

DCUSA Change Proposal (DCP)		At what stage is this document in the process?
<h1 data-bbox="161 300 624 389">DCP 414:</h1> <h2 data-bbox="161 421 1046 600">Transitional Protection for NHH CT Customers affected by regulatory change.</h2> <p data-bbox="161 613 604 649"><b>Date Raised:</b> 18 October 2022</p> <p data-bbox="161 663 564 698"><b>Proposer Name:</b> Lee Stone</p> <p data-bbox="161 712 903 748"><b>Company Name:</b> Npower Commercial Gas Limited.</p> <p data-bbox="161 761 536 797"><b>Party Category:</b> Supplier</p>	01 – Change Proposal	
	02 – Consultation	
	03 – Change Report	
	04 – Change Declaration	
<p data-bbox="161 831 603 866"><b>Purpose of Change Proposal</b></p> <p data-bbox="161 887 1430 1144">This change proposal 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 data-bbox="261 1198 456 1234"><b>Governance:</b></p> <p data-bbox="261 1254 1187 1290">The Proposer recommends that this Change Proposal should be:</p> <ul data-bbox="284 1314 919 1471" style="list-style-type: none"> <li>• Treated as a Part 1 Matter</li> <li>• Treated as a Standard Change</li> <li>• Progressed to the Working Group phase</li> </ul> <p data-bbox="261 1494 1321 1574">The Panel will consider the proposer’s recommendation and determine the appropriate route.</p>	
	<p data-bbox="261 1612 874 1648"><b>Impacted Parties:</b> Suppliers/DNOs/IDNOs</p>	
	<p data-bbox="261 1727 1425 1883"><b>Impacted Clauses:</b> SECTION 2A – DISTRIBUTOR TO SUPPLIER/GENERATOR REALTIONSHIPS SCHEDULE 2B – NATIONAL TERMS OF CONNECTION SCHEDULE 16 – COMMON DISTRIBUTION CHARGING METHODOLOGY SCHEDULE 32 – RESIDUAL CHARGING BANDS</p>	

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Indicative Timeline		
<b>The Secretariat recommends the following timetable:</b>		
Initial Assessment Report	19 October 2022	
Consultation Issued to Industry Participants	TBC	
Change Report Approved by Panel	18 January 2023	
Change Report issued for Voting	19 January 2023	
Party Voting Closes	09 February 2023	
Change Declaration Issued to Parties	13 February 2023	
Change Declaration Issued to Authority	13 February 2023	
Authority Decision	TBC	

# 1 Summary

## What?

- 1.1 The purpose of this Change Proposal (CP) is threefold as follows:
- 1.1.1 to remove the penal excess capacity rate on new Half-Hourly (HH) customers where there is no Maximum Import Capacity (MIC) available;
  - 1.1.2 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 and Market-wide Half-Hourly Settlement (MHHS); and
  - 1.1.3 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 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.*

*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](#) 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.
- 1.5 Many elements of the required protections can be repurposed through amending the transitional text implemented by DCP248 [“Providing protection for customers against being charged inappropriate capacity charges during the implementation of P272”](#), as described in Schedule 16, Part 4 - of the CDCM. This covers the provision to retrospectively apply the MIC for a period of 12 months for P272 migration with the inclusion of a sunset clause which closed off these provisions from 31<sup>st</sup> March 2017. In practice, this would create an ability for charges to be levied based on the MIC (including a zero value MIC) causing the possibility for excess capacity charges to be levied on the user where in excess of the MIC but enables the capability to reconcile the excess charge onto the lower value agreed capacity charge, therefore this provides a solution for any customers who have agreed a MIC with the Distribution Network Operator (DNO), but would not prevent excess capacity charges being levied where the MIC is set zero because customers and DNOs have not set a MIC.
- 1.6 Schedule 2B “National Terms of Connection (NTC)”, Section 3, Clause 12 “Limitations of capacity” outline DNO’s and user’s requirement and obligations which require a customer not exceed the MIC, along with associated actions a DNO may deploy in instances of regular breaches of the MIC. On the basis that some customers will not be able set a MIC in advance of the HH Effective From Dates (EFD) which may trigger some of the prescribed DNO actions. It is the proposer’s belief that actions a DNO may undertake should reduce the number of sites with no MIC, however users may be hesitant to agree anything until they gain confidence in the settlement meters data over a period, which ultimately informs the D02021 DUoS invoice onto suppliers. This gives rise to consider if any variations required to the NTC so that NHH CT customers moved into HH settlement are treated differently for a transitional period of up to 12 months.
- 1.7 It will also be appropriate to set out the DUoS tariff to be assigned to any new NHH CT customers moving into HH settlement that do not have a MIC, this is because a Line Loss Factor Class (LLFC) ID must be assigned upon moving into site specific charging and that is influenced by the capacity level in the MIC. It is generally perceived that most of these sites will at the be lower end of the demand scale i.e. within the 40<sup>th</sup> percentile (0-80KVA), therefore this modification proposes that Residual Charging Band should be set in the 40<sup>th</sup> percentile (LV Site Specific Band 1 in tariff name terms) to be used in the absence of a MIC. It’s important to highlight that such sites will also meet the exceptional circumstances criteria as set schedule 32, clause 6.1 (c) which should be retained, however this will require updates to outline the circumstances in which a DNO may need to assign a default tariff.
- 1.8 This creates a direct link with DCP 389 [‘TCR – Clarification on Exceptional Circumstances and Allocation Review for ‘New Sites’](#)’ which at this time is awaiting authority decision. In combination with DCP389 this modification, if implemented, would enable the DNO to conduct an annual review and retrospectively re-allocate the DUoS Tariff (and LLFC) based on informed data to the most appropriate residual band percentile where required.

- 1.9 To ensure that all applicable users agree a MIC, this modification also seeks to create the right for the DNO's to self-set a MIC level if after the 12-month period has expired the user and DNO have not been able to agree a MIC. The MIC level should be set at the peak capacity level (KVA) recorded on the meter over the preceding 12 months, back to the HH EFD, on the basis that 12 months HH data provided by the D0275 or D0036 data flows provides sufficient information to inform an enduring MIC.
- 1.10 It may also be appropriate to consider further changes to better enable supplier & DNO sharing of information, considering the potential that the P432 migration window could be more than 2 years and is likely to overlap with the MHHS TOM Transition. Transitional clauses to facilitate such requirements could be drafted in Section 2A – Distributor to supplier/Generator relationships.

## 2 Governance

### Justification for Part 1 and 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 and that they are expecting to receive the final Change Report following completion of this CP.

### 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 phase.

## 3 Why Change?

### Related DCUSA Change Proposals

- 3.1 DCP 161 "[Excess Capacity Charges](#)" implemented in April 2018 introduced the ability for DNOs to apply a penal 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](#)", 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 a penal 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 accurately understand.

- 3.3 In addition, DCP 385 "[No Retrospective Capacity Reductions](#)" implemented on 4<sup>th</sup> 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 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 "*Mandatory Half Hourly Settlement for Profile Classes (PCs) 5-8*" 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) & 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). Schedule 16 – Common Distribution Charging Methodology (CDCM) outlines that non-domestic user's move from aggregated Distribution Use of System (DUoS) tariffs to site specific DUoS tariffs, at which point capacity charges become chargeable items, with a varying charge rate for MIC & Agreed & excess capacity, both measurement in kilovolt-ampere (KVA) rates 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 & DNO sharing of information. The rationale for this suggestion is due to 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 & 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 it is plausible that DNO's may want to understand and in turn plan its 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) & 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 & MHHS TOM, which provides the rationale for this modification to implement a solution that prevents penal 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 Profile Classes 01-04 do not have requirements in place to measure maximum demand. As such its likely in many cases 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 making it challenging for customers to accurately inform the MIC ahead of moving to HH settlement leading to customer exposure against the excess capacity rate for any capacity taken above the MIC. Conversely if an assumption allowance is made (e.g. through a power factor adjustment 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 PCs 03-04 without customers agreeing a MIC with their host DNO, capacity charges could be levied only on the higher excess capacity charging rates.

## 4 Solution and Legal Text

### Legal Text

- 4.1 As noted in Section 1 above, it is suggested that amendments will need to be made to a number area of the DCUSA, including:

- SECTION 2A – DISTRIBUTOR TO SUPPLIER/GENERATOR REALTIONSHPIS
- SCHEDULE 2B – NATIONAL TERMS OF CONNECTION
- SCHEDULE 16 – COMMON DISTRIBUTION CHARGING METHODOLOGY
- SCHEDULE 32 – RESIDUAL CHARGING BANDS

- 4.2 To assist with understanding some of the changes that may be needed, some extracts of text from DCUSA Section 2A and Schedule 16, introduced by DCP 248 are included below:

#### **Section 2A**

##### ***Transitional Protection for Customers affected by BSC Modification P272***

- 19.12 *Part 4 of the CDCM contains transitional protection for Customers who may be affected by the implementation of BSC modification P272. All DNO/IDNO Parties shall comply with Part 4 of the CDCM, including a DNO Party operating outside of its Distribution Services Area.*

#### **Schedule 16**

##### ***Part 4 - Transitional Protection for Customers affected by BSC Modification P272***

179. *This Part 4 sets out the transitional protection for Customers who may be affected by BSC Modification P272, being demand Customers in Profile Class (PC) 5-8 which are required to become half-hourly settled (where capable metering has been installed).*
180. *This Part 4 forms part of the CDCM, but also applies to IDNO Parties and to DNO Parties acting outside of their distribution services area.*
181. *Subject to paragraph 183 below, where:*
- (a) *a Customer takes a supply of electricity at a Premises where the electricity conveyed to the Premises is recorded through a CT meter; and*
  - (b) *the Metering Point for such Premises has, on or before 31 March 2017, been migrated to Measurement Class C or E, as a result of BSC Modification P272,*
- then, for a period of twelve months immediately following the date of the migration to Measurement Class C or E, a lower Maximum Import Capacity (MIC) may be agreed between the Customer and the DNO/IDNO Party. In such circumstances, the revised MIC will be applied retrospectively from the date of the migration to Measurement Class C or E.*
182. *In respect of any change in MIC under paragraph 181 above:*
- (a) *such revised MIC will be agreed with reference to the level of the Customer's maximum demand;*
  - (b) *no further changes in MIC shall be permitted under paragraph 181 above; and*

(c) paragraphs 149 and 150 of the CDCM (or any equivalent or similar statements in the applicable charging methodology if the CDCM does not apply) shall apply to the revised MIC from the date the retrospective change is agreed.

183. Paragraph 181 above shall not apply:

- (a) where a Connection Agreement has been entered into for the Premises within the twelve months immediately prior to the date of the change in Measurement Class, in which case the terms of that Connection Agreement shall stand; or
- (b) where the Customer was neither the owner nor the occupier of the Premises at the time of the migration to Measurement Class C or E.

184. In this Part 4 - Transitional Protection for Customers affected by BSC Modification P272, the following definitions shall apply:

<b>BSC Modification P272</b>	means the modification to the BSC referred to as modification 'P272, Mandatory Half Hourly Settlement for Profile Classes 5-8', which was approved by the Authority on 29 October 2014.
<b>Measurement Class</b>	has the meaning given to that expression in the BSC.
<b>Profile Class</b>	has the meaning given to that expression in the BSC.

## Text Commentary

4.3 Proposed legal drafting has not been included in this CP and the expectation is that the legal text will be developed by the Working Group.

## 5 Code Specific Matters

5.1 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
- Communication between DNOs and customers

5.2 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. "*

## 6 Relevant Objectives

	<b>DCUSA General Objectives</b>	<b>Identified impact</b>
<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

	<b>DCUSA Charging Objectives</b>	<b>Identified impact</b>
<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

- 6.1 **General Objective 2:** This change will ensure that a consistent approach is taken by DCUSA parties when dealing with customers affected by P272 & MHHS TOM transition when they seek to actively agree an enduring MIC.
- 6.2 **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 penal excess capacity rates being levied.
- 6.3 **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. This is an improvement compared to a situation where MICs for customers to potentially set uniformed MICs, where no relevant data sources are available to inform the MIC.
- 6.4 **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.

## 7 Impacts & Other Considerations

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

- 7.1 As this modification impacts DCUSA Schedule 16 (the CDCM) it may have impacts on the [DUoS Significant Code Review](#), however as this SCR is in its infancy it is not possible to comment on the impacts this modification may have.
- 7.2 DCP 389 'TCR – Clarification on Exceptional Circumstances and Allocation Review for 'New' Sites' will need to be considered as outlined under paragraph 1.17.
- 7.3 This CP has been raised because of Ofgem's reasons to 'send back' P432 for further development, as such this is a supporting modification to enable an Authority decision on P432.
- 7.4 Non advanced NHH CT customers will also be required to become HH settled in line with the MHHS migration timetable and so impacts the BSC as well as the MHHS programme deliverables so overall has a positive cross code impact.

### Does this Change Proposal Impact Other Codes?

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

## Consideration of Wider Industry Impacts

- 7.5 Concerns were raised at the [Distribution Charging Methodologies Development Group \(DCMDG\) - Meeting 55](#) (on 15/09/22) regarding the distortive impact that moving NHH CT customers will create when setting the residual charging bands as set out in DCUSA schedule 32 – “Review of the charging Bands”. In summary the Residual Band thresholds that take effect at the start of the next onshore electricity transmission owner price control period in 2026 is based on data provided three years prior to the commencement of the onshore electricity transmission owner price control period. In practice the threshold is derived from settlement values (EAC) or MIC data for up to a 2-year period up to the end of the 2023-24 charging year.
- 7.6 If approved P432’s current proposed timelines would create a window for suppliers to move users to HH between June 2023 up to MHHS programme milestone M14, the date of the MHHS TOM go live, albeit at the time writing this is not yet a fixed date with current MHHS re-planning indications suggesting November 2025 or March 2026. All NHH-HH movement for CT users will move MPANs from WC (EAC derived) to a MIC (KVA derived) Residual band - in most instances this will be from Whole Current (WC) to Low Voltage Current Transformer (LVCT) charging bands in line with CoMC EFD. As such any NHH CT meter that moves to HH settlement after March 2024 up to the M14 milestone would not be picked up in the data that informs the review of charging bands, conversely any that move prior to March 2024 would likely be captured.
- 7.7 The scope of P432 covers the requirements to move Advanced meters in accordance with clauses 12.25-12.27 of the Electricity Suppliers Licence Standard Conditions (SLCs) so excludes non-advanced CT meters pursuant with clause 12.29 of the SLCs. As such non-advanced NHH CT meters are a MHHS programme concern which is undergoing development through the MHHS migration workstream. However to meet overall MHHS delivery these meters must be HH settled by the M15 MHHS programme milestone (current plans indicate M15 to be either July 2026 or October 2026) at which point running off the existing settlement arrangements can occur, with the connection type determining network costs enabling de-commissioning of the Measurement Class to inform network costs.
- 7.8 There may be some benefit in terms of improved MIC data because any NHH advanced CT meters that become HH up to and including February 2024 HH EFD can be captured in the data that informs the residual charging band thresholds, enabling the DNO to take reasonable steps to ensure that such information is accurate pursuant with Schedule 32 clause 3.1. However, later implementation will reduce the richness of data that would have otherwise been used to inform the 2026+ residual charging band thresholds.
- 7.9 As such P432 will not address the entirety of the issue that will arise when NHH CT users currently allocated to WC move to LVCT on the HH settlement EFD for setting the residual banding thresholds commencing in 2026, as the movement will not stabilise until all meters are moved to the MHHS TOM by the M15 milestone. Subsequently the overall distortive impact within the residual charging band setting processes caused by moving customers between residual charging bands would not be addressed until the 2031 onshore electricity transmission owner price control period commences.

7.10 The rules that determine residual charging band allocation were introduced as part [Ofgem's Targeted Charging SCR](#), the reforms created a direct link between DUoS & Transmission Use of System (TNUoS) charging through aligning both costs to commence at the onshore electricity transmission owner price control period enabling the same residual banding allocation process over both charge types, with some reference to this under Ofgem's published MHHS full business case in a section of paragraph 3.10:

*“Charge increases for some formerly NHH customers – To mitigate the risk of this issue occurring in network and transmission charging as part of the transition to MHHS, we have worked with industry so that plans will be created for allocating customers to the Targeted Charging Review (TCR) charging bands during the transition”*

7.11 Whilst it is not clear if the accuracy of future allocation of customers to residual charging bands commencing in 2026 formed part of the above-mentioned plans, the issue highlighted may require further work to maintain the benefits case underpinned by the TCR principles. Given both the TCR implementation and MHHS programme delivery result from Ofgem led SCR procedures, the issue of accurate allocation to residual charging bands may require their further consideration, however, it is not considered to be part of this modification solution to resolve. This modification aims to provide transitional Protection for NHH CT Customers, as opposed to catering for impacts of reduced quality of data for informing future prices controls.

## Confidentiality

7.12 This Change Proposal document is non-confidential

## 8 Implementation

### Proposed Implementation Date

8.1 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”](#), which has been approved for implementation in June 2023 and part of the solution will require DNO's to identify all NHH CT metered MPANs and update the connection type in EES. In doing so DNO's and industry will visibly see the connection type for all MPANs which will aid the transitional requirements for both P432 and subsequently to the MHHS TOM.

8.2 However, this modifications implementation date could have both system & process impacts on DNOs & IDNO's as well drive amendments to Distribution LC 14 charging statements, As such implementation timings need to be considered on balance with the practical aspects of implementation.

## 9 Recommendations