually connect the site. This creates a different charging outcome, whereby:
 - without the interconnection, the connection customer would pay for the assets as Extension Assets; or
 - With the interconnection the costs would be fully borne by DUoS customers and the connecting customer would not pay anything.
- 1.5 This CP seeks to address the issues identified in Paragraph 1.4.

Why?

- 1.6 The Working Group identified two situations that would result in potentially inequitable treatment of connection customers that apply irrespective of which of the proposals presented within DCP 406 are approved by Ofgem. This CP has been raised to avoid situations that could result in potentially inequitable treatment of connection customers.

How?

- 1.7 In order to address this anomaly, DCP 406A suggests changes are made to Exception 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.

2 Governance

Justification for Part 1 Matter

- 2.1 This CP is considered to be a Part 1 Matter in accordance with DCUSA Clauses 9.4.1 and 9.4.6, being:
- 9.4.1 it is likely to have a significant impact on the interests of electricity consumers;
 - 9.4.6 it has been raised by the Authority or a DNO/IDNO Party pursuant to Clause 10.2.5, and/or the Authority has made one or more directions in relation to it in accordance with Clause 11.9A.
- 2.2 The DCUSA Panel have agreed that this CP is to be treated as an Urgent Change.
- 2.3 This CP cannot be withdrawn without the Authority's consent to do so. In accordance with Clause 11.9A, the Authority may also, by direction, specify and/or amend the relevant timetable to apply to each stage of the Assessment Process.

Next Steps

- 2.4 DCUSA Parties have voted and the outcome of the Party vote acts as a recommendation to the Authority as to whether this CP should be accepted or not. Parties recommend that DCP 406A should be accepted and therefore, that the change should be made.

3 Why Change?

- 3.1 As stated above, DCP 406A seeks to implement a solution that avoids situations that could result in potentially inequitable treatment of connection customers based on either DCP 406 Original Proposal or Alternative Proposal being implemented.

4 Working Group Assessment

***Within the consultation that was issued for DCP 406, analysis was provided and questions were asked in relation to adding a new Exception 5 and amending Exception 1. This Section 4 and Section 5 provide this analysis and industry feedback, specific to the issues DCP 406A is seeking to address. Full details of all of the DCP 406 consultation along with Working Group feedback can be found in Attachment 6.**

Changes to Exceptions

- 4.1 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.
- 4.2 In the current charging methodology, Exception 1 covers a situation where there is interconnection downstream of the Point of Connection (and is illustrated in example 2B of the current version of Schedule 22 – Attachment 6). In this scenario, the addition of the interconnection results in what were Extension Assets (and fully funded by the new connection) become treated as Reinforcement and the costs shared between the connecting customer and DUoS customers. With the changes from the Access SCR Decision, for a Demand Connection, this would result in no charges being made for the assets that actually connect the site. This creates a different charging outcome, whereby:

- without the interconnection, the connection customer would pay for the assets as Extension Assets; or
- With the interconnection the costs would be fully borne by DUoS customers and the connecting customer would not pay anything.

4.3 In order to address this anomaly, changes have been made to Exemption 1 so that the Extension Assets are paid for by the connection customer as they are necessary for the new connection to the site. The costs of the interconnection are then borne by whichever party request it;

- if the customer requests it, they pay or
- If the DNO requests it, it pays.

4.4 A similar anomaly was identified by the Working Group when it reviewed Exception 5 as illustrated in Example 8B. Exception 5 covers the situation where assets to connect a site are considered to be Reinforcement (as they create capacity). The Exception considers that the new network that is within the site boundary is to provide connectivity within the new development and therefore should be treated as Extension Assets and paid in full by the new connection. With the changes due to the Access SCR Decision, for a Demand Connection, this scenario would again result in a situation where the new connection was not charged for the assets to connect it to the existing network. This would create an anomaly whereby a new connection that was teed into the network (ie connected by a single circuit) would pay for those assets, but if it was looped in (ie connected by two circuits) then it would not be charged and the costs would be borne by DUoS customers.

4.5 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. This would be done by assessing the cost of the two circuits that connect the new connection and the lower cost circuit would be treated as Extension Assets (and paid by the connecting customer) and the other circuit treated as Reinforcement and not charged.

4.6 This new Exception has been numbered Exception 5 and therefore the existing Exception 5 has been renumbered to become Exception 6. The reason for this is that it flows better within the legal text.

5 Summary of Consultation and Responses

Summary of response to the DCP 406 Consultation

- 5.1 The Working Group issued a consultation on 12 August 2022 which sought views from industry on the proposed solution and legal text in relation to these exceptions.
- 5.2 There were 12 respondents to the consultation comprising of DNOs, IDNOs, Suppliers, Generators and other interested parties. Set out below are the questions that the Working Group sought views on, that specifically relate to what this DCP 406A is seeking to achieve. A full copy of the consultation document alongside the Party responses and Working Group conclusions can be found as Attachment 6.

Question 11: Do you support the Working Group's rationale for the changes to Exception 1 and addition of a new Exception 5? If not, please provide your rationale.

- 5.3 The majority of respondents (10) support the Working Group's rationale for the changes to Exception 1 and addition of a new Exception 5. One respondent did not support the Working Group's rationale, and one respondent did not provide a comment.
- 5.4 The respondent that did not support the changes stated that they believe that the current approach should apply and the asset should be treated as reinforcement and fully funded by the DNO/IDNO Party.
- 5.5 One respondent that supported the changes suggested that the legal drafting needs additional review, and that referring to proving connectivity to the "Premises" rather than the "connection(s)" may be more appropriate.
- 5.6 The Working Group has set out its views in relation to changes to the exceptions in Section 6 of this Change Report.

6 Working Group Conclusions & Final Solution

- 6.1 Members of the DCP 406 Working Group, were also involved in the development of the proposed solution for DCP 406A

Drafting of a proposed new Exception

New Exception 5 and amendment to Exception 1

- 6.2 The Working Group noted that the majority of respondents supported this change and only one respondent did not. The Working Group concluded that these changes were in line with Ofgem's broad policy intent in its Decision but these were not explicitly identified in the Direction.
- 6.3 As DCUSA Governance only allows for two alternative solutions to be provided within a single CP, this DCP 406A has been raised which seeks to add the new Exception 5 and amendment to Exception 1 to either the proposals presented within DCP 406.

7 Legal Text

- 7.1 Following review, the Working Group presents two different versions of legal text found in Attachments 2 and 3. The revised legal text is shown against both the DCP 406 Original Proposal and the DCP 406 Alternative Proposal, but this CP is not seeking views on Parties preference for these.

Legal Text

- 7.2 Key aspects of the DCP 406A legal texts presented include the following:

Attachment 3: DCP 406A Legal Text (based on DCP 406 Original Proposal, with new and amended exceptions added)

- Drafting of a new Exception 5 and amended Exception 1.

Attachment 4: DCP 406A Legal Text (based on DCP 406 Alternative Proposal, with new and amended exceptions added)

- Drafting of a new Exception 5 and amended Exception 1.

* It is noted that [DCP 404 'Changes to Terms of Connection for Curtailable Customers'](#) and [DCP 407 'Speculative Development'](#) are making changes to Schedule 22 and therefore numbering of Schedule 22 may be subject to change post the Authority decision on all SCR related DCUSA CPs.

8 Relevant Objectives

Assessment Against the DCUSA Objectives

8.1 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 DCUSA.

8.2 The list of DCUSA General Objectives is set out in the table below.

| DCUSA Charging Objectives | Against DCP 406 Original Proposal | Against DCP 406 Alternative Proposal |
|--|--|---|
| 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 | Positive |
| 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 | Positive |
| 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 | Neutral |
| 4. That, so far as is consistent with Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business | Positive | Positive |

| | | | |
|----|--|---------|---------|
| 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 | None |
| 6. | That compliance with the Charging Methodologies promotes efficiency in its own implementation and administration. | Neutral | Neutral |

Charging Objective 1

- 8.3 Without these changes there are situations where network investment decisions for DNOs would change. Consider for example the decision whether or not to add interconnection to a new site (as illustrated in Example 2 within the DCP 406A legal text). With these changes, this is an incremental cost for the DNO (and hence DUoS customers) to justify against the network benefits from the extra work as illustrated in Example 4 of the DCP 406A legal text. However, without these changes, there are costs that would otherwise have been paid for as Extension Assets that would now be funded by the DNO, as illustrated in Example 4 of DCP 406 legal text. This could therefore act as a deterrent to this investment decision due to these extra costs which would conflict with DNO obligations to have an efficient, coordinated and economical network. This could result in the DNO delaying installing the interconnection as part of the connections work to avoid this situation but would lead to inefficiencies and extra costs of delivery.
- 8.4 Therefore, the Working Group conclude that this CP would have a positive impact on Charging Objective 1.

Charging Objective 2

- 8.5 The above scenario also potentially creates a distortion as some customers would get the extension assets for free and some would have to pay. This would result in one customer having a competitive advantage over another.
- 8.6 In addition, this would result in the extension assets which would have been open to competition by third parties becoming reinforcement assets which are non-contestable, thereby creating a competition distortion.
- 8.7 Therefore, the Working Group conclude that this CP would have a positive impact on Charging Objective 2.

Charging Objective 3

- 8.8 No impacts identified by the Working Group

Charging Objective 4

- 8.9 The Access SCR Decision implemented explicit changes to the treatment of charges for reinforcement for both Demand and Generation customers and the Working Group have identified this as an unintended consequence of these changes which is not supported explicitly within the Access SCR Decision. This CP would protect DUoS customers from increased costs with no detriment for the connection customer.
- 8.10 Therefore, the Working Group conclude that this CP would have a positive impact on Charging Objective 4.

Charging Objective 5

8.11 Not applicable.

Charging Objective 6

8.12 No impacts identified by the Working Group.

Summary

8.13 The Working Group considers the above assessment applies equally to both DCP 406 Original Proposal and DCP 406 Alternative Proposal.

9 Code Specific Matters

Reference Documents

9.1 The Access SCR Decision and Access SCR Direction which can be found [here](#).

10 Impacts & Other Considerations

Significant Code Review (SCR) or other significant industry change projects

10.1 This CP is part of a suite of changes that will implement the Access SCR Decision, therefore the SCR phase shall be treated as having ended.

Cross Code Impacts

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

10.2 There are no cross-code impacts of this CP.

Consideration of Wider Industry Impacts

10.3 The focus of this CP has been subject to a number of industry consultations as part of the Access SCR process. In addition, the ENA held two briefing session for parties interested in joining a DCUSA working group on these changes.

10.4 It should be noted that in order to implement the Access SCR Decision/Access SCR Direction, four DCUSA CPs were raised in total. The other four CPs that relate to the SCR are detailed below:

- [DCP 404 'Changes to Terms of Connection for Curtailable Customers'](#)
- [DCP 405 'Managing Curtailable Connections between Licensed Distribution Networks'](#)
- [DCP 406 'Access SCR: Changes to CCCM'](#)
- [DCP 407 'Speculative Development'](#)

11 Implementation Date

- 11.1 Clause 11.9A(2) of the DCUSA, sets out that in respect of all Authority Change Proposals, which DCP 406A is considered to be, the Authority may by direction, specify and/or amend the date from which the variation envisaged by the CP is to take effect.
- 11.2 **For the avoidance of doubt, this CP is conditional on either DCP 406 Original Proposal or DCP 406 Alternative Proposal being approved and implemented with a concurrent implementation date.**
- 11.3 The implementation applies to all new applications received on or after this date. There will therefore be a transition period where DNOs will continue to issue connection offers based on the existing CCCM for applications received before the Implementation Date. Therefore, both methodologies will be active for this transition period.
- 11.4 To enable this, the existing CCCM text will be identified to apply to applications before 1 April 2023. Whichever legal text is approved by Ofgem will be added as new sections 3 and 4. In time, an administrative change will be initiated to remove the transition text.

12 Voting

- 12.1 The DCP 406A Change Report was issued to DCUSA Parties for Voting on 23 December 2022.

Part 1 Matter: Authority Decision is Required

Change Solution – Accept

- 12.2 For the majority of the Party Categories that were eligible to vote, the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the change solution was more than 50%. In accordance with Clause 13.5, the Parties have been deemed to recommend to the Authority that the change solution be accepted.

Implementation Date – Accept

- 12.3 For the majority of the Party Categories that were eligible to vote, the sum of the Weighted Votes of the Groups in each Party Category which voted to accept the implementation date was more than 50%. In accordance with Clause 13.5, the Parties have been deemed to recommend to the Authority that the implementation date be accepted.

The table below sets out the outcome of the votes that were received in respect of the DCP 406A Change Report that was issued on 23 December 2022 for a period of 10 working days.

| DCP 406A | WEIGHTED VOTING | | | | |
|---------------------|-----------------|--------|----------|-------------------|--------------|
| | DNO | IDNO | SUPPLIER | CVA REGISTRANT | GAS SUPPLIER |
| CHANGE SOLUTION | Accept | Accept | Accept | No votes received | Not Eligible |
| IMPLEMENTATION DATE | Accept | Accept | Accept | No votes received | Not Eligible |

13 Recommendations

DCUSA Parties Recommendation

13.1 DCUSA Parties have voted on DCP 406A and in accordance with Clause 13.5, the Parties have been deemed to recommend to the Authority that the Change Proposal be accepted.

14 Attachments

- Attachment 1: DCP 406A Consolidated Party Votes
- Attachment 2: DCP 406A Legal Text (based on DCP 406 Original Proposal, with new and amended exceptions added)
- Attachment 3: DCP 406A Legal Text (based on DCP 406 Alternative Proposal, with new and amended exceptions added)
- Attachment 4: DCP 406 Consultation, Industry Responses and Working Group Feedback
- Attachment 5: DCP 406A Change Proposal Form