




DCUSA Consultation		At what stage is this document in the process?
<h2>DCP 388:</h2> <h3>Amendments to Facilitate Appropriate Residual Charging for Sites with a Mix of Final and Non-Final Demand.</h3> <p><b>Date raised:</b> 13th April 2021</p> <p><b>Proposer Name:</b> Lee Stone</p> <p><b>Company Name:</b> E.ON Energy Solutions Limited</p> <p><b>Company Category:</b> Supplier</p>		01 – Change Proposal
		02 – Consultation
		03 – Change Report
		04 – Change Declaration
<p><b>Purpose of Change Proposal:</b></p> <p>The intent of this modification is to define “Mixed Demand” Sites and apply a proportionate Residual charge where a Site meets the Mixed Demand definition.</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 388</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 31 August 2023.</p> <p>The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the Change Proposal (CP) to the Change Report phase.</p>	
	Impacted Parties: DNOs, IDNOs, Suppliers and CVA Registrants	
	Impacted Clauses: Clause 1 and Schedule 32	

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Any questions?

Contact:

Code Administrator



dcusa@electralink.co.uk



0207432 3011

Proposer:

Lee Stone



Lee.stone@eonenergy.com



07971 474426

## Timetable

The timetable for the progression of the CP is as follows:

### Change Proposal timetable

Activity	Date
Initial Assessment Report Approved by Panel	21 April 2021
First Consultation issued to Parties	04 April 2022
Second Consultation issued to Parties	02 August 2023
Change Report issued to Panel	11 October 2023
Change Report issued for Voting	20 October 2023
Party Voting Ends	10 November 2023
Change Declaration issued to Authority	14 November 2023
Authority Decision	TBC
Implementation Date	01 April 2024

# 1 Summary

## What?

- 1.1 On 21 November 2019 the Authority published its Targeted Charging Review (TCR) Significant Code Review (SCR) Decision (the 'TCR Decision')<sup>1</sup>. At the same time, the Authority Directed that Distribution Network Operators (DNOs) raise one or more modifications to the Distribution Connection and Use of System Agreement (the 'DCUSA'), to implement the TCR Decision on 01 April 2022 (the 'TCR Direction').
- 1.2 A similar direction was given to National Grid Electricity System Operator (NGESO) to modify the Connection and Use of System Code (CUSC).
- 1.3 Paragraph 3.58 of the TCR Decision outlined a number of aspects that network licensees should consider and states:

*“35.8 Network licensees, or the DNOs or ESO only where specified, must consider and seek to identify the most appropriate arrangements in relation to the following aspects and develop modification proposals consistent with the SCR Decision Principles set out above in relation to:*

*1) The frequency of the charge, considering a proposal of a p/site/day structure.*

*2) A mechanism for identifying which sites should be classified as Final Demand (as opposed to generation or intermediate demand) for the purpose of determining their applicable contribution to residual charges. An appropriate process must be established to assess and identify or, where a practical and proportionate approach cannot be identified, to robustly estimate sites with Final Demand for the purposes of residual charging. Industry should consider and build on thinking undertaken through development of the proposed solution being considered under CMP280 and CMP281 and DCP341 and DCP342, as well as considerations under the approach developed by the Low Carbon Contracts Company (LCCC) when estimating charges for a CfD generator and work undertaken by Elexon and the LCCC on how to charge Final Consumption, as they consider relevant. Where necessary, network licensees should also consider possible methodologies for robustly estimating sites with Final Demand, including potential numerical approaches such as considering the relative proportions of import to export at a site.*

*3) The approach to establishing appropriate and proportionate arrangements for residual charges for Independent Distribution Network Operator (IDNO) network customers, customers connected with private wires and complex sites, considering relative charging arrangements on IDNO networks and the customer's voltage of connection.”*

- 1.4 DCUSA CP ([DCP](#)) 359: [OFGEM Targeted Charging Review Implementation – Customers: Who should Pay?](#) was brought forward to modify the DCUSA to introduce definitions for the new terms for 'Final

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<sup>1</sup> [https://www.ofgem.gov.uk/system/files/docs/2019/12/full\\_decision\\_doc\\_updated.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/12/full_decision_doc_updated.pdf)

Demand' and 'Single Site'. The change report outlines that the workgroup de-scoped complex sites and private networks agreeing that [DCP328 - Use of system charging for private networks with competition in supply](#) is best placed to deal with those arrangements once DCP359 had been implemented. In its final decision on DCP 359, published on 30<sup>th</sup> September 2020, Ofgem outlined its reasons for the decision:

*“Under DCP359, customers connected to complex sites and private wires that currently receive a residual charge will continue to do so. DCP328 focuses on private networks; if the proposed solution for DCP328 does not apply to complex sites (that are not part of private networks), we would expect a party to propose a modification to address residual charging for such complex sites. For the avoidance of doubt, nothing in this letter in any way fetters our discretion with respect to DCP328”.*

- 1.5 The intent of DCP328 is to ensure that use of system charging remains cost-reflective when supply competition on a private network is in place. Since recommencing after a short delay, the scope of this modification has not changed so only addresses private wires. It should also be noted that the term “complex site” in the TCR relates to sites that have a mix of Final Demand and Non-Final Demand.
- 1.6 It is therefore considered that further development is required to determine a consistent approach to the application of the residual charge over both transmission and distribution charging, ensuring mixed use sites are charged consistently over both codes. It should be noted that CMP363 & CMP364: TNUoS Demand Residual charges for transmission connected sites with a mix of Final Demand and Non-Final Demand have been raised by NGESO to clarify the TNUoS Demand Residual charging Bnad arrangements for transmission connected sites that have a mix of Final Demand and Non-Final Demand in the CUSC.

## Why?

- 1.7 This CP has been raised to enable DNOs to satisfy specific requirements set out in the TCR Direction. The DCUSA and the CUSC are increasingly likely to become inconsistent regarding the treatment of the residual charge over transmission and distribution, leading to inappropriate charging arrangements in terms of how the residual charge calculation is set out for mixed use sites over both transmission & distribution connections and to ensure that the network companies are fully compliant with Ofgem’s TCR direction and SCR principles.

## How?

- 1.8 A ‘Mixed Demand’ definition will be introduced stating that it is a Final Demand Site which also contains Electricity Generation and/or Electricity Storage and/or provides Eligible Services.

- 1.9 To benefit from a reduced residual charge the Final Demand<sup>2</sup> of a Mixed Demand Site will be calculated from actual metered data of the site and the metered data of the generation (Non-Final Demand element) within the site. A spreadsheet has been created and will be hosted on Distributors' websites to aid with the calculation.
- 1.10 The Working Group have developed a solution that caters for both existing and new customers:
- New customers
    - Customer declares that the site meets the definition of a Mixed Demand Site, and that metering is installed for the Non-Final Demand element;
    - Initially, the residual charging band will be determined in the same way as any other connection i.e. no consideration taken into account of the Non-Final Demand element;
    - An annual review, in line with the existing schedule 32 process, will take place and the residual charging band reassessed based on the metered data provided by the customer for the Non-Final Demand element together with the boundary metered data. A reconciliation of the charges will take place and a rebate provided where applicable.
  - Existing customers
    - Customer declares that it meets the definition of a Mixed Demand Site and provides a Customer Certification form together with the metered data for the Non-Final Demand element;
    - The Distributor verifies the information provided and reallocates the residual charging band;
    - The residual charging band will be applied retrospectively to the date of the initial request and any rebates will be calculated back to this date.

## 2 Governance

### Justification for Part 1 Matter

- 2.1 This proposal is to address a distortion that may otherwise come into existence with respect to approach that is being taken for the treatment of mixed-use sites in accordance with the TCR direction. Therefore, DCP 388 is considered to be a Part 1 Matter.

### Next Steps

- 2.2 This CP should:
- Be treated as a Part 1 Matter;
  - Be treated as a Standard Change; and

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<sup>2</sup> Final Demand means electricity which is consumed other than for the purposes of generation or export onto the electricity network.

- Proceed to the Working Group consultation phase.

## 3 Why Change?

- 3.1 As noted in section 1 above, following Ofgem's decision on the TCR, a number of CPs were raised, as required by Ofgem's direction to licences, to implement the decision. One of those CPs was DCP 359, which was brought forward to modify the DCUSA to introduce definitions for the new terms for 'Final Demand' and 'Single Site'. It was also to deal with the requirement set out in the Direction which stated:

*"Further arrangements*

30) *appropriate arrangements to develop the following:*

.....

- c. *any consequential changes that may be required in relation to residual charges for Independent Distribution Network Operators (IDNOs), consumers connected to private wire and complex sites, noting that the Authority expects that the IDNO charging regime (which operates via a Relative Price Control) to continue to function as it does today; and*

..... "

- 3.2 The DCP 359 Working Group de-scoped complex sites and private networks, agreeing that DCP328 'Use of system charging for private networks with competition in supply'<sup>3</sup> was best placed to deal with those arrangements once DCP359 has been implemented. However, in its final decision on DCP 359, published on 30th September 2020<sup>4</sup>, Ofgem outlined that *"if the proposed solution for DCP328 does not apply to complex sites (that are not part of private networks), we would expect a party to propose a modification to address residual charging for such complex sites."*
- 3.3 It should be noted the term 'Complex Site' has now been determined to mean 'mixed use sites' and that DCP 388 has been raised, in part, due to similar changes being raised to the CUSC to deal with the same issue. It was noted that the CUSC changes (CMP 363 and CMP 364)<sup>5</sup> have been raised as a result of Ofgem's decision on CMP334. This was because Ofgem set out the following in their CMP334 decision:

*"Private wires / complex sites*

*In the TCR Direction, we directed (paragraph 33.c) that 'appropriate arrangements to develop any consequential changes that may be required in relation to residual charges for [...] consumers connected to private wires and complex sites.' At the Workgroup Consultation stage,*

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<sup>3</sup> <https://www.dcusa.co.uk/change/use-of-system-charging-for-private-networks-with-competition-in-supply/>

<sup>4</sup> <https://www.ofgem.gov.uk/publications-and-updates/dcp359-ofgem-targeted-charging-review-tcr-implementation-customers-who-should-pay>

<sup>5</sup> <https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp363-cmp364>

*two respondents raised concerns that the definitions in the proposals for CMP334 and DCP359 do not work for complex sites.*

*We agree that the Workgroup has failed to bring forward a proposal that covers private wires and complex sites. The Workgroup indicated in the CMP334 FMR that changes to private wires and complex sites would be dealt with through DCP328, not this modification. DCP328 is only applicable to distribution-connected customers, and therefore would not cover transmission-connected customers. As a result, our view is that this obligation of the TCR Direction has not been discharged and will continue to apply notwithstanding our decision on this proposal. This is addressed further below in the “Other Issues” section of this letter.”*

- 3.4 At the time of the change proposal being raised the latest update with respect to CMP363/CMP364 was from their Workgroup meeting held on 6 September 2021 where it was noted that the decisions on Transmission Demand Residual Modifications (CMP335/336, CMP343/340) were anticipated on 27 August 2021 and the Workgroup need to consider these before finalising the solution and Workgroup Report which had been planned to be issued to the CUSC Panel in September 2021. A revised timeline was to be confirmed once a revised expected decision date for the suite of Transmission Demand Residual Modifications. The expectation is that CMP363/364 will be re-started now that an Authority decision has recently been published on CMP335/336 and CMP343/340<sup>6</sup>.
- 3.5 An update on the current situation on CMP363/CMP364 is provided later in section 4.

## 4 Working Group Assessment

### DCP 388 Working Group Assessment

- 4.1 The DCUSA Panel established a Working Group to assess/develop the DCP 388. This Working Group consists of representatives from DNOs, Suppliers, IDNOs, Generators and National Grid Electricity System Operator (NGESO) as well as observers from a number of consultancies and Ofgem. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – [www.dcusa.co.uk](http://www.dcusa.co.uk).
- 4.2 The Working Group developed this consultation document to gather information and feedback from market participants on this CP.
- 4.3 The Working Group agreed that it would be prudent to review the information contained in the CP form, as this review would flush out any potential issues or points for further discussion.
- 4.4 Members discussed some concerns related to the CP, which included that the potential solution being developed under the CUSC arrangements might be practical and appropriate for transmission-connected sites where the residual is allocated relative to consumption that is based on available metered data, whereas the same approach might be impractical for distribution-connected sites.

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<sup>6</sup> <https://www.ofgem.gov.uk/publications/decision-cmp343> (note this also included the decisions of CMP335/336 and CMP340).

- 4.5 It was noted that the main issue with attempting to align the arrangements across transmission and distribution is related to the fact that the scale of additional metering would be far greater at distribution than at transmission. The concern here is that the number of sites making use of this arrangement may make the process unfeasible, with one Working Group member suggesting it could be in the tens of thousands.

#### Consultation 1

- 4.6 The Working Group agreed to include the table below to capture the various concerns which have been grouped under five general headings and set against the different banding configurations.



Table 1 - General Issues / Concerns

Banding configurations	Data Availability	Metering	Connection Agreement	System/Process Changes	Compatibility with CMP 363/364
<b>Designated EHV Properties with MIC</b>  <b>Designated Properties connected at HV with MIC</b>  <b>Designated Properties connected at LV with MIC</b>	MIC is attributable to a whole site	Splitting the MIC between Final and Non-Final Demand is not a current process and robust solution would be needed to verify any split of MIC  Additional metering may be needed for the Non-Final Demand element	A site's MIC is contained with the connection agreement	Distributors will need new processes to be able to determine relevant allocation  Suppliers may need processes to validate	Not compatible because at transmission the residual is allocated relative to consumption that is based on available metered data  No concept of additional metering at distribution
<b>Designated Properties connected at LV without a MIC HH (i.e., the aggregated half-hourly market)</b>	Distributors don't currently receive the data applicable for these sites as standard  Data made available to Distributors for these sites isn't complete	Additional metering may be needed for the Non-Final Demand element	Not applicable	Dependent upon solution  Number of sites may be quite significant	May be more compatible with CMP363/364 but dependent on solution  No concept of additional metering at distribution
<b>Designated Properties connected at LV without MIC NHH</b>	Currently Distributors use EACs received via the P0222 data flows for the purposes of banding these sites  EAC data is subject to large variances over time	Additional metering may be needed for the Non-Final Demand element	Not applicable	Dependent upon solution  Number of sites may be quite significant	Not compatible with CMP363/364  No concept of additional metering at distribution

Banding configurations	Data Availability	Metering	Connection Agreement	System/Process Changes	Compatibility with CMP 363/364
<b>Domestic Premises</b> DCP 388 does not propose to amend the process for Domestic premises	Single band only	Single band only	Not applicable	Single band only	Single band only
<b>Unmetered Supplies</b> DCP 388 does not propose to amend the process for Unmetered Supplies	Single band only	Single band only	Not applicable	Single band only	Single band only

4.7 Given the extent of the concerns raised, the Working Group agreed that it would be sensible to create a table of the potential solutions that were available and to consult on these as options to determine which, if any, should be developed further. It should be noted that the solutions were only high-level at this stage and that the Working Group agreed to not provide any potential legal text amendments with the first consultation but agreed to use the responses to the initial consultation to feed into development of legal text for any preferred options.

4.8 The table below sets out the four potential options that the Working Group believed should be considered and which includes columns describing pros and cons against each option and a final column which highlights which of the issues / areas of concern that would be addressed by the potential solution. Other options such as no change and a Metering Point Administration Number equalling a site (thereby unpicking multi-feeder sites) were tabled but rejected by the Working Group. The main reason for each being that on the former Parties can reject the change to achieve the same outcome and the latter because this would be against the Ofgem policy relating to a site in the Targeted Charging Review. The Working Group noted that the table below should be read together with the relevant paragraphs below it as they provide more detail as to what the potential solutions will look like as well as further explaining any potential issues.

**Table 2 – Options being considered**

No.	Option	Pro	Con	Issues Resolved	Banding configurations
1	<p>Customer declares the split of Final Demand and Non- Final Demand and provides certificate confirming that a certain amount of their demand is 'Non-Final Demand' which is then deducted from the total of the site.</p> <p>This could be backed up with an assurance process of what the Final and Non-Final Demand actually is and then provide the right for a DNO/IDNO to conduct an audit / site visit.</p> <p>(further explained in paragraphs 4.10 to 4.14 below)</p>	<p>This would be easier to apply to sites with capacity-based charges.</p>	<p>This option would be based on 'trust' and thus the DNO would need to take it on that basis.</p> <p>This would be almost impossible to apply to sites allocated to no MIC bands (as the metered data isn't available to DNOs/IDNOs)</p> <p>Seems to contradict the intent of the TCR,</p> <p>Wouldn't be consistent with the solution being developed by CMP363/364.</p> <p>Significant industry costs associated with conducting any audits</p> <p>Number of certificates being submitted and needing to be verified is likely to be significant (e.g. in the tens of thousands)</p>	<p>Resolves Identified issues around:</p> <p>Data Availability / Metering / Connection Agreement</p>	<p>Could be applied to all Banding configurations</p>
2	<p>Development of a predetermined, standardised proportion of import capacity/consumption of generator to determine the Non-Final Demand element on a mixed-use site.</p> <p>(further explained in paragraphs 4.15 to 4.20 below)</p>	<p>Consistent approach via industry approved calculation (which will be developed as part of this CP if taken forward)</p> <p>Supports Ofgem's proportionality approach.</p>	<p>Further change would be required if a new technology is introduced or where updated data becomes available.</p> <p>Still based on estimation rather than actual metered data</p>	<p>Resolves Identified issues around:</p> <p>Data Availability / Metering / Connection Agreement</p>	<p>Could be applied to all Banding configurations</p>

No.	Option	Pro	Con	Issues Resolved	Banding configurations
		Minimal cost solution			
3	Additional Meter installed and some form of process to provide the data  (further explained in paragraphs 4.21 to 4.26 below)	Can be applied to MIC sites.	<p>Significant industry costs associated with conducting any audits.</p> <p>Significant customer costs associated with the metering arrangements as HH settlement and additional metering would be required (if not already in place).</p> <p>Significant industry costs associated with obtaining / using data from additional metering.</p> <p>This would be almost impossible to apply to sites allocated to no MIC bands (as the metered data isn't available to DNOs/IDNOs)</p> <p>There will be a delay between implementation and when data is available to use</p> <p>Cannot be applied to LV, no MIC, NHH sites.</p>	<p>Resolves Identified issues around:</p> <p>Data Availability / Metering / Connection Agreement / Compatibility with CMP 363/364</p>	<p>Designated EHV Properties with MIC</p> <p>Designated Properties connected at HV with MIC</p> <p>Designated Properties connected at LV with MIC</p> <p>Designated Properties connected at LV without a MIC HH (i.e., the aggregated half-hourly market)</p>
4	Finding a solution which may be similar to what was developed for P375 (permitting the use of behind-the-boundary asset metering)  (further explained in paragraphs 4.27 to 4.36 below)	Data and information would be made available.	<p>Likely to be the most expensive option, with such costs being pushed onto consumers.</p> <p>Is reliant on progressing BSC changes and therefore the implementation would be delayed.</p> <p>There will be a delay between implementation and when data is available to use.</p> <p>Is only applicable to sites that are HH metered</p> <p>Cannot be applied to LV, no MIC, NHH sites.</p>	<p>Resolves identified issues around:</p> <p>Data Availability / Metering / Connection Agreement</p>	<p>Designated EHV Properties with MIC</p> <p>Designated Properties connected at HV with MIC</p> <p>Designated Properties connected at LV with MIC</p> <p>Designated Properties connected at LV without a MIC HH (i.e., the aggregated half-hourly market)</p>



- 4.9 With respect to the options above, the Working Group agreed that it would be beneficial to provide further information about and seek feedback from industry on each option. Therefore, the paragraphs below have been split under relevant subheadings to set out each option in more detail.

### **OPTION 1: Customer provides certificate that a certain amount of their demand is 'Non-Final Demand'**

- 4.10 It was noted that roots of this option are based on the current method by which a Single Site is determined to be a Final Demand Site or a Non-Final Demand Site, and therefore whether or not to apply the residual fixed charge to that site. Rather than a customer providing a certificate that confirms that the import capacity or consumption is purely for the operation of the generator and not for any other purpose, a customer would certify that a certain amount of import capacity or consumption is for the operation of the generator. It is this certified amount which would be deducted from the total import capacity or consumption of the site for the purposes of allocating a site to a residual charging band.
- 4.11 Such a solution would likely necessitate further information to be provided, of which, the Working Group believe that any such certificate should include details of what type of generating equipment is on site. It was noted that this extra information could be useful in verifying the validity of a certificate by comparing against an average for a specific type of generator or other known parameters.
- 4.12 The Working Group also considered whether a right should be granted to DNOs/IDNOs so as to be able to conduct an assurance process. It was noted that granting DNOs/IDNOs such a right would, at a minimum, act as a deterrent to providing incorrect information.
- 4.13 The Working Group noted that although such an approach may be easier to apply to sites with capacity-based charges, it may prove rather more difficult to apply to sites with consumption-based charges. Further to this, it was noted that such a solution would be likely based on trust and some members expressed concerns related to the possibility of incentivising gaming opportunities and ultimately undermining what the TCR was trying to resolve.
- 4.14 The Working Group sought views on whether industry believed the option of a customer providing a certificate that a certain amount of their demand is 'Non-Final Demand' which is then deducted from the total of the site is a viable solution and should be developed further.

*For information: Under CMP363/364 the process of self-certification is not being considered as an option.*

### **OPTION 2: Development of a predetermined, standardised proportion of import capacity/consumption of generator to determine the Non-Final Demand element on a mixed-use site**

- 4.15 This option would apply a reduction to the capacity/consumption that would otherwise be used as a basis on which to allocate a site to a residual charging band based on:
- Generation technology type; and
  - Level of import required for or directly relating to Electricity Storage and/or Electricity Generation (and not import for another activity) of each generation technology type.
- 4.16 The import capacity/consumption required to support each type of generation as a proportion of the maximum export capacity/consumption will be determined based on current installations.

4.17 A percentage value of the Export Capacity/consumption of each generator could be used to determine the Import Capacity/consumption deemed to be necessary for the operation of the generator, with the Import Capacity/consumption that is used as a basis for allocating a site to a residual charging band reduced by this amount.

4.18 The table below provides an example of this solution:

Type of generation	% of import capacity/consumption (required for start-up / exempt from residual charges)
LANDFILL GAS	X%
COMBINED CYCLE GAS TURBINE (CCGT)	X%
CHP SEWAGE TREATMENT, USING A SPARK IGNITION ENGINE	X%
CHP SEWAGE TREATMENT USING A GAS TURBINE	X%
ENERGY FROM WASTE	X%
WIND FARM	X%
SMALL HYDRO	X%
STORAGE	X%

4.19 It should be noted that during Working Group discussions, members raised concerns about how such a percentage would be understood/agreed and believe that this may be quite an onerous task. Therefore, the Working Group decided not to define the solution further but to seek views from industry as to the viability of this option.

4.20 The Working Group sought views on whether industry support this option, and if so, if industry have ideas as to how the Working Group could determine the appropriate percentage for each type of generation and if the solution can be applied to both MIC and non-MIC sites.

*For information: Under CMP363/364 the Development of an agreed proportion of import capacity/consumption of generator to determine the Non-Final Demand element on a mixed-use site is not being considered as an option.*

### **OPTION 3: Metering installed and some form of process to provide the data plus customer certification From requirement**

4.21 It should be noted that this option effectively includes the parameters of Option 1 (see above) which is that customer would provide a certificate that a certain amount of their demand is 'Non-Final Demand' which is then deducted from the total of the site and then adds a requirement around additional metering needing to be in place.

4.22 As it currently stands, there is a reliance on boundary meters which do not distinguish between different loads behind the meter. The reliance on boundary meters is in contradiction with the belief that the basis for the calculation of consumption levies should be on Final Demand, i.e. excluding demand for the purpose of operating a generator. It should be noted that additional metering may be in place already or will need to be installed if not in place.

- 4.23 The Working Group discussed how the data from additional meters could be used to determine the correct allocation of import consumption or capacity on mixed or co-located sites. Specifically, the extent to which import associated/co-located with the generation (including storage) can be excluded for the purposes of allocating a site to a residual charging band.
- 4.24 It was noted that the approach could be on an 'opt-in' basis, meaning that generators wishing to avoid residual charges levied on imports associated with their generating units will need to ensure that those generating units (and any directly associated load) is metered separately to any other on-site load. A process could be designed to allow the customer or a sites registrant to provide the metering data to the DNO/IDNO directly, which would be used to reduce the consumption or capacity value used in allocating a site to a residual charging band. This option would likely require data for at least a 12-month period prior to being able to be considered for re-allocation to a different residual charging band.
- 4.25 The Working Group considered that the additional metering approach would require significant cross code interaction and quite possibly a longer lead time to implement as well as significant costs to be borne by distributors and generators alike. In addition, the Working Group had concerns over whether this option is practicable for non-MIC sites.
- 4.26 The Working Group sought industry views on the additional metering approach and welcome any comments with respect to cross code interactions, non-MIC sites and implementation timescales.

*For information: The way in which CMP363/364 is dealing with metering arrangements and customer certification is as follows:*

*CUSC CMP 363 is proposing to include a covering guidance note to state that:*

- *A Transmission Site is not obliged to submit a declaration; however, they would liable for the TNUoS Demand Residual charge if they didn't submit such a declaration; and*
- *Clarify that a false declaration would be a breach of CUSC, and they have a responsibility to keep the obligation up to date e.g. re-declare if there changes to Site usage that would impact on their Transmission Band.*
- *The declaration would include:*
  - *The name of the single "Site";*
  - *Tick boxes as to whether or not it will have a mix of Final Demand or be pure Non-Final Demand;*
  - *Where there is Final Demand, a diagram showing the metering configuration (including metering identification) to capture, for complicated sites, the logic of how to isolate Non-Final Demand volumes from the rest of the site; and*
  - *Signatures/sign off from their Company Directors in line with current CUSC processes.*

#### **OPTION 4: Finding a solution which may be similar to what was developed for P375, using behind-the-boundary asset metering**

- 4.27 It was noted that there have been two Balancing and Settlement Code (BSC) modifications which explored the idea of using "secondary meters" that can distinguish different loads behind the boundary meter.



- 4.28 Initial discussions on this topic go back to Project TERRE, a Europe-wide programme designed to establish a new replacement reserve balancing product in participating countries, which included plans for wider access of the Balancing Mechanism (BM) through BSC modification P344 'Project TERRE' which sought to align the BSC with TERRE requirements.
- 4.29 Prior to P344, in order to participate in the BM sites were required to be registered as a central volume allocation, with these sites now referred to as Primary BM Units. P344 saw the introduction of Secondary BM Units, which used the supplier volume registered boundary point metering systems. The P344 workgroup involved in developing the solution for the modification, raised an issue related to balancing services being delivered, but not being visible, at the boundary point.
- 4.30 This resulted in issue group 70, which recommended the raising of modification P375 'Settlement of Secondary BM Units using metering behind the site Boundary Point'. It was noted that the P375 solution uses an asset metering system identifier, rather than an MPAN, and this is paired up with a boundary point MPAN to identify the connection between the asset and the site boundary point.
- 4.31 Ofgem decided to approve P375 on 24 February 2021 and their decision document contained the below summary:

*"The proposed modification, raised by Flexitricity Limited (the Proposer) on 13 December 2018, allows, in the case of independent assets behind the boundary meter, for secondary meters to be used for the purpose of settlement of balancing services (bid-offer acceptances), rather than using metering equipment at the site boundary point. Allowing metering closer to the asset within a site that provides the balancing service means that only activity related to that asset is submitted for settlement, and the independent, uncontrollable activity of other assets within the site boundary (behind the same boundary point meter) is removed, reducing inaccuracy in settlement. Simplistically, this modification allows balancing related services to be separated from imbalance related activities. The Proposer believes that code objectives (b), (c) and (e) are better facilitated by this change, and that there is a neutral impact on the other code objectives.*

*In order to facilitate the use of a meter located between the boundary point and the asset for the purposes of reflecting balancing services for settlement, a new code of practice (COP 11) has been established. This includes the creation of asset metering system identifiers (AMSIDs), to be registered with the settlement volume allocation agent (SVAA), to complement the existing metering system identifiers (MSIDs) used for boundary point meters. This code of practice allows existing metering set-ups to be used for this purpose, as well as being the standard for new meters to attain in new sites.*

*This modification is predicated on the independence of assets behind the boundary meter. As such, stringent independence checks by the SVAA are required, in accordance with their performance assurance framework. These checks will be done at the point of registration of the asset meter, and further checks can be conducted should the site trigger concerns over 'gaming' (where non-balancing assets respond deliberately and dependently to the balancing service response of the balancing asset) through use of an automated technique using statistical methods."*

- 4.32 To this end, the Working Group also noted that P395 'Aligning BSC Reporting with EMR Regulations – an enduring solution' may have a role to play.

- 4.33 The Working Group note that P395 is still being developed under the BSC change process seeks to introduce new and amended processes so that the BM Unit Gross Demand Report to the EMR Settlement limited (EMRS) only includes electricity 'supplied' to premises by Suppliers, correctly excluding electricity imported by Generators or Battery Storage facilities operated by a licensee for generation activities, for use in calculating Final Consumption Levies (FCL) in accordance with Secretary of State for Business, Energy and Industrial Strategy (BEIS) regulations.
- 4.34 The following points were covered within the recent P395 consultation issued by Elexon:
- The P395 Solution builds on processes developed for P375 for registering Assets and collecting and processing data from Asset metering by enabling SVAA to receive metered data for Asset Meters from HHDCs. The main difference is that the Asset Metering Systems in question would be registered by Suppliers, rather than by Asset Metering Virtual Lead Parties (AMVLPs).
  - Under the P395 solution, Suppliers and CVA Registrants will be required to declare details of the site(s) for which they wish to have their Gross BM Unit Demand adjusted for the purposes of Final Consumption Levy charging. There are three distinct types of declaration required:
    - 1) EMR MSID Declaration – where there is no Final Demand at a SVA-connected site, Suppliers will be required to declare the Import MSID(s) for each site – there is no requirement to register Generators / Storage Facilities as Assets.
    - 2) EMR AMSID Declaration – where there is Final Demand at a SVA-connected site, Suppliers will be required to declare the MSID Pair(s) and AMSID Pair(s) for each site – Suppliers will be required to register each Generator and Storage Facility as an Asset in accordance with BSCP602 in order to obtain an AMSID Pair for each (unless a Generator or Storage Facility has already been registered as an asset using the P375 process, when the Supplier should use the existing AMSID Pair).
    - 3) EMR CVA BM Unit Declaration – where the Generators / Storage Facilities are located behind a CVA-connected site, the CVA Registrant will be required to declare the relevant CVA BM Unit.
- 4.35 It should be noted that DCP 388 will need to cover off sites that are active in the BM and those that are not but that P375 is only applicable to the former. Therefore, such a solution for DCP 388 could be based on P375 but would be expanded upon. In addition, the Working Group had concerns over whether this option is practicable for non MIC sites.
- 4.36 The Working Group sought views on whether industry believe the approach set out under option 4, which is based on finding a solution using a settlements process which may be similar to what which was developed for P375, should be further developed and whether it can be extended to non MIC sites.

## Consultation 1 Summary of Responses

- 4.37 The first consultation was issued to parties on 04 April 2022. There were eleven responses received to the consultation. The Working Group's conclusions can be found in **Attachment 4 DCP 388 Consolidated Consultation 4 Responses**, with a summary of each shown below.

### Question 1: Do you understand the intent of the Change Proposal?

- 4.38 Nine out of the eleven respondents indicated that they understood the intent of DCP 388. The remaining two respondents were either unsure what the intent of DCP 388 was or believed it to be ambiguous.
- 4.39 Given two respondents had queried the intent of DCP 388, the Working Group agreed to add clarity to the future consultation and the final change report with respect to the intent of the change, to ensure readers fully understand the intent moving forward.
- 4.40 It was noted that any such clarity should be more focussed on the treatment of Mixed Demand Sites at distribution level with regard to their residual charges rather than cross-code consistency between arrangements in the CUSC and DCUSA.

**Question 2: Are you supportive of the principles that support this CP, which is to maintain alignment between distribution and transmission connected sites that have a mix of Final and Non-Final Demand?**

- 4.41 Eight out of the eleven respondents indicated that they were supportive of the principles of DCP 388. The remaining three respondents expressed concerns indicating that they were not supportive of the principles of DCP 388.
- 4.42 Of the three who weren't supportive, two respondents' views can be summarised as believing DCP 388 does not align with the principles set out in Ofgem's Targeted Charging Review (TCR) Significant Code Review (SCR). Whilst the other respondent didn't provide their rationale in response to this question, their response to question 8 indicates that they hold the same belief as the other two respondents.
- 4.43 Two respondents who were supportive of the principles that support the need for DCP 388, also questioned some elements of the principles as had been described in the consultation. The Working Group therefore determined that, in addition to adding clarity to any future consultation and the final report with respect to the intent of the change, they should also review and, where necessary, add clarity to the text that provides the principles that support the need for DCP 388.

**Question 3: Do you believe that option 1, where a customer certifies that a certain amount of their demand is 'Non-Final Demand' which is then deducted from the total of the site is a viable solution and should be developed further? If so:**

- What information do you believe that a customer should be asked to provide in such a certificate?
- Do you believe that a right should be granted to DNOs/IDNOs so as to be able to conduct assurance processes and what type of assurance processes do you think should be carried out?

**Please provide your rationale**

- 4.44 Six out of the eleven respondents indicated that they did not believe option 1 to be a viable solution or were generally not supportive of progressing it in isolation. Of the remaining five respondents, two did believe option 1 to be a viable solution and were supportive of exploring/developing option 1 further, two didn't specifically indicate whether they believed option 1 to be viable or not but did provide some further comments which the Working Group noted.
- 4.45 One provided a view on what information/data customers should provide, being the capacity and volumes of Non-Final Demand, Final Demand and, if necessary, the type of generation, and that the DNO/IDNO should have the right to audit. Whilst the other respondent suggested that such a solution could form the basis of an interim solution ahead of progressing option 4.

- 4.46 The remaining respondent noted that they were not convinced a self-certification process is appropriate “as there is likely to be a degree of judgement required to separate out how much demand is Non-Final Demand, and it is unlikely this will be applied consistently under a self-certification approach which could lead to many disputes and retrospective adjustments.”
- 4.47 The Working Group noted a theme that was seen across several responses, both those that were supportive and those that weren’t and could be generalised as being related to concerns over the potential assurance process. The concerns generally centred around volume of potential certificates being received, leading to questions related to resource availability to be able to conduct audits as well as who picks up the costs for conducting them.

**Question 4: Do you support option 2, which is to develop an agreed proportion of import capacity/consumption of generator that would be used to determine the Non-Final Demand element on a mixed-use site? If so,**

- **Do you have any ideas as to how the Working Group could determine the appropriate percentage for each type of generation; and**
- **Do you believe that this solution can be applied to both MIC and non-MIC sites?**

- 4.48 Six out of the eleven respondents indicated that they were not supportive of option 2 being progressed further, with several of these providing their rationale for that stance. Of the remaining five respondents, two were supportive of progressing/developing option 2 further and two indicated that they were not fully supportive, but to some degree, agreed with the principle of utilising a standardised approach. The remaining respondent noted that they were supportive of an approach which minimises administrative burden and cost and suggested an expanded version of option 2 may work best.
- 4.49 The Working Group noted another theme emerging, that was seen across several responses, both those that were supportive and those that weren’t and could be generalised as being related to the use of a split in approach between Non-MIC and MIC sites.

**Question 5: Do you believe that option 3, where by a Customer would need to utilise or install additional metering which would show how much demand is ‘Non-Final Demand’ which is then deducted from the total of the site is a viable solution and should be developed further? If so, do you have a view on what process could be designed to allow the customer or a sites registrant to provide the metering data to the DNO/IDNO directly**

- 4.50 Seven out of the eleven respondents indicated that they were not supportive of option 3 being progressed further, with several of these providing their rationale for that stance.
- 4.51 Of the remaining four respondents two were supportive of progressing/developing option 3 further; another referred to their response to question 4 and questioned whether additional metering would actually solve the issue, however the Working Group noted that the maximum demand (i.e., metered data) is used as part of the residual banding process; and one respondent had the view that option 3 is effectively option 1 but with the facility for a DNO to audit the data rather than making a decision based on the customer certification form alone.
- 4.52 The Working Group noted that all options would likely necessitate some form of certification so distributors could identify such sites.

**Question 6: Do you support option 4, which is based on finding a solution using a settlements process which may be similar to what which was developed for P375? If so,**

- **Do you have any thoughts as to what the Working Group should factor in when developing this solution further?**

- 4.53 Five out of the eleven respondents indicated that they were not supportive of option 4, with a number of those providing supporting rationale for their views, which included concerns related to the likely need to raise a BSC modification, for which system costs may be quite high and timeframes likely to be drawn out due to the implementation of the MHHS arrangements currently underway.
- 4.54 Four respondents were either supportive of further exploring/developing option 4 or believed it to be a viable solution, two respondents didn't specifically state whether or not they were supportive of option 4 but both did provide comments indicating concerns related to this option only being applicable to some sites and not others (i.e., only sites operating in the HH market and/or only those without agreed capacity).
- 4.55 This was noted within the Working Group that any potential consequential impact to the MHHS programme that DCP 388 may have will be reviewed and handed to the MHHS programme where appropriate.

**Question 7: Are you aware of any wider industry developments that may impact upon or be impacted by this CP?**

- 4.56 Only one respondent provided a view of any wider industry developments that may impact upon or be impacted by this CP, which was with respect to the changes expected from MHHS implementation. To which the Working Group noted that they understand that MHHS impacts are more likely to be seen on the two options that utilise additional metering.

**Question 8: Do you have any further comments on DCP388?**

- 4.57 Two respondents indicated that they do not believe DCP 388 should be progressed any further, given in their view, it works against the original intent of the TCR.
- 4.58 One respondent stated: "DCP 388 should explicitly state that it is covering mixed sites including private networks." The Working Group notes that private networks are likely to be covered under DCP 328 as it seeks to split out generation import from any other import and is therefore applicable to private network arrangements. However, as no solution has been finalised the Working Group agreed to keep the area of private networks under review.
- 4.59 One respondent stated: "It was pointed out that it would be possible to use the process of subtracting metered Final Demand from metered total site demand to obtain a Non-Final Demand element. If this is possible then we think it would be an option, we would want to add in to our previous response i.e. if a customer has the metering in place for us to more accurately apportion Non Final Demand/Final Demand ratios then we would use that data".
- 4.60 In response the Working Group noted that any metering option will require the provision of metering data and will likely require the raising of a BSC modification, which has time and cost implications as well as not covering any metering of reactive power which will likely be needed.

- 4.61 The Working Group also noted the same respondent suggested a solution that would involve combining a number of options together and that other respondents have also suggest similar approaches, and therefore the Working Group will review the suggestion in the round.
- 4.62 One respondent noted that they'd support an 'opt-in process', leaving it to site operators' discretion as to whether it would be worth their while reporting a site's NFD" for any eventual solution. The Working Group agreed that this would be a sensible approach (whichever option is progressed).
- 4.63 The Working Group noted the same respondent suggested that for the next phase of the Working Group, it "refines its approach of comparing the options by applying some specific criteria should 'applying some specific criteria, such as practicability, verifiability and cost-effectiveness, across all the parties affected by the proposal, and attempts to quantify the impacts'."
- 4.64 The Working Group clarified that the costs to be assessed would relate to those imposed on industry (i.e., for metering as well as obtaining/processing of metering data etc).
- 4.65 The Working Group noted a point made by the same respondent relating to the availability of demand data that DNOs require for banding, specifically, 'HH LV sites without a MIC (aggregated HH market)' and with the respondent highlighting their understanding that this was supposed to have been picked up via a BSC modification and that the Working Group should follow this up.
- 4.66 The Working Group discussed this point and highlighted that a previous BSC change 'CP1555' had been raised and subsequently rejected and this was designed to fix the access to such data. It was suggested that there may be a need for another BSC CP to be raised to obtain the required data (i.e., a CP that is focussed on Measurement Class G customers only) – although it was noted that a previous attempt had also failed.

### Consultation one conclusions

- 4.67 The Working Group agreed that:
- Further clarification on the intent and principles of the change was required; and
  - Agree on the solution to be taken forward to the second consultation.

### Clarification on the intent and principles of the change

- 4.68 The original intent of the modification remains unchanged. For clarification, the intent of this change is to introduce a definition for "Mixed Demand Sites" into DCUSA. Any site meeting this definition would have their demand (consumption (kWh) for non-MIC sites or capacity (kVA) for MIC sites) split between the Final and Non-Final Demand elements of the site. The Final Demand element is to be used to allocate (or reallocate) the site to a charging band, which is used to determine the residual charge element of the fixed charge for DUoS and TNUoS.
- 4.69 In addition, [CMP363 & CMP364: TNUoS Demand Residual charges for transmission connected sites with a mix of Final and non-Final Demand & Definition changes](#) have since been implemented in the CUSC which has taken effect from April 2023. This CUSC change means that qualifying transmission connected sites are able to be recognised as Mixed Demand Sites and can be allocated to a charging band for TNUoS charging based on the Final Demand consumption at the site, by excluding the Non-Final Demand consumption, as measured by physical metering, from the total consumption.



Consequently, the TCR direction is not being applied consistently across distribution and transmission connected sites at this point in time, as Mixed Demand sites connected to the transmission network can be treated as Mixed Demand sites, but sites connected to the Distribution Network cannot. DCP 388 aims to allow distribution connected Mixed Demand sites to be recognised as well.

### **Solution to be taken forward**

- 4.70 Prior to agreeing the solution, the Working Group reviewed CMP 363 and 364 as the Authority had reached a decision on these two changes.
- 4.71 CMP 363 and 364 introduced provisions for residual banding Mixed Demands Sites, and were centred around metered data calculations and not estimates. These changes went live in April 2023.
- 4.72 The Working Group agreed that there was no outright support for any of the options suggested in the first consultation but noted support for a mix of some of the options. The initial thought was that a combination of Option 1, 2 and 3 should be explored further.
- 4.73 The certification form as a self-declaration was not supported (Option 1) by the Consultation respondents but the Working Group believed that the certification form as part of the overall solution had merit. The Working Group believed that the use of metered data, where available, was the best solution (Option 3) but where this was not available, an estimation based on technology type was a fallback position (Option2). The Working Group agreed to consider a hybrid of all three options.
- 4.74 The concern with this hybrid solution was the lack of information available for estimating by technology type from the industry on what percentage of import capacity/consumption was required for start-up (Non-Final Demand element of the generator) and so could be considered exempt from residual charges. This was the thought of the Working Group prior to the first consultation. Feedback from Parties and post consultation review confirmed this was the case.

#### **Final position**

- 4.75 The use of the customer certification form would form part of the process for assessing the Final Demand and Non-Final Demand.
- 4.76 Estimation based on technology type is not to be progressed further.
- 4.77 The solution should follow CMP363 and CMP364 and use additional metering to calculate the Final Demand. Only the metering used specifically for any element of the Non-Final Demand would be taken into account i.e. if there are two generation connections within a Mixed Demand Site and only one had the additional metering, only that one would be considered in determining the Final Demand. This is effectively an opt in arrangement whereby a customer can either install or has already installed such metering and provide the metering data in order to benefit from the reduced residual charge.
- 4.78 Such an opt in approach avoids the potential for a new BSC Modification being needed to support this change.

### **Consultation two**

- 4.79 The Working Groups approach is to utilise the customer certification form alongside existing/new data from operational metering to derive the Final Demand and Non-Final Demand element. In order to calculate capacity split at Sites where residual charging bands are assessed on MIC, operational metering will need to record both active and reactive power per half hour to calculate a capacity split. Conversely, at Sites where residual charging bands are assessed based on consumption, the active power needs to be recorded to calculate the differences between Final/Non-Final Demand consumption.
- 4.80 The solution will cater for both capacity and consumption tariffs in line with the current approach to residual charging bands. This is the key difference in comparison to CMP 363 and CMP 364, as at transmission level, residual charging bands are derived based on consumption (MWh) only. It also facilitates both existing customers and new connectees to the distribution network with a reconciliation process associated with each.
- 4.81 The Working Group would like your views on the proposed solution for DCP388.

**Question 1: Do you agree with the approach suggested by the Working Group to utilise actual operational metered data alongside a customer certification form? Please provide rationale.?**

#### **Existing customer process**

- 4.82 Where an existing customer wishes to have their site classified as a Mixed Demand Site, the Customer will submit a certification form and declare that it meets the definition of a Mixed Demand Site. In addition, the customer will provide metered data for the Non-Final Demand element.
- 4.83 The Distributor will verify the information provided and reallocate the site to a residual charging band, if applicable, based on the Final Demand element of their demand. The residual charging band will be applied retrospectively back to the date of the initial request and any rebates will be calculated back to this date.

**Question 2: Do you agree with the approach for how to reclassify existing customers to a Mixed Demand Site? If not, please provide rationale.**

#### **New customer process**

- 4.84 The Working Group considered the process for new customers as there would be no historic actual metered data to use.
- 4.85 The Working Group believed that using the customer certification form to trigger the process initially, and then applying an annual review after an agreed time period offered the best solution for new customers.
- 4.86 Initially, until sufficient data is available, for new Mixed Demand Site customers, the Site is to be treated as Final Demand Sites and use a review process to determine the residual charging band for the Final Demand of the site, with rebates where appropriate.
- 4.87 The Working Group considered the length of time this review period should last and agreed that the options available were monthly, quarterly, or annually. The Working Group believed that an annual



review (12 months) followed by a reconciliation was the best approach in line with the process for the allocation review of new Final Demand Sites.

- 4.88 This would allow the Customer to collate the data provided by the Settlements process and the operational metering in order to calculate an accurate split between Final Demand and Non-Final Demand. The Customer then needs to submit the data and amend the Certification form as necessary, and the Distributor will verify the information provided.
- 4.89 The Working Group would like party views on the above points to help develop the final solution.

**Question 3: Do you agree with the approach for how new Mixed Demand Site customers are treated? If not please provide rationale.**

#### **Customer certification form**

- 4.90 The Working Group agreed that the customer certification form should have separate sections for MIC and Non-MIC sites, and confirmed that 12 months of actual data (active (kWh) and reactive (kVArh) for MIC sites, and active (kWh) for Non MIC sites) for each of the meters within the arrangement would be required.
- 4.91 The Working Group agreed that the customer certification form should reference the process whereby the distributor will perform an annual review for new sites once sufficient data is available and reserves the right to carry out a site audit. so that Distributors can review the metering arrangements on site.
- 4.92 The Working Group believed that the customer Certification form should be housed within the LC14 statements, but that Distributors should also have copies on their websites in order to allow customers to find everything they need in one place.
- 4.93 The customer Certification form can be found within Attachment 5 – DCP 388 customer certification form.

**Question 4: Do you have any comments on the customer Certification form?**

**Question 5: Do you agree that the customer certification document should be located within the LC14 statement and Distributors websites? If not, please advise where you believe it should be located and provide rationale.**

#### **Calculation of Final Demand**

##### **Calculation Template for MIC based sites**

- 4.94 A Working Group member developed a spreadsheet template (Attachment 6) which could be used to calculate the estimated Final Demand by subtracting the Non-Final Demand element from the total demand. It was noted that customers could complete this template to provide their supporting evidence when completing the customer certification form.
- 4.95 Because it is not possible to establish splits between Final-Demand MIC and Non-Final Demand MIC at a site, it is proposed to use a proxy approach, using instead the maximum demand for each of these elements.

4.96 The Working Group propose to use the spreadsheet template for calculating the capacity for the Non-Final Demand element of a Mixed Demand site, to be used for allocating the site to a residual charging band for a MIC site. This requires either:

- the actual HH data for the Final Demand element of the site (worksheet 4); or
- the HH data for the Final Demand element of the site calculated from the HH data at the import boundary and the metered Non-Final Demand element of the site (worksheet 3 outputs, using inputs from worksheets 1 and 2)

4.97 The template then finds the maximum of the actual or estimated HH Final Demand data for the site and divides this by 0.95 to convert the kW to Capacity kVA to produce a Capacity to be used for allocation to a residual band.. Stakeholders can examine the proposed approach by testing Attachment 6 as well as by reviewing the three worked examples under Attachment 7.

### Non-MIC Sites

4.98 The customer will provide the Final-Demand based on metering data at the boundary, less data for the Non-Final Demand element. This can be meter readings or HH data dependent on boundary metered settlement method. For HH non-MIC sites, spreadsheet template 6 could be used for submission with the customer certification form. For NHH non-MIC sites, a template similar to the format used in the example under Attachment 7 is to be developed.

4.99 Worked examples for MIC and Non-MIC (both HH and NHH metered) sites are shown below with the data provided in **Attachment 7- Worked examples data for MIC and Non-MIC sites**.

### Residual band thresholds as set in the current Transmission price control (2021-2026)

4.100 This is the current Residual band thresholds as published I each DNOs Statement of charges, which is included for reference:

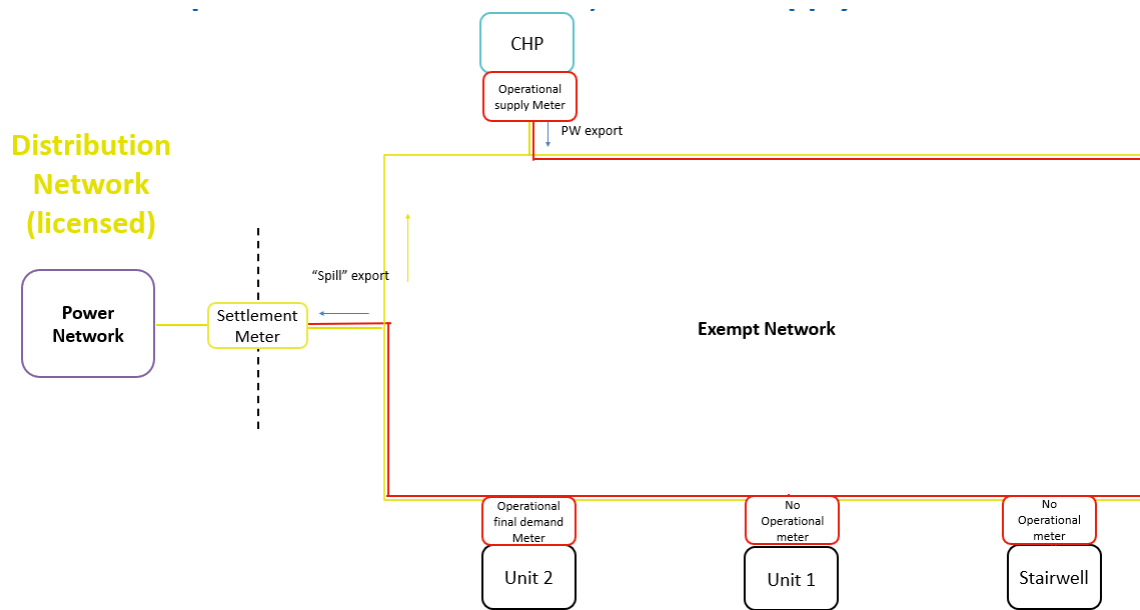
Voltage of Connection	Band	Units	Lower Threshold*	Upper Threshold*
Domestic Aggregated	Single band	-	-	-
Designated Properties connected at LV, billing with no MIC	1	kWh	0	3,571
	2	kWh	3,571	12,553
	3	kWh	12,553	25,279
	4	kWh	25,279	∞
Designated Properties connected at LV, billing with MIC	1	kVA	0	80
	2	kVA	80	150
	3	kVA	150	231
	4	kVA	231	∞
Designated Properties connected at HV	1	kVA	0	422
	2	kVA	422	1,000
	3	kVA	1,000	1,800
	4	kVA	1,800	∞
Designated EHV Properties	1	kVA	0	5,000
	2	kVA	5,000	12,000
	3	kVA	12,000	21,500
	4	kVA	21,500	∞

\* All boundaries are inclusive of the upper threshold and exclusive of the lower threshold i.e. Lower < x ≤ Upper.

#### Example 1 – Calculations for a site with a Maximum Import Capacity.

4.101 The below visual represents a EHV site with

- a medium sized CHP operating behind the settlement meter, an operational meter measuring imports & exports from the CHP asset.
- another operational meter measuring final demand within the customers (licence exempt) network,
- a further 2 exit points that are not metered directly, but imports are via the settlement meter at the boundary point.



#### 4.102 Using the template for MIC:

- the settlement metered HH data is populated into “import” tab.
- The Operational supply metered Data from the CHP is populated into the “operational Gen Metering Tab”.
- Operational final demand meter on unit 2 is not an input “Operational FD metering” tab because
  - the operational meter does not measure all Final demand, - unit 1 & Stairwell are not metered).
- Because this is MIC derived connection, the power factor default of 0.95 is used to convert from kWh per HH to kVA.

4.103 The non-final demand element is taken out by working out the highest peak (KWh per HH) recorded on the settlement meter subtracted against the highest peak value (KWh per HH) from the CHP metered data, then to convert from KWh to KVA the default Power Factor of 0.95 is applied, producing a reduced KVA of 10301.1 for residual band allocation vs KVA of 13500 MIC.

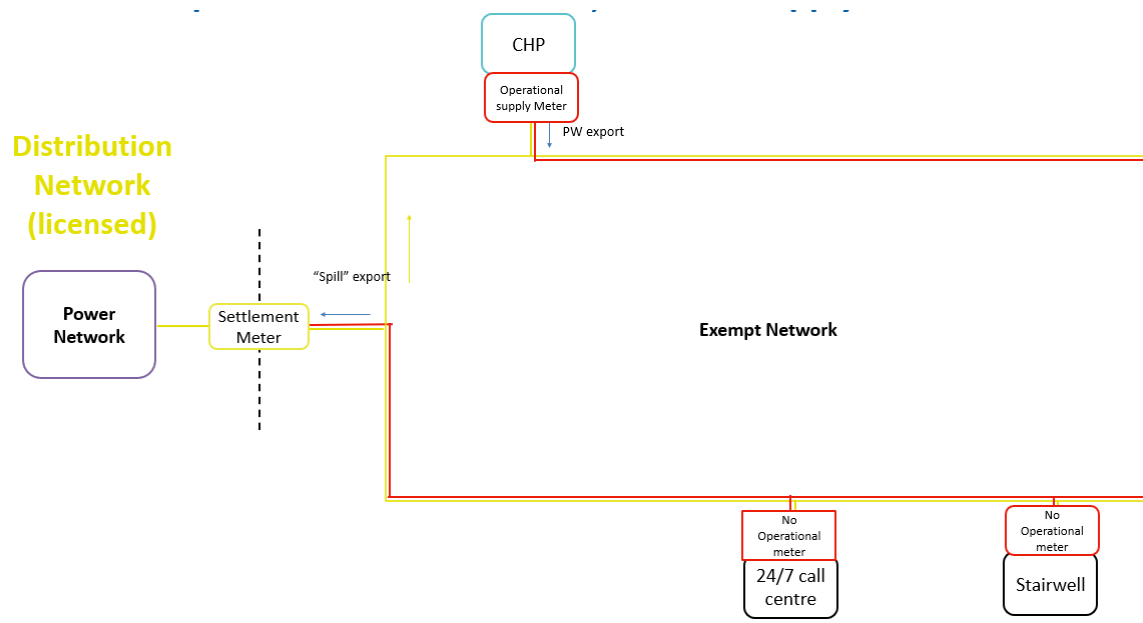
#### Calculations template

MPAN	EXAMPLE 1
Data Date From	01/04/2021
Date To	31/03/2022
Maximum Demand Operational FD metering (KW)	0.0
Maximum Demand Est FD metering (KW)	9786.0
Estimated Power factor	0.95
MIC (KVA)	13500
Capacity for banding	10301.1

**Outcome** – this site meets the criteria of a mixed demand site & would qualify for a residual re-band- The MIC currently places the site in EHV residual band 3 but the final demand capacity element places the site into residual band 2.

## Example 2 – Calculations for a HH site with no Maximum Import Capacity.

4.104 The below visual represents a LV WC HH metered site allocated to Measurement Class “G” supplemented by a small CHP generator.



- a small sized CHP operating behind the settlement meter, an operational meter measuring imports (& exports) from the CHP asset.
- No other Final demand measuring final demand within the customers (licence exempt) network,

4.105 Using the template for HH nor MIC:

- the settlement metered HH data is populated into “import” tab.
- The Operational supply metered Data from the CHP is populated into the “operational Gen Metering Tab”
- Operational final demand meter on unit 2 is not an input “Operational FD metering” tab because
  - the operational meter does not measure all Final demand, - call centre & stairwell are not metered.

4.106 The non-final demand element (CHP demand) is taken out by working out the total consumption (KWh per HH) recorded on the settlement meter subtracted against the total imports ((KWh per HH) from the CHP operational metered data:

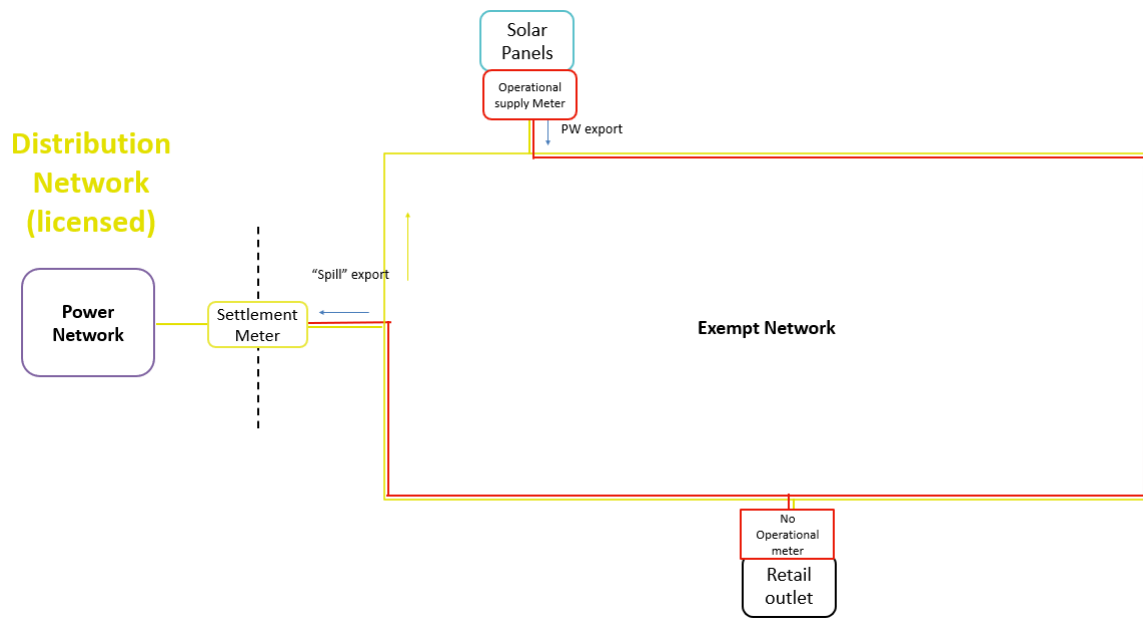
## Calculations template

MPAN	EXAMPLE 2
Data Date From	01/04/2021
Date To	31/03/2022
Total Annual Import Consumption (kWh)	133932.9
Maximum Demand Operational FD metering (KWh)	0.0
Maximum Demand Est FD metering (KWh)	60269.8
Annual Consumption for banding (KWh)	73663.1

**Outcome** – this site meets the criteria of a mixed demand site & would not qualify for a residual re-band – whilst the annual consumption used for banding has reduced it remains above the Residual band 4 threshold of 25,279 kWh.

### Example 2 – Calculations for a NHH site with no Maximum Import Capacity.

4.107 The below visual represents LV WC NHH metered site allocated to Measurement Class “A” under Profile Class 04, supplemented by a solar panels on the roof:



- The Solar panels operating behind the settlement meter, an operational meter measuring imports & exports from the Solar panels.
- No other Final demand measuring final demand within the customer (licence exempt) network.
- Only the 1<sup>st</sup> and last meter read from the assessment year has been used from the settlement/operational meter.

#### 4.108 Using the template for NHH no MIC:

- the first & last read from the settlement meter is populated into “import” tab.
- the first & last read from the Operational meter is populated “operational Gen Metering Tab”
- Operational final demand meter on unit 2 is not an input onto the “Operational FD metering” tab because.
  - the operational meter does not measure all Final demand, - the retail outlet is not operational metered.

4.109 The non-final demand element is taken out by working out the total consumption (KWh by meter reads from the settlement meter on the 1<sup>st</sup> and last day of the calendar year) recorded on the settlement meter subtracted against the total imports (KWh by meter reads from the Operational meter on the 1<sup>st</sup> and last day of the calendar year) from the Solar,

MPAN	EXAMPLE 3
Data Date From	01/04/2021
Date To	31/03/2022
Total Annual Import Consumption (kWh)	13089.0
Maximum Demand Operational FD metering (KWh)	9162.3
Maximum Demand Est FD metering (KWh)	0.0
Annual Consumption for banding (KWh)	3926.7

**Outcome** – this site meets the criteria of a mixed demand site & would qualify for a residual re-band – the final demand element is roughly 1/3 band- The annual consumption value currently places the site in LV NO MIC residual band 3 but the final demand consumption element places the site into residual band 2.

4.110 The Working Group would like to seek party views on the above points in order to aid in developing the solution.

**Question 6: Do you have any comments on the Calculation Template for Mixed Non-Final Demand sites?**

## 5 Code Specific Matters

### Reference Documents

- 5.1 <https://www.nationalgrideso.com/industry-information/codes/connection-and-use-system-code-cusc-old/modifications/cmp363-cmp364>
- 5.2 [https://www.ofgem.gov.uk/system/files/docs/2019/12/full\\_decision\\_doc\\_updated.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/12/full_decision_doc_updated.pdf)

## 6 Solution and Legal Text

### Legal Text

- 6.1 The legal text change will take place in schedule 32 and can be found within **Attachment 3 – DCP 388 Legal Text**. A summary of these changes can be found below:
- An amendment to the definition for Final Demand Site.
  - A new paragraph, 1.11 clarifying how Mix Demand sites are to be classed.
  - A number of amendments and additions to section 3, The Review of Charging Bands, to cater for Mix Demand Sites.
  - A number of amendments and additions to section 4, Allocation of Customers to Charging Bands by DNO/IDNO parties, to cater for Mix Demand Sites.
  - An entire new section, 5B, to cater for the Re-classification of a Single site to a Mixed Demand Site.
  - Adding two new exceptions into section 6.
  - Updating paragraph 6.5 the addition of two new paragraphs, 6.9A and 6.9B, to include Mixed Demand Sites within the annual allocation review section.
  - The inclusion of a new definition for Mixed Demand Sites.
- 6.2 It was believed within the Working Group that there would be no legal text changes required to section 7 of schedule 32 (Disputes), however the Working Group would like seek party views on this.

**Question 7: Do you believe that there needs to be any changes to section 7, disputes, within the legal text?**

**Question 8: Do you have any comments on the draft legal text?**

## 7 Relevant Objectives

### Assessment Against the DCUSA Objectives

- 7.1 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.
- 7.2 The rationale provided by the Proposer as to which of the following DCUSA Objectives are better facilitated by DCP 388 is set out in the CP form, provided as Attachment 2 and also detailed below.
- 7.3 The Proposer is of the view that the fundamental benefit of this change is ensuring consistent treatment of final and Non-Final Demand in relation to sites that have a mix of Final Demand and Non-Final Demand by defining 'mixed use sites' for residual charge purposes across transmission and distribution.
- 7.4 The Working Group will seek industry views in relation to the DCUSA Objectives as part of their second consultation.



DCUSA Charging Objectives	Identified impact
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
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
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	
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
5. that compliance by each DNO Party with the Charging Methodologies facilitates compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None
6. that compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	None

**Question 9: Do you consider the solution better facilitates the DCUSA objectives? Please give supporting reasons.**

## 8 Impacts & Other Considerations

- 8.1 It should be noted that the issue that DCP 388 seeks to resolve was raised with the DCMDG prior to being submitted into the formal DCUSA Change Control process.

### Significant Code Review Impacts

- 8.2 This proposal does not affect an SCR as such. However, it is making the implementation of the Targeted Charging Review consistent between transmission and distribution.

## Impacts on other Industry Codes

- 8.3 The Proposer and Working Group agree that they don't believe there are any other cross-code implications other than bringing the DCUSA into line with the CUSC.

BSC	<input type="checkbox"/>	SEC	<input type="checkbox"/>
CUSC	<input type="checkbox"/>	Other	<input type="checkbox"/>
Grid Code	<input type="checkbox"/>	None	<input type="checkbox"/>
REC	<input type="checkbox"/>		

## Environmental Impacts

- 8.4 In accordance with DCUSA Clause 11.14.6, the Working Group assessed whether there would be a material impact on greenhouse gas emissions if DCP 388 were to be implemented. The Working Group did not identify any material impact on greenhouse gas emissions from the implementation of this CP.

## Engagement with the Authority

- 8.5 Ofgem has been fully engaged throughout the development of the DCP as an observer of the Working Group and regular attendee of the TCR Implementation Steering Group and the DCMDG.

## 9 Implementation Date

- 9.1 The Working Group suggests an implementation date of 01 April 2024 as this would fall in line with a new charging year. However, the Working Group also acknowledge that this change could be implemented sooner i.e. 5 Working Days after Authority approval or at the next DCUSA release.
- 9.2 The Working Group would like views on which implementation date is suitable.

**Question 10: What date do you believe this change proposal should be implemented? Please provide rationale.**

**Question 11: Do you have any other comments?**

## 10 Consultation Questions

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

No.	Questions
1	Do you agree with the approach suggested by the Working Group to utilise actual operational metered data alongside a customer certification form? Please provide rationale.
2	Do you agree with the approach for how to reclassify existing customers to a Mixed Demand Site, if not, please provide rationale?
3	Do you agree with the approach for how new Mixed Demand Site customers are treated, if not, please provide rationale?
4	Do you have any comments on the customer certificate document?
5	Do you agree that the customer certification form should be located within the LC14 statement and Distributors websites? If not, please advise where you believe it should be located and provide rationale.
6	Do you have any comments on the Calculation Template for Mixed Non-Final Demand sites?
7	Do you believe that there needs to be any changes to section 7, disputes, within the legal text?
8	Do you have any comments on the draft legal text?
9	Do you consider the solution better facilitates the DCUSA objectives? Please give supporting reasons.
10	What date do you believe this change proposal should be implemented? Please provide rationale.
11	Do you have any other comments?

10.2 Responses should be submitted using Attachment 1 to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) no later than, close of play on 28 August 2023.

10.3 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.

## 11 Attachments

- Attachment 1 – DCP 388 Consultation Response Form
- Attachment 2 – DCP 388 Change Proposal Form
- Attachment 3 – DCP 388 Legal Text
- Attachment 4 - DCP 388 Consolidated Consultation 1 Responses
- Attachment 5 – DCP 388 Customer Certification form
- Attachment 6 - Template for Mixed Non-Final Demand Sites
- Attachment 7 - Worked examples for MIC and Non-MIC sites.