

DCUSA Consultation		At what stage is this document in the process?
<h1>DCP 412</h1> <h2>Allocation of banding for Targeted Charging Review (“TCR”) Charges for ‘Peaky’ Final Demand Customers</h2> <p>Date Raised: 11 October 2022</p> <p>Proposer Name(s): Lee Stone / Matt Cullen</p> <p>Company Name: E.ON UK</p> <p>Company Category: Supplier</p> <p>Governance: Part 1 Matter</p>	01 – Change Proposal	
	02 – Consultation	
	03 – Change Report	
	04 – Change Declaration	
<p>Purpose of Change Proposal (“CP”):</p> <p>The intent of this CP is to consider the residual charge for ‘peaky’ customers, removing the disproportionate impact of allocating residual charges on the basis of the Maximum Import Capacity (“MIC”).</p> <p>The original intent of this CP was to reduce the residual charge for ‘peaky’ customers, specifically by applying a discount. Following the development of the solution, the title and intent has been amended to allow the development of a solution that does not specifically require a discount to be applied.</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 this CP.</p> <p>Parties are invited to consider the questions set in section 10 and submit comments using the form attached as Attachment 1 to dcusa@electralink.co.uk by 31 July 2024.</p> <p>The Working Group will consider the consultation responses and determine the appropriate next steps for the progression of the CP.</p>	
	<p>Impacted Parties</p> <p>Suppliers, DNOs, IDNOs</p>	
	<p>Impacted Clauses</p> <p>Amendments to Schedule 32</p>	

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 **Any questions?**

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Timetable

Activity	Date
Initial Assessment Report	14 October 2022
First Consultation Issued to Industry Participants	August 2023
Second Consultation Issued to Industry Participants	July 2024
Change Report Approved by Panel	18 September 2024
Change Report issued for Voting	19 September 2024
Party Voting Closes	10 October 2024
Change Declaration Issued to the Authority	14 October 2024
Implementation	10 working days after Authority Decision

1 Summary

- 1.1 This is the second of two consultations issued for this CP. The first consultation can be found on the DCUSA website at the following link: <https://www.dcusa.co.uk/change/discounts-from-tcr-charges-for-peaky-final-demand-customers/>
- 1.2 The Working Group considered that the solution developed, which does not provide a direct discount to the residual charge but instead re-bands customers to reduce the residual charge, was potentially not in line with the original stated title and intent of this CP. Following engagement with the DCUSA Panel on this, the Panel recommended an amendment to the title and intent. These changes were made, as per the title page of this consultation document.
- 1.3 Consultation 1 provided the background to this CP and consulted on the identification and eligibility of customers in scope of this CP, specifically:
 - 1.3.1 identifying High Capacity Usage, Low Utilisation (“HCULU”) customers;
 - 1.3.2 setting a threshold limit;
 - 1.3.3 considering sector-specific threshold limits;
 - 1.3.4 the assessment period;
 - 1.3.5 customers who exceed their MIC;
 - 1.3.6 frequency and timing of high-capacity use;
 - 1.3.7 utilisation versus load factor;
 - 1.3.8 the application process; and
 - 1.3.9 the potential interaction with DCP 411 ‘Charging De-energised Sites’ (which was subsequently rejected by the Authority.)
- 1.4 Consultation 1 received 17 responses from DNOs, IDNOs, Suppliers and Generators.
- 1.5 In the development of consultation 1, some Working Group members had considered that this CP may not be in line with the principles of the existing TCR. However, the Authority encouraged Working Group members to examine the issue and to continue on the basis that it is open to reviewing any CP that addresses a potential deficiency of the TCR.

2 Consultation 2 Overview

- 2.1 The Working Group considered, through its analysis of the data and the development of the solution, that a single consultation would be complex and resource-intensive to respond to. It was agreed that two consultations would be issued for this CP, covering:
- 2.1.1 the identification and eligibility of customers in scope of this change proposal; and
 - 2.1.2 the remedy that would be applied to eligible customers, including how it would be calculated, applied to the customer, and reviewed moving forwards.
- 2.2 This second consultation therefore covers the remedy that would be applied to eligible customers, including how it will be calculated, applied to the customer, and reviewed moving forwards.

3 Governance

Justification for Part 1 Matter

- 3.1 This change proposal should be treated as a Part 1 matter due to its significant impact on electricity consumers (both those directly affected by reducing residual charges for 'peaky' customers and all other customers who will see residual charges increase to make up the monies that peaky customers will no longer be charged).

Next Steps

- 3.2 Following a review of the Consultation responses, the Working Group will work to agree the final detail of the solution for this CP and if appropriate progress to the Change Report phase.

4 Consultation 1 Working Group Review

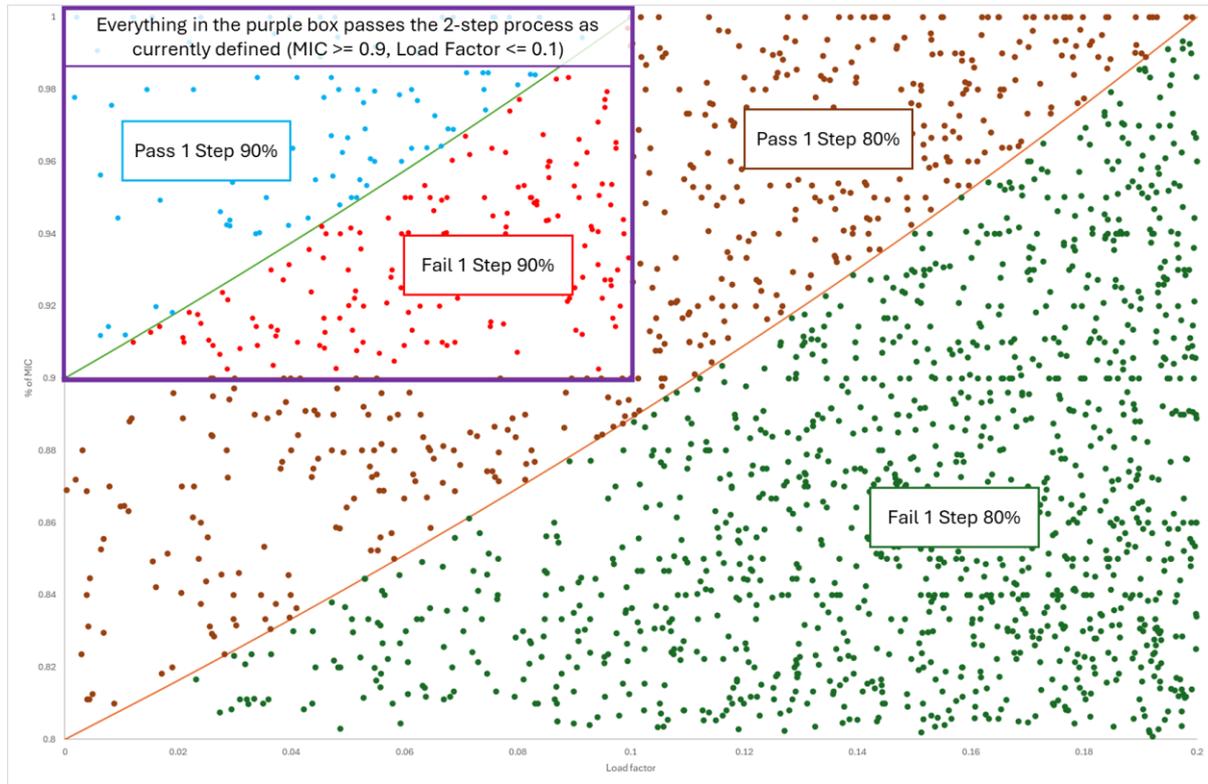
- 4.1 The non-confidential responses to the first consultation and the Working Group review of these responses can be found in attachment 4.
- 4.2 The Working Group noted that Parties had considered the formula to be too complex and that a Party had suggested that the initial assessment of eligibility for HCULU status could be split into two steps. The Working Group agreed that this would be beneficial, in the interests of clarity and simplicity, and agreed to split the process into two steps as follows:
- 4.2.1 a site's capacity utilisation is greater than or equal to 90% over a half hourly period; and
 - 4.2.2 a site's load factor is less than or equal to 10% over a 12-month period.
- 4.3 The Working Group noted that the majority of respondents favoured a hard limit on the eligibility threshold and did not agree that there should be any form of DNO discretion.

- 4.4 The Working Group noted that the majority of respondents favoured a single eligibility threshold for all sites, regardless of which sectors they are in.
- 4.5 The Working Group noted that the majority of respondents favoured assessing a site's eligibility based on 12 months of data.
- 4.6 The Working Group noted that there was split opinion on whether customers who exceed their MIC should qualify for HCULU status.
- 4.7 The Working Group noted that the majority of respondents did not support the consideration of the frequency of peaky usage in the eligibility criteria.
- 4.8 The Working Group noted that the majority of respondents supported customers being required to justify that they are unable to change their usage patterns in order to lower their MIC and avoid the higher TCR band charges.

5 Post Consultation 1 Decisions

Two Part Process/Eligibility Threshold

- 5.1 The Working Group agreed, as per paragraph 4.2 above, that the formula was complex and could be simplified by splitting it into a two-part process. The Working Group defined a HCULU site as one where over the previous 12 months:
 - 5.1.1 its capacity utilisation is greater than or equal to 90% over a half hourly period; and
 - 5.1.2 its load factor is less than or equal to 10% over the 12-month period.
- 5.2 The Working Group analysed the impact to the overall numbers of customers in Period 1 that would be eligible for HCULU status as a result of splitting the process into two steps. The analysis showed that around 256 customers would have qualified for HCULU status in Period 1, which is a lower number of customers than the one-step 80% threshold would have resulted in for the same period but a higher number of customers than the one-step 90% threshold would have resulted in for the same period . This analysis can be found in the graph overleaf (and is attached as attachment 5 to this consultation):



5.3 In summary:

5.3.1 the orange line represents the original one-step 80% threshold, showing that:

5.3.1.1 the customers represented by the green dots, below the orange line, would have failed the original one-step process at the 80% threshold; and

5.3.1.2 the customers represented by brown, red and blue dots, above the orange line, would have all passed the original one-step process at the 80% threshold, qualifying as HCULU customers if 80% was the agreed threshold;

5.3.2 the green line represents the original one-step 90% threshold, showing that:

5.3.2.1 the customers represented by brown, red and green dots, below the green line, would have all failed the original one-step process at the 90% threshold; and

5.3.2.2 the customers represented by blue dots, above the green line, would have passed the original one-step process at the 90% threshold, qualifying as HCULU customers if 90% was the agreed threshold; and

5.3.3 the purple box represents the new two-step process (the lower horizontal line representing a MIC use of 90% or more and the right vertical line representing a load factor of 0.1 or less), showing that the customers represented by red and blue

dots, within the confines of the purple box, would have all passed the new two-step process, qualifying as HCULU customers.

- 5.4 The analysis showed that for high voltage bands the increase in residual charges as a result of the re-banding was 1.2% at most. For low voltage bands there was a greater percentage increase, of up to 6.2%, however this equated to less than £11 per year in the worst case. This means, therefore, that the impact of the two-step process to other customers, as specified under paragraph 5.1 above, will be less.
- 5.5 It was noted that by splitting the process into two parts, this had the effect of eliminating some sites from being eligible based on just one part of the process (i.e., a site would be ineligible if it did not use at least 90% of its capacity, meaning there is no need to assess its load factor).
- 5.6 The Working Group also noted, as per paragraph 4.4 above, that the majority of respondents favoured a single eligibility threshold for all sites, regardless of which sectors they are in. The Working Group agreed with this, noting that it does not discriminate between specific sectors and results in consistent treatment for all customers.
- 5.7 The Working Group also noted, as per paragraph 4.7 above, that the majority of respondents did not support the consideration of the frequency of peaky usage in the eligibility criteria. The Working Group agreed with this and noted that, in using a defined set of criteria as per the two-part process, it removed the need for looking at more granular consumption/usage data.

DNO Discretion

- 5.8 The Working Group noted, as per paragraph 4.3 above, that the majority of respondents favoured a hard limit on the eligibility threshold and did not agree that there should be any form of DNO discretion in relation to this. The Working Group agreed with this assessment, noting that it would ensure consistency between DNOs and potentially reduce the administrative burden by preventing non-eligible sites from attempting to influence particular outcomes with DNOs.

Historical Data

- 5.9 The Working Group noted, as per paragraph 4.5 above, that the majority of respondents favoured assessing a site's eligibility based on 12 months of data. The Working Group agreed that 12 months of consecutive active and reactive consumption data would be required.

Customers Exceeding Their MIC

- 5.10 The Working Group noted that, as per paragraph 4.6 above, that there was split opinion on whether customers who exceed their MIC should qualify for HCULU status.
- 5.11 The Working Group considered that policing customers who exceed their MIC is outside the scope of this CP and that there are existing processes for amending customers' MICs where necessary. As such, the Working Group agreed that customers who exceed their MIC would not be excluded from eligibility and that it is for DNOs to manage breaches of customers' MICs.

Customer Declaration

5.12 The Working Group noted, as per paragraph 4.8 above, that the majority of respondents supported customers being required to justify that they are unable to change their usage patterns in order to lower their MIC and avoid the higher TCR band charges. The Working Group agreed with this, further noting that such a requirement may prompt the customer to consider alternatives, such as changing their usage patterns, prior to applying for HCULU status.

Summary

5.13 In conclusion, following consultation 1, the initial assessment of customers will be based on the following process:

- 5.13.1 a two-part assessment used for all customers, based firstly on capacity utilisation and, secondly, on load factor;
- 5.13.2 no additional assessment of consumption data would be required;
- 5.13.3 the thresholds are a hard limit, with no scope for discretion;
- 5.13.4 the assessment would be based on the previous (most recent) 12 months data;
- 5.13.5 customers who exceed their MIC would not be automatically excluded from eligibility; and
- 5.13.6 customers are required to make a declaration providing justification for HCULU status.

6 Consultation 2 Working Group Assessment

6.1 This section of the consultation covers the remedy that will be applied to eligible customers, including how it will be calculated, applied to the customer, and reviewed moving forwards.

Article 18 of EU Regulation 2019/943

6.2 A Working Group member identified [Article 18 of Regulation \(EU\) 2019/943](#) as a potential issue, as identified in another CP, and that it may impact this CP relating to discriminatory charging. The Proposer did not agree that the regulation affected this CP, and stated his view that this CP did not discriminate against any specific user group(s) on the network. The Proposer also believes that the solution aligns with the approaches for Non-Final Demand and Eligible Services criteria as already [defined in Schedule 32](#). It was agreed to include a question in the consultation around this.

Question 1: Do you believe there are any risks of non-compliance against Regulation (EU) 2019/943 if this CP is implemented? If so, please provide your reasoning for your answer.

Discounts/Treatment for Eligible Customers

- 6.3 The Working Group discussed the original proposal to apply a percentage discount to qualifying customers. It was noted that applying the discount could be complex and would require modelling to make changes to Schedules 16, 17 and 18 of the DCUSA.
- 6.4 The Working Group noted that the Access & Forward-Looking Charging SCR considered the potential for flexible connection agreements to be introduced, which had the potential for customers to share their MIC with other users over time periods whereby they did not require use of their MIC (shared access rights). In the event that this option had been taken forward and developed, it is possible that such customers could have both benefited from being flexible with available capacity from a forward-looking perspective and, more pertinently, required different treatment for the allocation of the residual charge to reflect their actual use of the electricity system. However, this was latterly discounted by Ofgem on the grounds of difficulty to implement (such as which party should be liable for additional charges, etc.) as well as adding complexity in terms of metering, tariffs compliance and billing. It was also felt that many of the advantages of shared access rights could be achieved through existing arrangements (such as Active Network Management schemes).
- 6.5 The Working Group discussed that there is already a mechanism for exceptional circumstances where a customer can be reallocated to another band, under Schedule 32, that could be the basis of a solution. The Working Group noted that this was a fairly simple process and would result in the customer being re-allocated for both DUoS and TNUoS charges.
- 6.6 The Proposer agreed to amend the approach to utilise the existing re-banding process and that his preference would be to re-allocate eligible customers to their next lowest TCR band (i.e., a customer on band 3 would be moved to band 2.). This would have the benefit of being simpler to administer, quicker to implement and, by limiting the potential movement in bands to one band lower rather than allowing a greater movement of bands, would minimise the impact on other customers. .

Question 2: Do you agree with the proposal to re-allocate customers to the next lowest TCR band instead of applying some form of a discount? Please provide your rationale.

- 6.7 The Working Group discussed that there are rare scenarios whereby a customer would, as a result of being moved to a lower band, pay a higher residual charge. This would occur where the total consumption of the sites in the lower band is higher than the total consumption of sites in the higher band. The Working Group agreed that this would likely be a rare occurrence, that customers in such bands would not apply to be re-banded and that, in the event that they did apply, the DNO would inform the customer that being re-banded would result in higher charges.

- 6.8 The Working Group considered that customers may require the ability to opt out of being a HCULU customer in the event that charges for the lower band become higher than the band the customer would have otherwise been in.

Question 3: Do you believe HCULU customers should be able to opt out and be returned to their previous band if the charges in the lower band are higher? Please provide your rationale.

Periodic Reassessment/Review Connected to Price Control Period

- 6.9 The Working Group considered whether customers should be required to renew their application or have their eligibility reviewed at a given frequency. It was discussed whether to regularly review these customers within a price control period would be at odds with the TCR intentions whereby sites are allocated to bands for the duration of the price control period. It was also noted that the practice for sites which have been re-banded following a review due to other 'exceptional circumstances' does not include a regular follow-up review.
- 6.10 The Working Group discussed that a customer's eligibility for HCULU status could be reviewed on a yearly basis, based on either an anniversary (for example, the anniversary of the application or the anniversary of the date the band change was effective from), or at a set date in the year to allow for planning purposes. The rationale for the more regular review is that utilisation patterns at HCULU sites may be subject to changes over relatively short periods of time, compared to other 'exceptional circumstances', and a regular review would reduce the risk of a site continuing to benefit from a banding which is no longer appropriate for that site.
- 6.11 The Working Group discussed that customers could have their eligibility re-assessed once every 12 months. The Proposer is of the view that, as per paragraph 6.9, other sites re-banded under exceptional circumstances are not subject to a review prior to the next price control period and that the treatment of HCULU sites should be consistent with existing processes. It is therefore the Proposer's view that HCULU sites be re-assessed at each price control period.
- 6.12 The Working Group noted that if customers are re-assessed at each price control period, this means customers would need to re-apply for HCULU status in order to be re-banded as a HCULU site. To avoid eligible customers falling out of HCULU status, the Working Group agreed that a 12-month window prior to the transmission price control would open to allow customers to reapply.
- 6.13 The Working Group noted that the alternative, to have customers retain their eligibility, would require a register of HCULU customers to be maintained and for all such customers to be re-assessed, in bulk, at the price control period. The Working Group considered that this would increase the administrative burden, both for maintaining the register and subsequently within the price control process, which is already complex and time-consuming.

Question 4: Should customers have their eligibility re-assessed at each price control period or more frequently? Please provide your rationale.

Question 5: If the review is performed at the price control period, should customers have to reapply, or should they retain their HCULU eligibility status? Please provide your rationale.

Re-allocation of Non-Eligible Customers Following a Reassessment

- 6.14 The Working Group discussed what would happen if the review was more frequent than at the price control period, and that the initial proposal was that the customer would go back to their previous band. It was discussed that such a customer would not have been assessed outside of the price control period and their previous band would have endured for the entire price control period.
- 6.15 The Working Group discussed whether the DNO should have the ability to review a site outside of a set frequency based on a site's behaviours changing in a significant way (e.g., the MIC changing by 50% or the site changing its usage behaviours) which results in the site falling out of the qualifying criteria. The Working Group discussed that this could be optional, allowing the DNO to perform the review but without being obligated to do so.

Question 6: If the review is more frequent, do you agree that customers who are no longer eligible for HCULU status should be allocated to their previous charging band? Please provide your rationale.

Question 7: Do you agree that the DNOs should have the ability to review sites where their behaviours have changed in a significant way?

HCULU Customers Changing Capacity

- 6.16 The Working Group discussed that a customer may change their capacity whilst reallocated to another band as a HCULU customer. The Working Group considered two options for dealing with this scenario:
- 6.16.1 the customer would remain in their current band until the reassessment; or
 - 6.16.2 the customer would no longer be classed as a HCULU customer and would be returned to their previous charging band.
- 6.17 The Working Group agreed through a majority vote that the first option was its preference and would be more in keeping with the TCR practice, i.e., if a site had not applied for 'exceptional circumstances', including HCULU status, they would have remained on their previous band, and hence this should be the default fallback.

Question 8: Do you agree that customers who change their capacity whilst classed as a HCULU customer will remain on their current band until they are reassessed? Please provide your rationale.

Applying (and Reapplying) for HCULU Status

- 6.18 The Working Group discussed that customers could submit to DNOs repeated applications for HCULU status, whether for a first application or a reapplication following the loss of HCULU status.
- 6.19 The Working Group considered whether a limit should be placed on the number of times a customer can apply for HCULU status and agreed, by a majority vote, that a customer should be limited to making one application in each charging year.

Question 9: Should customers be limited in how many times they can apply for HCULU status over a given period, and if so, what should the limit and period be? Please provide your rationale.

Retrospective Re-banding of HCULU Customers

- 6.20 The Working Group discussed whether there should be a transitional window for applications to be re-banded for a backdated period. Customers who apply for HCULU status successfully in this window would be eligible for retrospective re-banding. This transitional window would make the customer eligible for retrospective re-banding to either 1 April 2023 or the date the customer's site was connected to the network, whichever is latest. In order to apply for retrospective re-banding, data for the previous 12 months will be required, as a minimum. To support retrospective re-banding further back than 12 months, customers' eligibility will be reassessed firstly on the previous 12 months of data and, assuming the customer is assessed as eligible, will then be assessed on the data submitted to support re-banding further back.
- 6.21 The Working Group discussed that retrospective re-banding of HCULU customers may be impacted by [DCP 439 'Backdating Tariff Changes'](#), which would, if approved, limit how far back rebates and/or charges could be applied. Additional consideration of the impacts to DCP 412 may be required if that CP is approved.
- 6.22 The Proposer is of the view that the transitional window should be open for 6 months following the implementation of this CP.

Question 10: Should there be a transitional period of 6 months during which customers who apply for HCULU status would be eligible for retrospective re-banding? Please provide your rationale.

Question 11: Do you agree that customers should be re-banded up to a maximum of 12 months unless they are able to provide data showing that the excessive

charges began on 1 April 2023, which would justify that they be re-banded back to that date? Please provide your rationale.

Question 12: Do you agree that customers who request to be re-banded further back than 12 months should first be assessed on the basis of the previous 12 months, as part of a two-step process, and only customers who are eligible based on the previous 12 months will be assessed for further retrospective re-banding? Please provide your rationale.

Treatment of Sites Lacking 12 Months of Data

- 6.23 The Working Group discussed whether the intent of the Proposal was to include new connections sites.
- 6.24 It was discussed whether post April 2023, new connections customers should be factoring costs into their business cases or taking steps to mitigate the TCR impact, and therefore not be eligible to apply for HCULU status.
- 6.25 The Working Group discussed that it was more relevant whether the customer had sufficient data rather than whether it was a new connection, as there could be other causes of sites having insufficient data such as periods of de-energisation.
- 6.26 The Working Group discussed how sites that lack the required data should be assessed. It was discussed that sites would be allocated to a band based on the existing processes, e.g., based on their average MIC over a period of time when data is available, and would be eligible to apply for HCULU status once there is sufficient data (i.e., 12 months of consecutive energised data) to support the application. It was also discussed that HCULU eligibility could be assessed as part of the annual allocation review for newly connected sites, which is completed after 12 months, however it was noted that this could result in different treatment for newly connected customers (e.g., by prompting them to apply).

Question 13: Should sites with insufficient data (i.e., sites with less than 12 consecutive months of data) be required to wait until there is sufficient data in order to be assessed for HCULU eligibility? Please provide your rationale.

Question 14: If sites require 12 months of consecutive data to support becoming a HCULU customer, should those sites with insufficient data, which need to wait until there is sufficient data, be eligible for a backdated re-banding? Please provide your rationale.

New Connection Sites

- 6.27 The Working Group noted that, as the legal text is currently drafted, customers would be entitled to rebates “which shall be backdated to the time when the request was received”.

- 6.28 The Working Group discussed that it may be necessary for new connection sites to wait for their first annual allocation review, under paragraph 6.7 of schedule 32. This would apply where sites have been allocated in accordance with Paragraph 4.1(b)(ii) of Schedule 32, based on other available information that is appropriate for a typical profile of a similar site to best estimate the expected demand. This would ensure such sites are correctly assessed as HCULU and re-banded to the correct band as a result.
- 6.29 The Working Group agreed that amending the date of the first reallocation would be outside the scope of this CP. As such, the Working Group developed two options in the legal text:
- 6.29.1 option 1 – that a site that has been allocated in accordance with Paragraph 4.1(b)(ii) of Schedule 32 will only be able to apply for HCULU status following its re-allocation under Paragraph 6.7; or
 - 6.29.2 option 2 – that a site that has been allocated in accordance with Paragraph 4.1(b)(ii) of Schedule 32 can apply for HCULU status at any time but can only be re-banded as a HCULU site following its re-allocation under Paragraph 6.7.
- 6.30 The Working Group noted that both options would result in backdated rebates being due to the HCULU application date, but that option 1 had the effect of limiting the rebates to a much shorter period.

Question 15: Should new connection sites be able to apply for HCULU status prior to the first re-allocation under paragraph 6.7 of Schedule 32 or only after the first re-allocation has taken place? Please provide your rationale.

Potential Interaction with DCP 420

- 6.31 The Working Group discussed whether there was a potential interaction with [DCP 420 'Include Car Charging Stations In The Definition For Non Final Demand'](#).
- 6.32 The subject of DCP 420 are commercial rapid EV charging sites, which by their nature require a high MIC which may initially be subject to low utilisation. The Working Group discussed whether such sites may be HCULU eligible under the proposed approach.
- 6.33 The Working Group discussed that if DCP 420 was not implemented, the customers in scope of that Change Proposal would only qualify under the proposed HCULU status of this Change Proposal by meeting the criteria set out in the legal text.
- 6.34 The Working Group discussed that if DCP 420 is implemented, the customer may have a choice whether to be classified as an EV charging site under DCP 420 or to apply for HCULU status under this CP.
- 6.35 The Working Group engaged with the sponsor of DCP 420 to understand whether any of the identified sites under DCP 420 (two sites) would be eligible for HCULU status under this change

proposal. Using the HCULU formula proposed under this CP, none of the examples checked would qualify for HCULU status. The Proposer of DCP 420 stated that he believed there is no cross over between DCP 420 and this CP.

Question 16: Can you think of any other interactions that the Working Group should consider? Please provide your rationale.

Question 17: Do you believe this change will lead to any unintended consequences? If so, can you think of ways to mitigate these? Please provide your rationale.

7 Assessment Against the DCUSA Objectives

7.1 For a DCUSA CP to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. There are five General Objectives and six Charging Objectives. This CP will be measured against the DCUSA Charging Objectives, which are set out in the table below:

	DCUSA Charging Objectives	Identified impact
<input checked="" type="checkbox"/>	1. That compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence	Positive
<input 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)	None
<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 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

7.2 Charging Objective 1 will be better facilitated by ensuring DNOs are compliant with licence requirements in relation to the TCR Decision Principles of fairness, Proportionality and practical

considerations set out in the TCR Direction. Specifically, by ensuring that HCULU customers residual charges are allocated on the basis of their actual use of the network as opposed to their Maximum Import Capacity value.

Question 18: Do you consider that the proposal better facilitates the DCUSA Charging Objectives? If so, please detail which of the Charging Objectives you believe are better facilitated and provide supporting reasons. If not, please provide supporting reasons.

8 Impacts & Other Considerations

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

8.1 This proposal does not impact any current SCR but does revisit the methodology introduced by the TCR.

Cross Code Impacts

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

8.2 The Working Group identified a potential impact to the CUSC if the discount approach was to be the final solution, however as the solution now being developed is to re-band customers, there is no direct CUSC impact. The Working Group noted, however, that there would be an impact to TNUoS charges, as re-banding customers results in lower DUoS and TNUoS charges for those customers, with the shortfall being recovered from other customers remaining in the band.

Consideration of Wider Industry Impacts

8.3 No wider industry impacts have been identified.

Question 19: Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

9 Implementation

9.1 The proposer sought to have this Change Proposal implemented before TNUoS residual charges were set in January 2023, and had proposed the implementation of this Change Proposal should have occurred in December 2022.

9.2 The Working Group noted that 10 working days implementation following Authority approval is acceptable based on the current proposed solution (i.e., that customers must apply for HCULU

status.) Any solution that mandates DNOs to proactively collate and analyse data in bulk, to assess eligibility, would require more lead time.

10 Legal Text

Legal Text Commentary

10.1 It is proposed to amend Sections 6 and 8 of Schedule 32.

10.2 The following paragraphs have been amended or added following consultation 1:

10.2.1 paragraph 6.1 has been amended to add a 'High Capacity Usage, Low Utilisation' Final Demand Site to the list of criteria where a Final Demand Site may be reallocated to a different charging band;

10.2.2 paragraph 6.2 has been amended to add a requirement for customers with a 'High Capacity Usage, Low Utilisation' Final Demand Site to submit a signed letter from a company director (or equivalent), to confirm they are a 'High Capacity Usage, Low Utilisation' Final Demand Site, explain why they are a 'High Capacity Usage, Low Utilisation' Final Demand Site, and to provide consumption evidence in support of their application; and

10.2.3 paragraph 8.2 has been amended to add a definition for 'High Capacity Usage, Low Utilisation' site.

10.3 The following paragraphs have been amended or added for consultation as part of consultation 2 (this consultation):

10.3.1 paragraph 6.4A has been added to define whether a newly connected site may apply for HCULU status prior to its first re-allocation under paragraph 6.7 of Schedule 32;

10.3.2 paragraph 6.4B has been added to define the re-banding process (which results in a site being re-banded to the next lowest TCR band);

10.3.3 paragraph 6.4C has been added to allow a site that has been re-banded to the next lowest band as a result of being identified as a HCULU customer to request that it be returned to its previous band;

10.3.4 paragraph 6.4 has been renumbered to 6.4D;

10.3.5 paragraph 6.4E has been added to introduce a transitional period within the first six months following the implementation of this Change Proposal;

10.3.6 paragraph 6.4A has been renumbered to 6.4F;

- 10.3.7 paragraph 6.4G has been added to specify that HCULU sites will be reviewed at each price control period in line with existing processes;
- 10.3.8 paragraph 6.4H has been added to allow the DNO/IDNO Party to re-assess the eligibility of a site where there is evidence of a change in usage that may mean the site is no longer eligible;
- 10.3.9 paragraph 6.4I has been added to allow the re-allocation of sites that are no longer eligible for HCULU status to be re-banded to their previous charging bands; and
- 10.3.10 paragraph 6.4J has been added to limit the number of applications a customer may make for HCULU stats to one application per charging year.

Question 20: Do you have any comments on the proposed legal text?

Question 21: Do you have any other comments on this CP?

11 Code Specific Matters

Reference Documents

11.1 The background to the development of this Change Proposal was discussed during the following meetings of the Distribution Charging Methodologies Development Group (DCMDG):

- [DCMDG Meeting 53](#)
 - During which the topic of TCR Impacts on Customer Sites with Low Consumption – High-Capacity ratios was raised by a broker/consultancy, who flagged that at least one of their customers is concerned that their business may no longer be viable with the added costs due to TCR on top of the current market conditions.
- [DCMDG Meeting 55](#)
 - During which the a draft of this CP was reviewed by members of the DCMDG, who provided feedback on a number of points which was taken on board and prior to its submission.

12 Consultation Questions

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

No.	Question
1	Do you believe there are any risks of non-compliance against Regulation (EU) 2019/943 if this CP is implemented? If so, please provide your reasoning for your answer.
2	Do you agree with the proposal to re-allocate customers to the next lowest TCR band instead of applying some form of a discount? Please provide your rationale.
3	Do you believe HCULU customers should be able to opt out and be returned to their previous band if the charges in the lower band are higher? Please provide your rationale.
4	Should customers have their eligibility re-assessed at each price control period or more frequently? Please provide your rationale.
5	If the review is performed at the price control period, should customers have to reapply, or should they retain their HCULU eligibility status? Please provide your rationale.
6	If the review is more frequent, do you agree that customers who are no longer eligible for HCULU status should be allocated to their previous charging band? Please provide your rationale.
7	Do you agree that the DNOs should have the ability to review sites where their behaviours have changed in a significant way?
8	Do you agree that customers who change their capacity whilst classed as a HCULU customer will remain on their current band until they are reassessed? Please provide your rationale.
9	Should customers be limited in how many times they can apply for HCULU status over a given period, and if so, what should the limit and period be? Please provide your rationale.
10	Should there be a transitional period of 6 months during which customers who apply for HCULU status would be eligible for retrospective re-banding? Please provide your rationale.
11	Do you agree that customers should be re-banded up to a maximum of 12 months unless they are able to provide data showing that the excessive charges began on 1 April 2023, which would justify that they be re-banded back to that date? Please provide your rationale.
12	Do you agree that customers who request to be re-banded further back than 12 months should first be assessed on the basis of the previous 12 months, as part of a two-step process, and only customers who are eligible based on the previous 12 months will be assessed for further retrospective re-banding? Please provide your rationale.
13	Should sites with insufficient data (i.e., sites with less than 12 consecutive months of data) be required to wait until there is sufficient data in order to be assessed for HCULU eligibility? Please provide your rationale.

14	If sites require 12 months of consecutive data to support becoming a HCULU customer, should those sites with insufficient data, which need to wait until there is sufficient data, be eligible for a backdated re-banding? Please provide your rationale.
15	Should new connection sites be able to apply for HCULU status prior to the first re-allocation under paragraph 6.7 of Schedule 32 or only after the first re-allocation has taken place? Please provide your rationale.
16	Can you think of any other interactions that the Working Group should consider? Please provide your rationale.
17	Do you believe this change will lead to any unintended consequences? If so, can you think of ways to mitigate these? Please provide your rationale.
18	Do you consider that the proposal better facilitates the DCUSA Charging Objectives? If so, please detail which of the Charging Objectives you believe are better facilitated and provide supporting reasons. If not, please provide supporting reasons.
19	Are you aware of any wider industry developments that may impact upon or be impacted by this CP?
20	Do you have any comments on the proposed legal text?
21	Do you have any other comments on this CP?

12.2 Responses should be submitted using Attachment 1 to dcusa@electralink.co.uk by no later than, 31 July 2024.

12.3 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.

13 Attachments

- Attachment 1: DCP 412 Consultation Response Form
- Attachment 2: DCP 412 Draft Legal Text
- Attachment 3: DCP 412 Change Proposal Form
- Attachment 4: Non-confidential Consultation 1 Responses & Working Group Comments
- Attachment 5: One Step Process vs Two Step Process