

Question 1

| Company | Confidential/ Anonymous | 1. Do you understand the intent of the CP? | Working Group Comments |
|-------------------------|----------------------------|---|---|
| Northern Powergrid | Non-confidential | Yes | This was noted by the Working Group. |
| SSE Business Energy | Non-confidential | Yes. | This was noted by the Working Group. |
| SSE Generation | Non-confidential | We understand that the proposer seeks to remedy what they consider to be an unintended outcome of the TCR in relation to sites that rarely use their high MIC but are unable to reduce their MIC. The proposer (a supplier) considers that such sites should be eligible to have their residual banding reviewed and potentially lowered, given that one of their customers has become financially unviable, apparently as a result of their significantly increased network charges following the implementation of the TCR at transmission level. | This was noted by the Working Group. |
| Brownlow Utilities Ltd. | Non-confidential | Yes | This was noted by the Working Group. |
| Eyemouth Freezers Ltd. | Non-confidential | I understand the stated purpose. The actual intent is unclear, but may well be to provide a smokescreen over the inevitable inequities caused by a botched reform designed with the interests in mind of the DNOs and other industry players without reference to the interests of its customers (who were not consulted). | This was noted by the Working Group. It was noted that forums were provided for engagement during the TCR review. |
| E.ON | Non-confidential | We understand the intent of DCP412 is to correct an unintended consequence of the Targeted Charging Review (TCR) changes to network charging which has seen a small number of customers being unfairly treated. Under the TCR changes, TNUoS and DUoS residual charges are now based on a customer's capacity and not the | This was noted by the Working Group. |

| | | | |
|--------------------------------------|------------------|--|--------------------------------------|
| | | <p>utilisation of that capacity. If the residual charge were small, this would be a fair and equitable method of allocating the charge as customers would be able to adapt their consumption behaviour to lower their overall network charges in a system supportive manner. But residual charges make up the bulk of TNUoS charges and are a significant proportion of DUoS charges. In practise, this has turned network charges into largely fixed charges that customers cannot react to. For some 'peaky' customers (customers who rarely use their full import capacity) this means that they are seeing an order of magnitude increase in their bills which we believe is unfair and not the intention of the TCR. Therefore we understand the intention of DCP412 to be to rectify this unintended consequence for a specific cohort of customers.</p> | |
| The Electricity Network Company Ltd. | Non-confidential | Yes, we understand that the intend of DCP 412 is to address the different treatment in charges for some specific customers with low annual consumption level, but high-capacity requirement needs, referred to in this consultation as 'HCULU' customers, and arose as a result of the TCR implementation. | This was noted by the Working Group. |
| Electricity North West Ltd. | Non-confidential | Yes. | This was noted by the Working Group. |
| National Grid ESO | Non-confidential | Yes | This was noted by the Working Group. |
| Optimal Power Networks | Non-confidential | Yes | This was noted by the Working Group. |
| Shell Energy UK | Non-confidential | Yes, we understand the intent of DCP 412. | This was noted by the Working Group. |
| SSE Networks | Non- | Yes | This was noted by the Working |

| | | | |
|--|------------------|-----|--------------------------------------|
| | confidential | | Group. |
| UK Power Networks | Non-confidential | Yes | This was noted by the Working Group. |
| Pembrokeshire County Council | Non-confidential | Yes | This was noted by the Working Group. |
| Denbighshire County Council | Non-confidential | Yes | This was noted by the Working Group. |
| Working Group Conclusions | | | |
| The Working Group noted that all respondents had understood the principles of the Change Proposal. | | | |

Question 2

| Company | Confidential/ Anonymous | 2. Are you supportive of the principles of DCP 412? Please provide your rationale. | Working Group Comments |
|---------------------|----------------------------|--|--|
| Northern Powergrid | Non-confidential | Fundamentally we are supportive of the principles, but further consideration is needed for the eligibility criteria. | This was noted by the Working Group. |
| SSE Business Energy | Non-confidential | No. We feel the principles of DCP 412 go against the intent of the TCR aims. There is no analysis contained within the modification of the number of customers that could be affected by the implementation of it. The modification seems to have been raised on the basis of a relatively small number of customers complaining about higher charges due to implementation of a revised transmission charging regime resulting from the TCR changes, without any analysis of the cost impacts the changes are having on them. | <p>This was noted by the Working Group.</p> <p>It was discussed that this could be related to the impact on everybody else, which may be covered by the impact assessment. It was, however, noted that this is not a formal impact assessment.</p> <p>It was suggested that an analysis could be performed on the impact to customers of, for example, a band 4 customer going out of business, versus a band 4 customer being re-banded. It was noted that this depends on assumptions about whether the customer goes out of business or not. This will be discussed at a future Working Group meeting.</p> |
| SSE Generation | Non-confidential | <p>We don't believe that a clear case for change has been made because:</p> <p>- firstly, we consider that the TCR is, in this instance, working as</p> | The Working Group discussed that |

| | | | |
|--|--|--|--|
| | | <p>intended. Ofgem carried out extensive stakeholder consultations and assessments of the impacts of the TCR, and acknowledged that some users (in particular non-domestic consumers) would pay higher network charges (as is the case with the customer that triggered this proposal) whilst others would pay lower charges, with the overall outcome being a net gain for end-consumers.</p> | <p>Ofgem had acknowledged there would be winners and losers, but some Working Group members suggested the TCR was not perfect and changes would be made over time. One Working Group member noted that the effectiveness of a policy is assessed after the implementation, which is what is happening now.</p> |
| | | <p>- secondly, in our view, it is not within the remit of the DCUSA to make an assessment of a company's commercial viability (as the proposed solution seeks to do, albeit using a proxy). Doing so could give rise to a significant issue around the fair treatment of network customers at large, which is something that Ofgem considered in detail within their impact assessment when they concluded that, overall, the TCR change was in the best overall interest of consumers. Nor is it within the remit of network charging arrangements to provide financial support to individual companies (who may or may not be struggling financially) by granting relief from certain charges. We consider that both these tasks are more appropriately addressed by other agencies.</p> | <p>It was noted by one Working Group member that the commercial viability element of the change proposal had been removed, with a movement towards a more objective and fair assessment around the distribution of the charges.</p> <p>One Working Group member suggested that there may be wider impacts as a result of these charges, including risks to decarbonisation, citing examples of EVs, however it was agreed that this was not in scope of DCP 412 to address, being more about policy and therefore for other agencies to address.</p> |
| | | <p>- thirdly, so far, only one example of a customer affected by the issue has been provided. It seems disproportionate to initiate this code change on the basis of one example, and it could potentially give rise</p> | <p>It was noted by one Working Group member that further responses have since been received, to</p> |

| | | | |
|--|--|---|---|
| | | <p>to a future ('counter') proposal from those customers who would, as a result of DCP412, forego the benefits of the TCR that Ofgem clearly identified they would receive.</p> | <p>evidence that it affects more than one customer. The Working Group noted that the response was made prior to these customers coming forwards.</p> <p>The Working Group discussed whether other customers with other usage patterns had been considered. It was discussed that the lower the threshold the less 'peaky' the usage pattern would need to be, but these customers are out of scope. It was noted that the more the benefit DCP 412 seeks to create the more the reforms the TCR sought to create would be eroded.</p> |
| | | <p>- lastly, it is not known whether the proposed solution would actually help the company in the proposer's example. By the same token, the proposal could create unintended outcomes, whereby commercially viable companies receive relief from the Residual without a clear rationale, whilst other customers would have to pick up the cost, without justification.</p> | <p>It was confirmed that analysis had been performed on the example customer and it had been determined they would be helped by this, moving from band 4 to band 1.</p> <p>The Working Group discussed that it may need to look at balancing the relief provided against the capacity still being reserved on the network. (e.g., a customer who may be re-banded from band 4 to band 1 based on their utilisation is still</p> |

| | | | |
|-------------------------|------------------|---|---|
| | | | reserving the capacity normally charged for under band 4, so it may be more appropriate to place them in a higher band.) This will be discussed at a future Working Group meeting and the solution consulted on in Consultation 2. |
| Brownlow Utilities Ltd. | Non-confidential | In principle any cost reduction would be welcome. In terms of a particular Brownlow Utilities Ltd. client, the additional cost is extremely disproportional. | This was noted by the Working Group. |
| Eyemouth Freezers Ltd. | Non-confidential | The apparent principle is to minimise the disruption required to deal with a perceived problem without concern as to the adequacy of the solution – so no. | This was noted by the Working Group. |
| E.ON | Non-confidential | Yes, E.ON is supportive of the principle of DCP412 as we believe that it was never the intention of the TCR to place an unfair burden on a small cohort of customers. We have direct evidence that the TCR changes are creating an existential threat to some business customers. | <p>It was discussed that there had been a move away from the assessment of a business's viability, but this response appeared to reflect such an assessment. The responder clarified that the intent was always to help such customers, but with the Working Group's help an objective assessment had been arrived at.</p> <p>The Working Group noted that the formula used to arrive at eligibility is ignorant of the customer's circumstances, which means it should be objective, but noted that there are places this could be made more robust as the solution is</p> |

| | | | |
|--------------------------------------|------------------|---|--|
| | | | refined. |
| The Electricity Network Company Ltd. | Non-confidential | We are supportive of the principle of this change proposal to identify and address the concerns for some customers currently being at high risk of suffering unfair and disproportionate shares of the residual charges, as a result of unintentionally not being taken into consideration separately during the TCR discussions stages for the residual charging methodology. We agree that the situation must be corrected, however, we are not completely convinced that the current proposed solutions in this consultation are either the most practical or efficient steps forward due to their high levels of complexity. | The Working Group agreed that there is a need to simplify the solution wherever possible, noting that not everybody will have the necessary technical knowledge or expertise to understand the solution. The solution will be discussed further at future Working Groups. |
| Electricity North West Ltd. | Non-confidential | No, we are not convinced that 'peaky' demand is a valid basis for TCR charge discounts. The original TCR decision was made by Ofgem in full knowledge of such customers. | This was noted by the Working Group. |
| National Grid ESO | Non-confidential | <p>No we are not supportive of the principles of this proposal. This is because we do not believe that DCP412 is consistent with the TDR / DDR recovery principles in Ofgem's 'TCR:SCR' decision, in particular the principle introduced in terms of avoiding behavioural incentives by recovering network demand residuals on a capacity (band) basis.</p> <p>The proposed change which looks to alter the band allocation of qualifying customers would have also an inevitable effect on Transmission Network Use of System (TNUoS) Transmission Demand Residual (TDR) recovery as well. As the ESO invoice each Supplier based on a file received from the Distribution Network Operators (DNOs) with the number of customer final demand sites per Grid Supply Point (GSP) group, per band this means the band assignment would therefore change if DCP412 were to be implemented. As such, it could be considered that this modification would breach the residual network charge recovery reform/TCR:SCR principles, as it would essentially deviate from the capacity banding basis and</p> | <p>It was suggested that these customers are not in a position to change their behaviours, as it is likely they would have already done so, citing a confidential response as an example, and one of the later responses to this consultation in which it is stated that they are unable to change their consumption patterns.</p> <p>It was noted that the response specifically states the TCR did not create an incentive to change behaviours to avoid network costs, but that the implementation of DCP 412 could create such an incentive.</p> |

| | | | |
|------------------------|------------------|--|---|
| | | <p>potentially create an unfortunate behavioural incentive for certain users to alter their load factor.</p> <p>For reference relevant quotes from Ofgem's TCR:SCR decision are extracted below:</p> <p>https://www.ofgem.gov.uk/sites/default/files/docs/2019/12/full_decision_doc_updated.pdf</p> <p>"...economic efficiency is maximised when residual charges are recovered in a way which minimises the distortion to users' efficient behaviour."</p> <p>"Where residual charges incentivise behaviour such as load reduction which reduces the share of charges paid for by that user, this results in an increase in the share to be paid by other network users. This in turn increases the incentive for other users, who then pay an increased proportion of the residual charge, to take action to reduce their charges."</p> <p>In table 3 under distortions, the TDR reform "removes key existing distortions as no possibility of changing behaviour to reduce the fixed charge."</p> <p>3.113 notes as a benefit of the TDR reforms that "incentives to change behaviour resulting from the charging structure alone are relatively low"</p> | <p>The Working Group discussed that it would be extremely difficult for customers to change behaviours to 'become peaky' to game DCP 412 and become eligible, given the high thresholds that are being used.</p> <p>The potential for the abuse of the DCP 412 proposed solution, or the changing of behaviours to become eligible, will be discussed at a future Working Group meeting.</p> |
| Optimal Power Networks | Non-confidential | <p>No.</p> <p>It is creating a cross subsidy in the market and will see additional charges spread across other customers. Although this creates a discount for 'peaky' customers, all other customers will see residual charges rise to make up for the money that peaky customers have</p> | <p>This was noted by the Working Group as similar to the above response from the ESO.</p> <p>The potential for the abuse of the DCP 412 proposed solution, or the</p> |

| | | | |
|-----------------|------------------|---|---|
| | | <p>been discounted.</p> <p>Setting a precedent, if there is a charging methodology for this, customers might be able to exploit any loopholes.</p> | <p>changing of behaviours to become eligible, will be discussed at a future Working Group meeting.</p> |
| Shell Energy UK | Non-confidential | <p>We do agree that a small minority of customers with unique electricity consumption patterns (i.e. peaky customers) have been adversely impacted by the introduction of TCR methodology. As a result, if they are posed with an existential threat to their businesses, we agree that this needs to be addressed.</p> <p>We believe a solution should be both fair for both peaky customers as well as non-peaky customers within a TCR band, with the latter being required to pay a slightly higher charge to finance this proposed discount to eligible peaky customers.</p> <p>We agree with the decision to issue two consultations under DCP412 and agree with the decision to look at the 'identification and eligibility of customers' under this first consultation.</p> <p>We agree with the decision to refer to customers in scope of this change proposal to be referred to as 'High Capacity Usage, Low Utilisation' customers (i.e HCULU customers) as the original reference of 'Peaky' customers may be misconstrued.</p> <p>We fully support the working group's proposal to assess a customer's eligibility under HCULU category purely via an objective assessment which is fair for all.</p> | <p>This was noted by the Working Group as relating to the comments captured in the SSE Generation response above.</p> |
| SSE Networks | Non-confidential | <p>Yes, it is clear that some customers may potentially be disadvantaged by the current TCR rules. In this case customers that require a large import capacity to be held but do not fully utilise it on a regular basis. Resulting in them being placed in a high residual band, facing higher</p> | <p>It was noted that the residual is not meant to reflect actual usage, but the capacity held by the customer on the network.</p> |

| | | | |
|------------------------------|------------------|--|--|
| | | charges than their actual usage would indicate. | |
| UK Power Networks | Non-confidential | We are not unsympathetic to the underlying concern, but we feel that all Customers (including those considered as 'HCULU') connected to or using the networks during the year should pay appropriate costs. If there is an issue for this group of customers it relates to the residual charge being recovered in the fixed charge, and being proportionate to total required capacity, rather than being recovered on the unit rates. If it is correct that fixed charges should be used for this purpose, then two customers with the same connection should face the same charges regardless of their usage. Additionally this change could create an opportunity for people to play the system which will result in other users paying more cost than is appropriate, so any change needs to be clearly defined. | <p>This was noted by the Working Group and relates to above responses.</p> <p>It was noted that the same concern had been raised a number of times, so the solution needed to cater for these concerns.</p> |
| Pembrokeshire County Council | Non-confidential | <p>Yes. We are continuing with our roll out of EV (electric vehicle) charging stations to meet Welsh and UK Government aims to decarbonise our transport system. However since the implementation of the TCR on 1st April 2022 a number of our charging stations have attracted standing charges rates that are so high that the EV charging stations are unsustainable. It cannot be the intention of the recent Targeted Charging Review (TCR) that decarbonisation initiatives such as the provision of EV Charging points have such high standing charges that the charging points are either unviable or too expensive for users to access (as we will need to pass costs on the end user – the EV car driver). If we pass on charges then it is significantly cheaper to use petrol / diesel vehicles which is contrary to UK decarbonisation aims.</p> <p>A number of our EV charging hubs are being charged £41.911767 per day in standing charges which amounts to £15,297.79 pa. This has resulted in these site making a significant financial loss. The situation is desperate. We simply cannot cover our fixed costs and we cannot</p> | <p>It was noted that these customers are facing an existential threat which could threaten the decarbonisation targets for the UK, but it was noted that this is out of scope of DCP 412 and that the solution currently proposed is sector-agnostic.</p> <p>The Working Group discussed that these customers may be better placed responding to the DCP 420 consultation and that it is unlikely such a customer would be eligible for HCULU status.</p> <p>Action: Chair to pass Pembrokeshire County Council's</p> |

| | | | |
|-----------------------------|------------------|---|---|
| | | roll out any new EV charging hubs at the current level of residual charges levied on the basis of the Agreed Supply Capacity. In our original business models we could never have envisaged the vast increase in standing charges due to the TCR. In short a major reduction in the standing charges is required or we will be forced to remove the chargeposts from service. The other option is to charge drivers £1.50 per kWh for charging which is effectively double the cost of diesel/petrol motoring. | response to the Chair of DCP 420 for consideration in that Working Group. |
| Denbighshire County Council | Non-confidential | <p>Yes. Denbighshire County Council currently owns and operates 40 EV chargers located within 11 public car parks across the width and breadth of the County (simultaneous charging of 80 vehicles) Some are located in prominent positions, therefore attract regular usage and produce noteworthy revenue. This allows the Local Authority to maintain the infrastructure situated in less utilised locations (which operate at a loss) but a necessity when attempting to encourage the use of EV by the general public which in turn reduces the areas overall carbon footprint. The introduction of the TCR has produced significant financial challenges and should standing charges continue at the current level the LAs business model will become unsustainable and we may be forced to reduce the number of charging points permanently.</p> <p>An example of the current situation affecting DCC adversely is our EV hub at West Kinmel Street car park, Rhyl. The hub offers 2 x 50Kw DC & 16 x 7Kw AC chargers. Funding was provided by OZEV to install the AC infrastructure and thus future proof a site in one of the most deprived areas / wards in Wales which also has a significant amount of properties without access to off road parking. The LA does not envisage high usage for at least five years yet we are currently paying £42.08 per day (£15359.20 per annum) in standing charges to maintain declared capacity. As the 50Kw DC chargers are proving popular with taxi operators and parcel couriers we are just about</p> | <p>It was noted that these customers are facing an existential threat which could threaten the decarbonisation targets for the UK, but it was noted that this is out of scope of DCP 412 and that the solution currently proposed is sector-agnostic.</p> <p>The Working Group discussed that these customers may be better placed responding to the DCP 420 consultation and that it is unlikely such a customer would be eligible for HCULU status.</p> <p>Action: Chair to pass Denbighshire County Council's response to the Chair of DCP 420 for consideration in that Working Group.</p> |

| | | | |
|---|--|---|--|
| | | managing to cover the sites operating expenses (electric charges only! Back office, maintenance and management costs not included). | |
| Working Group Conclusions <p>The Working Group noted the diverse views in the responses reviewed above. It was agreed that a number of topics would need to be discussed at a future Working Group meeting, and for consideration in consultation 2, such as:</p> <ul style="list-style-type: none">• an analysis of the impact of a business being re-banded versus going out of business;• whether to limit the re-banding of a HCULU customer (i.e., balance their situation against the need to contribute towards the capacity they are reserving (e.g., a band 4 customer may be re-banded to band 2 or 3, instead of band 1));• to ensure the process is as simple as possible; and• to assess gaming risks and potential mitigations. | | | |

Question 3

| Company | Confidential/ Anonymous | 3. What do you believe the appropriate threshold should be? Please provide your rationale. | Working Group Comments |
|--------------------|----------------------------|--|---|
| Northern Powergrid | Non-confidential | <p>We believe the proposed eligibility calculation is unnecessarily complicated.</p> <p>We propose there should be two separate criteria to be met.</p> <p>1 – Is the Capacity Utilisation between 95%-100%?, where</p> $\text{Capacity Utilisation} = \text{Max Demand} / \text{MIC}$ <p>This identifies all customers who are using capacity close to their MIC at some point during the period considered.</p> <p>2 – Is the load factor less than [5%] or alternatively is (1-Load Factor) more than [95%])? Where load profile has the industry defined definition</p> $\text{Load Factor} = \text{total consumption} / (\text{max demand} \times \text{hours})$ <p>The [5%] is a suggestion only and needs further consideration and validation using data analysis. Our own internal analysis suggests approximately 10% of HH customers have a load factor of 5% or less and therefore a 5% criteria may be too high.</p> <p>This identifies customers who have low usage for the majority of the period.</p> <p>We believe these should be two separate criteria which should be assessed in this order. The concerns over load factor alone being used</p> | <p>The respondent explained that in assessing the formula with his colleagues, he had received feedback that the approach could be simplified into two parts. This would have the benefit of being simpler to understand and also reducing the workload associated with assessing eligibility, as rather than having to work out the utilisation for all applications, the first criteria would instead have to be met (which is simple to assess) and then, for those customer who pass this, the second criteria could be calculated and assessed.</p> <p>It was discussed that at a very high MIC % usage, the load utilisation and load factor would be very similar. It was noted that the thresholds for both criteria would need to be assessed, as keeping both at 95% would result in numbers similar to the current 90% threshold.</p> <p>The Proposer was open to revisiting</p> |

| | | | |
|---------------------|------------------|---|--|
| | | <p>for assessment is alleviated by considering the Capacity Utilisation first. We do not believe it is necessary to introduce a new Utilisation Factor, as the use of the existing Load Factor and the Capacity Utilisation is sufficient.</p> <p>Keeping these two criteria separate improves transparency for all parties and uses simple formulae which are easily understood.</p> <p>Additionally, it is noted that when a site has a Capacity Utilisation of over 95% then the Load Factor and the Utilisation Factor (as introduced by this CP) are very similar. A site with 95% Capacity Utilisation and (1- Load Factor) of 95% would be eligible under the separate criteria, but would not be eligible under the combined criteria proposed as $95\% \times 95\% = 90.3\%$. Under the proposed combined criteria if a site has a capacity utilisation of 95% then (1- Load Factor) would need to be higher than 99% in order for the site to be eligible.</p> <p>We have added our calculations to the data sample provided with the Consultation and have attached this with our response.</p> <p>As the MIC is used in the calculations, consideration should be given to what happens if the MIC changes during the data sample period. One option is that if a site has changed MIC within the data period then it is not eligible until there is 12 months of data at the new MIC.</p> | <p>this in the interests of simplifying the approach.</p> <p>In order to fully understand the changes, the Working Group discussed the need to come up with some examples that can be analysed.</p> <p>The Chair took an action to add the alternate approach to the existing data set to enable a comparison of the two approaches. It was noted that the criteria would need to be able to be tweaked, so the Chair will build these into the analysis as <u>variables that can be amended</u>.</p> |
| SSE Business Energy | Non-confidential | We do not think there should be a threshold, but if there is then it should be set to only include a very small number of the worst affected customers. It should probably be at the 95% threshold. | This was noted by the Working Group. |
| SSE Generation | Non-confidential | We don't consider that an appropriate threshold can be established with the information currently available because it is not clear, in our view, what the underlying reasons should be for a site becoming | This was noted by the Working Group. |

| | | | |
|-------------------------|------------------|---|--|
| | | <p>eligible. As it stands, any threshold could result in sites benefitting from reduced Residual charges regardless of whether there is a justification for this or not, potentially making the proposed solution ineffective.</p> | <p>The Working Group agreed the need to better understand the principles and facts behind the TCR decisions, in order to better inform the solution and help future conversations to progress.</p> <p>Action: Chair to locate or create a 'statement of facts' document that concisely summarises the principles and decisions implemented under the TCR.</p> <p>Action: Chair to find rationale for how the thresholds were arrived at under the TCR.</p> <p>The Working Group also discussed that the justification for spreading the residual charges, left over after re-banding HCULU customers, across all other customers needed to be better justified in the change report.</p> |
| Brownlow Utilities Ltd. | Non-confidential | <p>I don't believe a one size fits all solution is necessarily appropriate. Making the cost relative to overall spend is skewed by market movements so may affect the eligibility of a supply. For sites on flexible purchasing they could fall in and out of eligibility. Perhaps it would be better to exclude overall spend from the threshold and keep it relative to load factor as this is more reflective of the physical characteristics of the electricity connection and utilisation of the</p> | <p>This was noted by the Working Group. It was noted that flexible purchasing relates to volume purchasing and not related to capacity, and that the proposed calculation takes no spend into consideration.</p> |

| | | | |
|--------------------------------------|------------------|---|--|
| | | authorised capacity. | |
| Eyemouth Freezers Ltd. | Non-confidential | The charging mechanism has built inequity into the system by introducing cliff-edge cut-offs. This proposal seeks to ameliorate it by introducing further cliff-edge cut-offs, which must always be inequitable. There is no right answer. | This was noted by the Working Group. It was discussed that whilst the proposal will increase the costs for other customers, it is not to the extent of creating another cliff-edge scenario. |
| E.ON | Non-confidential | It is important that the threshold is set high enough that customers cannot take advantage of this code modification to lower their network charges just by changing their consumption behaviour for a few hours or days (this was the problem that the TCR sort to address in the first place with Triad avoidance). However, setting a threshold limit at too high a level runs the risk of missing many customers who are being adversely impacted by the TCR changes. Given the very small impact on non 'peaky customer network charges at the 0.95 level, we believe a threshold level of 0.9 is an acceptable compromise, but should the code modification be approved, we believe that this parameter should be kept under periodic review. | <p>This was noted by the Working Group.</p> <p>The threshold level will be discussed at a future Working Group meeting. It was noted that additional analysis may be required to determine the optimum level (benefit versus cost to other customers).</p> <p>It was discussed that the Working Group may not be in a position to state what level of costs are acceptable, but that this could be used by Ofgem in its decision making, in support of alternate options, or used to derive an 'acceptability threshold' (e.g., a threshold relating to costs to other customers).</p> |
| The Electricity Network Company Ltd. | Non-confidential | We agree with the Working Group that the most appropriate threshold for customers to qualify as a HCULU customer would be 95% in order to ensure that this proposed modification would not be | This was noted by the Working Group. |

| | | | |
|-----------------------------|------------------|--|--------------------------------------|
| | | exploited by some overzealous customers and, moreover, their representative suppliers and distributors would not be under too much administrative pressure to transfer all the resulted eligible customers. | |
| Electricity North West Ltd. | Non-confidential | It is not clear what the threshold should be as it is unclear in what way the current approach fails to implement the TCR decision correctly. | This was noted by the Working Group. |
| National Grid ESO | Non-confidential | We agree with the workgroup that a 95% band allocation criteria is prudent as this suggests that there are a low number of users that would qualify for any reduction and therefore we believe this minimises the scope of the distortion that this modification may potentially create. However, it should be noted these users do still require network capacity to be held for them to use when they need it, though. | This was noted by the Working Group. |
| Optimal Power Networks | Non-confidential | N/A | |
| Shell Energy UK | Non-confidential | <p>With the implementation of TCR changes, new charging methodologies were introduced. We believe any deviations from the new methodologies should be minimal and should only be considered in extreme cases only.</p> <p>Therefore, we would support a threshold of 95% which would help to capture any extreme cases whilst maintaining a tight eligibility criterion. We consider this would minimise the risk of using this modification as a loophole to misuse the system.</p> <p>We also believe a 95% threshold would put the smallest burden on rest of the customers (the non-eligible customers).</p> | This was noted by the Working Group. |

| | | | |
|---|------------------|---|--|
| SSE Networks | Non-confidential | As discussed during the working group we believe the threshold should be set at 95% to lessen the chances of potential abuse to lower a customers band. It will also help to control the numbers of possible customers that could apply and therefore only be available to true 'Peak' customers. | This was noted by the Working Group. |
| UK Power Networks | Non-confidential | We believe that the threshold should be high, so would support the use of 95%. | This was noted by the Working Group. |
| Pembrokeshire County Council | Non-confidential | An upper limit of circa £6.50/day for the highest capacity band with proportionate lower charges in lower capacity bands | This was noted by the Working Group. The Working Group is not considering setting an upper monetary limit for the residual charge because it would impact residual cost allocations. |
| Denbighshire County Council | Non-confidential | An upper limit of circa £6.50/day for the highest capacity band with proportionate lower charges in lower capacity bands | This was noted by the Working Group. The Working Group is not considering setting an upper monetary limit for the residual charge because it would impact residual cost allocations. |
| <p>Working Group Conclusions</p> <p>The Working Group agreed that the approach to DCP 412 and the formula used should be reviewed, to assess whether this can be simplified and to assess whether splitting to the two-step approach results in any differences to the current formula.</p> <p>The Working Group also agreed that it would be useful to understand the principles from the TCR decision, to help frame future discussions and assess DCP 412 decision against these.</p> | | | |

Question 4

| Company | Confidential/ Anonymous | 4. Should the selected threshold be a hard limit or should DNOs have some discretion for customers close to/around the threshold? Please provide your rationale. | Working Group Comments |
|-------------------------|----------------------------|--|---|
| Northern Powergrid | Non-confidential | Yes, we believe the thresholds should be a hard limit. There should not be any subjectivity around whether the criteria are met as this will ensure that all customers are treated consistently across all DNOs. | This was noted by the Working Group. |
| SSE Business Energy | Non-confidential | Whilst we do not support the modification, if implemented, the selected threshold should be a hard limit as otherwise DNOs may have differing levels of discretion and it could lead to disputes. | This was noted by the Working Group. |
| SSE Generation | Non-confidential | We don't support the proposal overall but on the basis that it would be approved, we would not favour DNO discretion for customers close to the threshold. Customers should apply on the basis that the data they submit makes them eligible. If their data does not make them eligible, they should wait with their submission until the data does support their application. See also our response to q.6 about the length of the data period. | This was noted by the Working Group. |
| Brownlow Utilities Ltd. | Non-confidential | IF DNO's are embracing Smart Grid Technology then it would make sense not to have hard limits and apply discretion where a customer can work flexibly. This would allow DNO's to more effectively manage demand on the network. This could also reduce the need to engineer the infrastructure to meet avoidable peaks | This was noted by the Working Group. The Working Group discussed that a proposal to share capacity had been previously rejected and that there was currently no means for a DNO to allow/offer flexibility. |
| Eyemouth Freezers Ltd. | Non-confidential | Our DNO has no concept of customer care and could be relied upon to use its discretion to its own advantage. | The Working Group had no comment on this. |

| | | | |
|--------------------------------------|------------------|--|--------------------------------------|
| E.ON | Non-confidential | Our preference would be for a hard limit coupled with annual reviews (so that should a customer just fall short of the limit they are not unduly penalised). Adding a subjective element to the process could introduce inconsistencies across DNOs at a time when the market needs standardisation of rules and processes across DNOs. | This was noted by the Working Group. |
| The Electricity Network Company Ltd. | Non-confidential | We are of the view that a fixed limit would be more beneficial and advocate consistency and equal treatment across all the customers. In our opinion, providing DNOs with any power of decision regarding what customers would qualify as HCULU customers and which would not, could allow for discrimination between customers within different GSP groups as some DNOs may be more tolerant and supportive while others could be rather stringent. | This was noted by the Working Group. |
| Electricity North West Ltd. | Non-confidential | A defined "hard limit" is the most transparent and fairest approach for customers and DNOs. A discretionary approach provides no clarity to either party on what the limit actually is. | This was noted by the Working Group. |
| National Grid ESO | Non-confidential | We consider that a clear hard limit threshold is best; for any DNO in question to have discretion this may lead to issues in terms of inconsistency in treatment and or approach. | This was noted by the Working Group. |
| Optimal Power Networks | Non-confidential | Agree it should be a hard limit, for consistency purposes. | This was noted by the Working Group. |
| Shell Energy UK | Non-confidential | <p>The threshold should be a hard limit across all DNOs. Giving DNOs some discretion may lead to unnecessary complications & inconsistencies.</p> <p>Two customers under the same circumstances but in two different DNO networks may potentially get two different outcomes under DNOs' discretion.</p> <p>A hard limit of the threshold would be much simpler to manage and</p> | This was noted by the Working Group. |

| | | | |
|--|------------------|---|---|
| | | fair to all customers regardless of which DNO network they are connected to. | |
| SSE Networks | Non-confidential | The threshold, once set, should be a hard limit and discretion should not be used. | This was noted by the Working Group. |
| UK Power Networks | Non-confidential | Any limit should be a hard limit and the same across all DNOs, otherwise there is the challenge of unfair treatment for customers in different regions. | This was noted by the Working Group. |
| Pembrokeshire County Council | Non-confidential | We suggest given the fact that EV charging stations are critical in the UK transition to a decarbonised transport system that the upper limit of circa £6.50/day should be a hard limit for the highest capacity band. There should be proportionate lower charges in lower capacity bands. | This was noted by the Working Group and has been addressed in the response to question 3, regarding the approach. |
| Denbighshire County Council | Non-confidential | We suggest given the fact that EV charging stations are critical in the UK transition to a decarbonised transport system that the upper limit of circa £6.50/day should be a hard limit for the highest capacity band. There should be proportionate lower charges in lower capacity bands. | This was noted by the Working Group and has been addressed in the response to question 3, regarding the approach. |
| Working Group Conclusions The Working Group noted the broad support for a hard limit and the identified impacts of there being any form of discretion. | | | |

Question 5

| Company | Confidential/ Anonymous | 5. Should the eligibility or thresholds vary by different sectors? Please provide your rationale. | Working Group Comments |
|-------------------------|----------------------------|--|--|
| Northern Powergrid | Non-confidential | No. All customers should be treated the same way and have the same criteria applied. Additionally, DNOs do not hold information on the sector that each MPAN belongs to. | This was noted by the Working Group. |
| SSE Business Energy | Non-confidential | No. We do not think the thresholds should vary by sector as to do so would potentially open up many debates as to what the levels should be in each sector, with a multitude of possibilities. | This was noted by the Working Group. |
| SSE Generation | Non-confidential | We don't support the proposal overall but on the basis that it would be approved, we think that in the first instance, there should be a single threshold, and that sectors which feel that the eligibility criteria require adjustment, should raise a further proposal. As it stands, no evidence has been provided for different sectors. | This was noted by the Working Group. |
| Brownlow Utilities Ltd. | Non-confidential | Again, I believe one size doesn't fit all, so eligibility or threshold parameters should be site specific. Sites within a sector could have vastly different usage profiles so wouldn't necessarily be relevant. | This was noted by the Working Group. It was noted that using the load factor and utilisation in combination would avoid skewing the criteria towards/away from one sector. |
| Eyemouth Freezers Ltd. | Non-confidential | No. Simple equity. | This was noted by the Working Group. |
| E.ON | Non-confidential | We believe that any solution to address the unintended consequence of the TCR change should be as simple as possible and therefore should not vary by sector. It is unclear to us how this could be done in | This was noted by the Working Group. |

| | | | |
|--------------------------------------|------------------|--|--------------------------------------|
| | | an objective manner. | |
| The Electricity Network Company Ltd. | Non-confidential | We believe that, for simplicity, the eligibility or thresholds should be standard and consistent across all sectors. Having sector specific criteria with different categories may increase the complexity of correctly identifying the eligible HCULU customers when implementing this modification. Furthermore, although we understand the intention of these considerations is to ensure that no affected customers are missed in the process, incorporating several identifiers may have the adverse effect by potentially not focusing on the appropriate individual specifications when analysing the customers' consumption. | This was noted by the Working Group. |
| Electricity North West Ltd. | Non-confidential | No, there is no basis for discriminating for or against certain sectors. The consultation notes that the working group agreed this should remain out of scope for DCP 412 and parties non-discrimination obligations would reinforce that decision. | This was noted by the Working Group. |
| National Grid ESO | Non-confidential | No we do not believe the eligibility or thresholds should vary by sectors. We consider that such a change would increase the complexity around sector specific eligibility requirements and may lead to increased risk of challenge (in terms of sectoral treatment/allocation) and change on change via a series of further modification proposals. | This was noted by the Working Group. |
| Optimal Power Networks | Non-confidential | No. This adds more complexity around sector specific eligibility requirements as it would lead to different interpretations and perhaps inconsistency to a "selective" change proposal. | This was noted by the Working Group. |
| | | More clarity needs to be provided around what peaky customers are | It was noted that one example had |

| | | | |
|------------------------------|------------------|--|---|
| | | doing which makes them utilise their capacity on such infrequent occasions. | <p>been provided by one of the respondents (confidential response) that evidenced why the customer could not change their usage to avoid the costs.</p> <p>It was also noted that sector-specific measures were being considered by government under its energy intensive industry (EII) review (the network charging compensation scheme).</p> |
| Shell Energy UK | Non-confidential | We agree with the working group's view that sector specific eligibility criteria would add further complexity to the process. | This was noted by the Working Group. |
| SSE Networks | Non-confidential | The potential to set different thresholds dependent on different sectors does not seem like a viable solution. | This was noted by the Working Group. |
| UK Power Networks | Non-confidential | No, the principle of the change should be the same for all connections regardless of the customer. | This was noted by the Working Group. |
| Pembrokeshire County Council | Non-confidential | We are only concerned with reducing the costs of EV charging. We would obviously be happy to see charges reduced across the board but our concern under this consultation is that EV charging hubs are eligible for significantly reduced costs that are not simply levied based upon ASC. High capacity but relatively infrequent 'peaky' sites should be given favourable treatment especially where decarbonisation of the transport system is a key outcome. | This was noted by the Working Group. |
| Denbighshire County Council | Non-confidential | The main concern under this consultation is that EV charging hubs are eligible for significantly reduced costs that are not simply levied based upon ASC. High capacity but relatively infrequent 'peaky' sites | This was noted by the Working Group. |

| | | | |
|---|--|---|--|
| | | should be given favourable treatment especially where decarbonisation of the transport system is a key outcome. | |
| Working Group Conclusions | | | |
| The Working Group noted the broad support for a single non-sector specific threshold at this point in time. | | | |

Question 6

| Company | Confidential/ Anonymous | 6. Over what period should a customer's usage be reviewed to determine eligibility as a HCULU customer? 12 months, 24 months, or something else? Please provide your rationale. | Working Group Comments |
|-------------------------|----------------------------|--|---|
| Northern Powergrid | Non-confidential | <p>12 months, subject to the site being energised for the full 12 months (as suggested in our response to Q3 consideration should also be given to changes in MIC during the period)</p> <p><i>"As the MIC is used in the calculations, consideration should be given to what happens if the MIC changes during the data sample period. One option is that if a site has changed MIC within the data period."</i> (Quoted from Q3.)</p> | <p>This was noted by the Working Group.</p> <p>The Working Group will consider what happens when a MIC has been changed in the assessment/reassessment period at a future meeting.</p> |
| SSE Business Energy | Non-confidential | We believe it should be over 24 months and then reviewed every 12 months to ensure eligibility is maintained. | This was noted by the Working Group. |
| SSE Generation | Non-confidential | We presume that this question relates to a customer's initial application for HCULU status. We consider that a longer data period (such as 24 months) would provide more robust evidence of a site's pattern of capacity utilisation and would therefore be preferable. The longer period would also ensure that outliers in the data would have less impact on the site's HCULU metric, reducing the need for DNO discretion for sites close to the threshold (as per q.4). | This was noted by the Working Group. |
| Brownlow Utilities Ltd. | Non-confidential | It would make sense to review the previous 12 months usage when the DUoS and TNUoS charges are reviewed annually. | This was noted by the Working Group. |
| Eyemouth Freezers Ltd. | Non-confidential | 12 months, to be reviewed annually. No shorter period is practicable. Any longer period will not provide a valid assessment of current usage. | This was noted by the Working Group. |

| | | | |
|--------------------------------------|------------------|--|--|
| E.ON | Non-confidential | Given that this code modification is trying to address an issue for 'peaky' customers, it is our belief that a customer's behaviour is unlikely to change significantly between one year and two years. This is borne out by the data that does not show any dramatic variation in numbers between 2021 and 2022 (it is highly unlikely all the qualifying customers in 2021 were replaced by new qualifying customers in 2022). Therefore we do not have any strong preference for the period of historic data used to determine eligibility. | This was noted by the Working Group. |
| The Electricity Network Company Ltd. | Non-confidential | We consider that the appropriate period the customers should be analysed and identified over is 12 months' worth of data as this length period should suffice when establishing whether an applicant is eligible to qualify as a HCULU customer. We believe that one year represents a full cycle with all seasons included and thus should be adequate for picking up trends and frequency of the utilisation of high or maximum demanded capacity. | This was noted by the Working Group. |
| Electricity North West Ltd. | Non-confidential | The most recent 12-month period would be more current, regular reviews should be considered. | This was noted by the Working Group. |
| National Grid ESO | Non-confidential | 24 months, to ensure that the discount is not offered due to a "blip" in one year in annual consumption | This was noted by the Working Group. |
| Optimal Power Networks | Non-confidential | It should be 12 months. This is the most recent use of energy. If a customer is found not to be a peaky customer, the charges should be levied retrospectively and move back to previous banding. | This was noted by the Working Group. This is to be considered within consultation 2. |
| Shell Energy UK | Non-confidential | We believe a customer's usage over the most recent consecutive 12 months is a good period to determine their eligibility. This is because we consider this period would represent an accurate reflection of | This was noted by the Working Group. |

| | | | |
|---|------------------|--|--------------------------------------|
| | | their consumption behaviour. | |
| SSE Networks | Non-confidential | We believe that a 12-month period should suffice but are supportive of 24-months as well. | This was noted by the Working Group. |
| UK Power Networks | Non-confidential | We believe that a full 24 month period should be shown, as a 12 month period could be misleading in their year on year position. | This was noted by the Working Group. |
| Pembrokeshire County Council | Non-confidential | 12 months latest HH data would seem appropriate to give the up to date picture and the all year round profile picture. | This was noted by the Working Group. |
| Denbighshire County Council | Non-confidential | 12 months. | This was noted by the Working Group. |
| <p>Working Group Conclusions</p> <p>The Proposer stated that a 24 month assessment period had been an earlier concern, due to the likelihood of the COVID period impacting upon the assessment, however as time moves on this concern has lessened. The Proposer confirmed E.ON's position regarding there being no strong preference between 12 months and 24 months had not changed.</p> <p>It was noted that, since the first consultation, further data analysis had been carried out to examine the eligibility churn rate between two 12-month periods. The Working Group is due to review this analysis which may assist in determining the most appropriate length of data window.</p> | | | |

Question 7

| Company | Confidential/ Anonymous | 7. Do you agree that some customers who exceed their MIC should still be eligible to be a HCULU customer, and if so by what amount should the excessive use be limited to? Please provide your rationale. | Working Group Comments |
|---------------------|----------------------------|--|---|
| Northern Powergrid | Non-confidential | No. If a site is exceeding their MIC then they should either change their processes to ensure they don't exceed their MIC or apply for an increase in MIC to an appropriate level. There are implications on the calculation of Load Factor if the MIC has been exceeded ie the Load Factor is lower when the max demand is higher, so if a site has exceeded their MIC then the Load Factor will be lower than it should be able to be. | <p>This was noted by the Working Group.</p> <p>The Working Group discussed that in either the 1 step process or 2 step process, if exceeding the MIC, this could be constrained in some way in the formula.</p> |
| SSE Business Energy | Non-confidential | No. Any HCULU customer that exceeds their MIC should have to go into a higher band and then try to qualify as a HCULU customer 12 months after this date from the higher band. | <p>This was noted by the Working Group.</p> <p>The Working Group identified two scenarios that it needs to consider:</p> <ul style="list-style-type: none"> - a customer who has a MIC change in an assessment period (and whether they should wait 12 months to reapply on the new MIC) - a customer who moves to a lower band and then increases their MIC, and whether this would trigger anything (which would result in them losing HCULU status the following year) |

| | | | |
|-------------------------|------------------|---|---|
| | | | It was noted that the second scenario may be dependent on whether there is retrospectivity (discounts and/or charges). |
| SSE Generation | Non-confidential | No, we don't. A key point underpinning the rationale for this proposal is to create the option of a banding review for sites that rarely use their full MIC. It therefore seems inappropriate to extend the possibility of paying a reduced Residual charge to sites which in fact require a higher MIC than they already have. | This was noted by the Working Group. |
| Brownlow Utilities Ltd. | Non-confidential | If a customer exceeds the MIC, they incur excess kVA charges anyway and maybe this could be modified for sites that are benefiting from a discount. Perhaps a 10% limit would be sensible for accidentally exceeding without losing the discount. The DNO, could be proactive in working with customers where an MIC is exceeded to reach a solution. | This was noted by the Working Group. This will be discussed by the Working Group in a future Working Group meeting. |
| Eyemouth Freezers Ltd. | Non-confidential | The fundamental flaw in the TCR charging system is its choice of the MIC as the basis of charge, despite the observable fact that individual customers' MIC is only loosely related to their actual capacity required (and is even less connected to their electricity usage). Combining this with a blanket ban on the adjustment of customers' MIC to fit their actual requirements (without any agreed definition of how that is assessed) ensures the unfairness of the system. | This was noted by the Working Group. |
| E.ON | Non-confidential | Customers who exceed their MIC should still be considered for eligibility, but we are in agreement that to avoid gaming of the methodology that the input for calculating eligibility is capped at a customers Maximum Import Capacity (MIC) and not their Maximum Demand. | This was noted by the Working Group. |
| The Electricity Network | Non-confidential | We support the Working Group's suggestion and rationale to allow some leeway to customers who would be in breach of their originally | This was noted by the Working Group. |

| | | | |
|-----------------------------|------------------|--|--|
| Company Ltd. | | agreed capacity by occasionally importing higher capacity and we consider that a 5% stretch over the MIC would be a fair exception without putting the distributors under too much administrative pressure. | |
| Electricity North West Ltd. | Non-confidential | It is unclear what should happen in these circumstances. The threshold calculation test uses MIC and customers should not benefit by exceeding it. | <p>This was noted by the Working Group.</p> <p>The Working Group agrees that any such assessment of eligibility should be based on the MIC and nothing above this.</p> |
| National Grid ESO | Non-confidential | No | This was noted by the Working Group. |
| Optimal Power Networks | Non-confidential | No. | This was noted by the Working Group. |
| Shell Energy UK | Non-confidential | We understand that some customers may sometimes exceed their agreed maximum import capacity by a small margin, if such a customer was not eligible to be a HCULU customer simply because of that reason, we consider this would be too harsh on that customer. | This was noted by the Working Group. |
| | | At the same time, we should encourage customers to stay within their agreed capacity. Therefore, we agree that any assessment of eligibility and/or re-banding should be calculated based on the customer's Maximum Import Capacity (MIC) and not based on their maximum demand. | The Working Group agrees that any such assessment of eligibility should be based on the MIC and nothing above this. |
| | | We note that 34 CDCM customers would have qualified as HCULU customers under 95% threshold (12 months assessment) in 2022. If the excessive use was allowed upto 5% over MIC, then this figure would go up to 104 (i.e 70 more customers would qualify). | |

| | | | |
|------------------------------|------------------|--|--|
| | | <p>We would like to understand further the impact of this on the remaining non-eligible customers? Also, we would like to see how many customers would be eligible if the excess use was limited to 2% over the MIC?</p> | <p>The Working Group noted that the impact analysis could be extended for this.</p> <p>The Working Group agreed to perform the IA on 5% over the MIC and 10% over the MIC, and plot this on a graph, for a visual assessment of the impact at other percentages.</p> |
| | | <p>Due to the potential adverse impact on non-eligible customers, we believe the excessive use should not be allowed of more than 5%.</p> | <p>This was noted by the Working Group.</p> |
| SSE Networks | Non-confidential | <p>Customers who exceed their MIC could be considered but this shouldn't be to an excessive level. Setting a high threshold for qualification to be an HCULU customer will ensure that these cases are rare i.e. 5% over MIC.</p> | <p>This was noted by the Working Group.</p> |
| UK Power Networks | Non-confidential | <p>No, where a customer exceeds their MIC they should not be eligible to be considered. They are in breach of their connection agreement. Moreover, it could allow a customer who has agreed their MIC at a lower level than is appropriate and then exceeded that MIC to be eligible to be a HCULU customer, whereas a customer who has set a realistic MIC to not be a HCULU customer.</p> | <p>This was noted by the Working Group.</p> <p>The Working Group noted there are remedies under Schedule 2B of the DCUSA (re 12.5 onwards).</p> |
| Pembrokeshire County Council | Non-confidential | <p>We design so that our installed systems cannot exceed the agreed incoming MIC so this is not a significant concern.</p> | <p>This was noted by the Working Group.</p> |
| Denbighshire County Council | Non-confidential | <p>Infrastructure installations are designed as such that systems cannot exceed the agreed incoming MIC. EVCI is managed internal (machine) and externally (back office) in order that it is almost an impossibility to exceed declared capacity. This would be very difficult to do during</p> | <p>This was noted by the Working Group.</p> <p>The Working Group noted that EVs</p> |

| | | | |
|---|--|---|---|
| | | <p>'real world' operation as vehicles are plugged in at different times and at differing levels of charge. As most EVs reach 80% charge on DC infrastructure the vehicle reduces the amount of electricity onboarded by as much as 50% to protect internal components from overheating thus reducing site draw (the term peaky describes this very well).</p> | <p>are being assessed under DCP 420 as well, and the Chair of that mod has been provided with these responses, and that they may not qualify as a HCULU customer due to the way the charging stations are used.</p> |
| <p>Working Group Conclusions</p> <p>The Working Group noted the additional considerations that need to be given to MIC changes during the assessment period and once a customer has qualified as HCULU, taking into consideration the differences between the scenarios if there is or is not to be any retrospectivity.</p> <p>The Working Group agreed to extend the impact assessment to the number of customers who would be eligible if they were allowed to exceed their MIC by 5% and 10% respectively.</p> <p>The Working Group also agreed that in assessing eligibility for HCULU status, a customer should not benefit by exceeding their MIC, and this could be constrained in the formula if necessary.</p> | | | |

Question 8

| Company | Confidential/ Anonymous | 8. Should frequency be considered as part of the criteria for being a HCULU customer, and if so, how should this be considered? Please provide your rationale. | Working Group Comments |
|-------------------------|----------------------------|--|---|
| Northern Powergrid | Non-confidential | No. Using the Load Factor negates the need to consider frequency of peaks. | This was noted by the Working Group. |
| SSE Business Energy | Non-confidential | We do not support the modification and so there should be no consideration of frequency for being a HCULU. There is no analysis within the modification to help any decision on frequency. | This was noted by the Working Group. The Working Group discussed that if using the Load Factor, the frequency isn't needed, as per the above response. |
| SSE Generation | Non-confidential | We don't support the proposal overall, and including a frequency parameter in the criteria would not change our view. In any case, without further analysis, it would likely be as arbitrary a measure as the overall threshold value (which is yet to be decided upon). | This was noted by the Working Group. |
| Brownlow Utilities Ltd. | Non-confidential | If load factor is used as a measure that would automatically incorporate frequency in the outcome. By default a low load factor site is hit the hardest by TCR. A site may have a very high demand for as little as half an hour. If they did that on a regular basis they would probably still have a very low load factor. | This was noted by the Working Group. |
| Eyemouth Freezers Ltd. | Non-confidential | This question beautifully illustrates the incoherence of this whole approach. First define what a customers actual MIC requirement is – the rest follows from that. | This was noted by the Working Group. |
| E.ON | Non-confidential | We do not believe that frequency should be used as a criteria for identifying 'peaky' customers as it is not clear to us that a customer | This was noted by the Working Group. |

| | | | |
|--------------------------------------|------------------|---|--|
| | | <p>who uses their MIC for 30 minutes every week is any less deserving of support than a customer who uses their MIC for 1 day every year.</p> <hr/> <p>However, we do believe that frequency could be an element of the degree of support that a 'peaky' customer receives.</p> | <p>This was noted by the Working Group.</p> |
| The Electricity Network Company Ltd. | Non-confidential | <p>No, we do not consider that frequency should be play a role in establishing whether a customer would be eligible or not to become a HCULU customer. In our opinion, as long as a customer is only reaching its MIC a handful of times within the provided data and analysed period of time, and those results would be in line with the established percentage by this change proposal, should it get approved, we believe that the corresponding customer should qualify.</p> <hr/> <p>We consider that introducing too many conditions could potentially defeat the aim of this modification, which is to treat all customers fair and agreeing on a universal threshold should suffice without complicating the matter.</p> | <p>This was noted by the Working Group.</p> <hr/> <p>The Working Group discussed that the simpler the formula for eligibility, the more it will cover varying customers and their usage patterns, without arbitrarily including or excluding specific customers.</p> |
| Electricity North West Ltd. | Non-confidential | No, this introduces more complexity to the change, which would not be welcome. | This was noted by the Working Group. |
| National Grid ESO | Non-confidential | No comment. | |
| Optimal Power Networks | Non-confidential | <p>No.</p> <p>Total volume consumed is a driver for eligibility.</p> | This was noted by the Working Group. |

| | | | |
|------------------------------|------------------|---|--|
| Shell Energy UK | Non-confidential | No comments | |
| SSE Networks | Non-confidential | As discussed it should not be taken into account if a customer regularly uses their full capacity, i.e. once a day but this is only for a short period, they should be still be able to qualify as an HCULU customer as long as they fit the other criteria. | This was noted by the Working Group. |
| UK Power Networks | Non-confidential | A HCULU customer should not be one who is using their capacity most of the time, so we believe a limited amount of times in the year would be appropriate. Even if they are using their capacity once a month, that capacity is still available to them, we feel that using the capacity more than six times each year should make them ineligible to be an HCULU customer. | <p>This was noted by the Working Group.</p> <p>The Working Group discussed that the more the customer uses their capacity, the lower their baseload would need to be in order to qualify as an HCULU customer.</p> |
| Pembrokeshire County Council | Non-confidential | This depends on who will undertake the review. We are happy for an independent body to keep HCULU sites under review and adjust charging accordingly however we do not envisage a time when any EV charging hub will get anywhere near operating at the MIC for extended periods of time. Any adjustment to charging should only be implemented after an agreed notice period so that costs can be factored in against the viability of the site. | <p>This was noted by the Working Group.</p> <p>The Working Group discussed that the DNOs would be required to monitor this, as they would have the data to review.</p> |
| Denbighshire County Council | Non-confidential | This depends on who will undertake the review. We are happy for an independent body to keep HCULU sites under review and adjust charging accordingly however we do not envisage a time when any EV charging hub will get anywhere near operating at the MIC for extended periods of time. Any adjustment to charging should only be implemented after an agreed notice period so that costs can be factored in against the viability of the site. | <p>This was noted by the Working Group.</p> <p>The Working Group discussed that the DNOs would be required to monitor this, as they would have the data to review.</p> |

Working Group Conclusions

The Working Group noted that the majority of respondents did not support including the frequency of use of capacity in the eligibility criteria. The Working Group discussed that the formula used, be that a one step process or two step process, would not take frequency into consideration, but that the more a customer uses their MIC, the lower their baseload would need to be in order to qualify as HCULU.

Question 9

| Company | Confidential/ Anonymous | 9. Should the timing of high-capacity usage be considered in the assessment period, for example increases towards the end of a period? If so, how long should the customer wait to be able to demonstrate it was not a sustained increase in the use of their capacity. Please provide your rationale. | Working Group Comments |
|-------------------------|----------------------------|---|---|
| Northern Powergrid | Non-confidential | No. Using the Load Factor negates the need for this. | This was noted by the Working Group. The Working Group noted that if it is a sustained increase, this would be picked up in the reassessment. |
| SSE Business Energy | Non-confidential | We do not think that timing should be considered as customers' usage varies over a time period. | This was noted by the Working Group. |
| SSE Generation | Non-confidential | As per our reply to q.6, we consider that a longer data period (such as 24 months) would provide more robust evidence of a site's pattern of capacity utilisation and would also ensure that outliers in the data would have less impact on the site's HCULU metric. That includes incidences of using the full MIC at any point in the two-year data period. | This was noted by the Working Group. The Working Group noted that an increase could still happen towards the end of a two-year period. |
| Brownlow Utilities Ltd. | Non-confidential | If a customer can limit the timing of high capacity within their production timescales they should be incentivised to do so. Customers who are hardest hit by TCR are not likely to show any sustained increase in their use of capacity. This could be addressed by the discount being related to load factor. | This was noted by the Working Group. The Working Group noted the response indicated limiting the duration of the peak, rather than when it occurs. |
| Eyemouth | Non- | First define what the actual MIC requirement is before trying to | This was noted by the Working |

| | | | |
|--------------------------------------|------------------|---|--|
| Freezers Ltd. | confidential | define exceptions. | Group. |
| E.ON | Non-confidential | Given that high capacity usage is only half of the criteria for eligibility, we believe that it will be very difficult for a customer who is nowhere near being eligible to game the system by increasing their capacity 'at the last moment'. The customer must also have used very little of their MIC throughout the rest of the period. Therefore we believe that the timing of high capacity usage in the assessment period is not an issue. | This was noted by the Working Group. |
| The Electricity Network Company Ltd. | Non-confidential | <p>Whether the timing should or not be considered when assessing if a customer is eligible for the HCULU classification should depend on what approach this change proposal will culminate with.</p> <p>In practice, if during the initial implementation period, the new tariff will be applied partially or in entirety retrospectively too, rather than only moving forward, then timing should not be considered for that section of data evaluated, as their future behaviour should not prohibit customers from receiving the rightly gained past re-band as established in this modification.</p> <p>However, should this change proposal constitute of subsequent re-banding, more precisely from the date of qualifying onwards, then if in doubt, on the rare occasion that this scenario could occur, the DNO analysing the data may condition granting the customer eligibility subject to further data provision – i.e. either another few months worth of future data or a re-evaluation at a more frequent basis to ensure that the customer remains eligible.</p> | <p>This was noted by the Working Group.</p> <p>This was noted by the Working Group.</p> <p>The Working Group noted that the reassessment, whether 6 months later or a year later, would capture any changes.</p> |
| Electricity North West Ltd. | Non-confidential | No, this should not be a factor, assuming timing issues are indicative of a trend is not a valid approach. | This was noted by the Working Group. |
| National Grid | Non- | No comment. | |

| | | | |
|------------------------|------------------|---|--|
| ESO | confidential | | |
| Optimal Power Networks | Non-confidential | <p>No.</p> <p>If it is determined that the customer should not have qualified for the residual discount over a 12-month period, it should be charged retrospectively.</p> | <p>This was noted by the Working Group.</p> <p>Retrospectivity of discounts and charges will be discussed at a future Working Group meeting and will be consulted on.</p> |
| Shell Energy UK | Non-confidential | <p>As outlined in the example provided in the consultation, we believe the timing of high-capacity usage should be considered if the spike in usage is at the end of the assessment period.</p> <p>In such scenario, to determine whether that was a genuine spike and not a sustained increase in the usage, we believe the customer should ideally wait a further six months to demonstrate it via their actual usage data. However, it may be considered that for any potential HCULU customers, waiting further six months may increase their associated existential risk. If that is proven to be the case, those customers could be asked to wait only three months and if not qualified as a HCULU customer after three months, the DNO monitor such customers closely for further three months.</p> | <p>This was noted by the Working Group.</p> <p>The Working Group noted the additional administrative burdens that would be placed on DNOs if they were required to re-review and/or monitor sites.</p> <p>The Working Group noted this could be impacted by the discussion re retrospectivity due to the potential distortion.</p> |
| SSE Networks | Non-confidential | If the customers usage within the 12-month period does not qualify them as an HCULU customer then they should not be considered, regardless of the timing. | This was noted by the Working Group. |
| UK Power Networks | Non-confidential | If they have shown over a 24 month period that they are eligible then we do not believe that there needs to be a further review, although the WG might wish to consider the timing of the higher capacity usage, for example should a HCULU customer only use their capacity outside of the Red / Super Red timebands? | <p>The Working Group discussed that whilst this could be considered for DUoS, it doesn't affect TNUoS.</p> <p>The Working Group discussed that</p> |

| | | | |
|--|------------------|--|--|
| | | | this potentially presents time signals, which is not in scope of DCP 412 to achieve and would be an unintended consequence. The Working Group noted that this <i>could</i> be picked up in DUoS SCR. |
| Pembrokeshire County Council | Non-confidential | A holistic review of HH data over the course of a year should be the basis of review of the charges levied at EV charging sites. | <p>This was noted by the Working Group.</p> <p>The Working Group noted that its approach would be to limit the method to key concepts.</p> |
| Denbighshire County Council | Non-confidential | A holistic review of HH data over the course of a year should be the basis of review of the charges levied at EV charging sites. | <p>This was noted by the Working Group.</p> <p>The Working Group noted that its approach would be to limit the method to key concepts.</p> |
| Working Group Conclusions <p>The Working Group noted the majority of responses did not support the consideration of frequency in the eligibility criteria, however this will be discussed at a future Working Group meeting with regards to the potential impacts of any retrospectivity and the distortions that result.</p> | | | |

Question 10

| Company | Confidential/ Anonymous | 10. Do you agree with the Proposer's suggestion to use the customer's utilisation to identify whether they would be classed as a HCULU customer instead of Load Factor alone? Please provide your rationale. | Working Group Comments |
|--------------------------------------|----------------------------|---|---|
| Northern Powergrid | Non-confidential | As described in Q3, we believe the Load Factor and the Capacity Utilisation should be considered as separate qualification criteria which must both be met. | This was noted by the Working Group. The Working Group has agreed an action to update the analysis to assess this approach. |
| SSE Business Energy | Non-confidential | Whilst we don't support the proposal, we agree with the proposer that utilisation is a better measure than load factor in order to classify a HCULU customer. | This was noted by the Working Group. |
| SSE Generation | Non-confidential | Whilst we don't support the proposal overall, we agree that under the proposed formula for measuring HCULU status, utilisation is a better measure than load factor. | This was noted by the Working Group. |
| Brownlow Utilities Ltd. | Non-confidential | Load factor seems to be the overriding reason for TCR having an adverse effect and is directly linked to utilisation anyway. | This was noted by the Working Group. |
| Eyemouth Freezers Ltd. | Non-confidential | It would be perverse to define an HCULU(utilisation) customer without reference to its utilisation. | This was noted by the Working Group. |
| E.ON | Non-confidential | We do agree with the Proposer's suggestion to use a combination of utilisation and capacity usage rather than load factor alone as this prevents gaming of the methodology and better identifies customers who cannot take any action of their own to reduce their network charges. | This was noted by the Working Group. |
| The Electricity Network Company Ltd. | Non-confidential | We support the Working Group's suggestion to focus on utilisation instead of load factor when analysing whether an applicant qualifies for the HCULU classification as it is indeed a better representation of | This was noted by the Working Group. |

| | | | |
|------------------------------|------------------|---|---|
| | | what a customer's real consumption is in relationship to its agreed supply capacity rather than its maximum demand only. However, this does raise the question whether a customer that does not reach its agreed supply capacity should have a conversation with its supplier in the interest of freeing some of this capacity back to the network. | The Working Group noted that if a customer doesn't use their agreed supply capacity, it is unlikely they would qualify as a HCULU customer. |
| Electricity North West Ltd. | Non-confidential | Load factor as more broadly recognised approach. It is not clear in what way the proposer's approach is better. | This was noted by the Working Group. It was discussed that Load Factor alone would not capture correct eligibility of HCULU customers, but that this could be one step of a two step process, as per Northern Powergrid's response. |
| National Grid ESO | Non-confidential | No comment. | |
| Optimal Power Networks | Non-confidential | Yes. Customers should not regularly be reaching the capacity limit. Low Load factor may arise for other business reasons. | This was noted by the Working Group. |
| Shell Energy UK | Non-confidential | Yes, we agree with that approach. | This was noted by the Working Group. |
| SSE Networks | Non-confidential | Yes. | This was noted by the Working Group. |
| UK Power Networks | Non-confidential | We believe that utilisation is the correct approach to determine if a customer is eligible, this will should [provide] a more accurate reflection than Loss Factor. | This was noted by the Working Group. |
| Pembrokeshire County Council | Non-confidential | Yes I agree with this. At an EV charging site utilisation is directly linked to revenue taken for customers for charging. Increased | This was noted by the Working Group. |

| | | | |
|---|------------------|---|--------------------------------------|
| | | <p>utilisation = increased revenue and thus an increased ability to pay bills for standing charges. However there should be an upper limit so as not to impact the viability of EV charging sites. We do not foresee a time when we will ever get near our MIC for sustained periods. Currently we cannot sustain the losses being made due to high residual charges at high capacity EV hubs.</p> | |
| Denbighshire County Council | Non-confidential | <p>Yes I agree with this. At an EV charging site utilisation is directly linked to revenue taken from customers for charging. Increased utilisation = increased revenue and thus an increased ability to pay bills for standing charges. However there should be an upper limit so as not to impact the viability of EV charging sites. We do not foresee a time when we will ever get near our MIC for sustained periods. Currently we cannot sustain the losses being made due to high residual charges at high capacity EV hubs.</p> | This was noted by the Working Group. |
| <p>Working Group Conclusions</p> <p>The Working Group noted the broad support for the current proposed approach, but acknowledges that Load Factor may form part of a two-step process as per previous responses, and will undertake analysis to assess this approach.</p> | | | |

Question 11

| Company | Confidential/ Anonymous | 11. Are there any other ways these customers could be identified? Please provide your rationale. | Working Group Comments |
|--------------------------------------|----------------------------|--|--------------------------------------|
| Northern Powergrid | Non-confidential | Please see our response to Q3. | This was noted by the Working Group. |
| SSE Business Energy | Non-confidential | We are unable to suggest any other criteria. | This was noted by the Working Group. |
| SSE Generation | Non-confidential | As we don't support the premise of the proposal, we won't be offering any alternative ways of identifying 'peaky' customers. | This was noted by the Working Group. |
| Brownlow Utilities Ltd. | Non-confidential | Load factor derived from the HH data could be detailed in the DUoS billing methodology. It could be summarised on electricity invoices along with kVA capacity and power factor. | This was noted by the Working Group. |
| Eyemouth Freezers Ltd. | Non-confidential | No comment | |
| E.ON | Non-confidential | We cannot see any easier way of identifying customers who should benefit from this code modification. | This was noted by the Working Group. |
| The Electricity Network Company Ltd. | Non-confidential | No, we cannot think any better alternatives than the ones proposed by this change proposal. | This was noted by the Working Group. |
| Electricity North West Ltd. | Non-confidential | We have no view on this. | This was noted by the Working Group. |
| National Grid ESO | Non-confidential | No comment. | |

| | | | |
|---|------------------|---|--------------------------------------|
| Optimal Power Networks | Non-confidential | No. High capacity combined with a low volume level is a "peaky" customer. | This was noted by the Working Group. |
| Shell Energy UK | Non-confidential | No comments. | |
| SSE Networks | Non-confidential | There could be many other ways these customers could be identified as eligible, but at this current stage we believe the proposed method is a suitable one. | This was noted by the Working Group. |
| UK Power Networks | Non-confidential | None that we are aware of at this time. | This was noted by the Working Group. |
| Pembrokeshire County Council | Non-confidential | I cannot think of a better way than reviewing customer utilisation over the course of a year using HH data. | This was noted by the Working Group. |
| Denbighshire County Council | Non-confidential | I cannot think of a better way than reviewing customer utilisation over the course of a year using HH data. | This was noted by the Working Group. |
| Working Group Conclusions The Working Group noted that aside from the proposed approach provided by Northern Powergrid, no other alternative solutions were identified. | | | |

Question 12

| Company | Confidential/ Anonymous | 12. Should customers be required to confirm, as part of their application to be a HCULU customer, that they are unable to change their current usage patterns and that their current MIC is appropriate for their business needs? Please provide your rationale. | Working Group Comments |
|-------------------------|----------------------------|---|--|
| Northern Powergrid | Non-confidential | No. In order for a site to qualify they have to meet the eligibility criteria. Using the Capacity Utilisation as a criteria means that the DNO has already confirmed that the current MIC is set at an appropriate level. | This was noted by the Working Group. |
| SSE Business Energy | Non-confidential | Yes, as without this they could lower their MIC which may mean they would no longer qualify as a HCULU in a lower band. | This was noted by the Working Group. The Working Group discussed that the first step in the process should be assessing whether the MIC is set at an appropriate level, followed by an assessment of HCULU eligibility. |
| SSE Generation | Non-confidential | Yes, they should. This will ensure that the customer considers the option of reducing their MIC before applying for HCULU status, or alternatively, helps DNOs take a view on whether the site's MIC could be reduced instead of carrying out a HCULU assessment. | This was noted by the Working Group. |
| Brownlow Utilities Ltd. | Non-confidential | It would make sense for the application process to include an explanation of a customers usage profile and detail why they have the capacity that they have and why they will need it in the future. | This was noted by the Working Group. |
| Eyemouth Freezers Ltd. | Non-confidential | See 17 below | |

| | | | |
|--------------------------------------|------------------|--|---|
| E.ON | Non-confidential | We believe that it is a sensible step to require customers to consider all actions that they can realistically take to reduce their network charges. It maybe that a customer has not thought of relinquishing capacity (or didn't know it was possible). | This was noted by the Working Group. |
| The Electricity Network Company Ltd. | Non-confidential | Yes, we believe that a letter issued by the customer explaining their current business requirements would bring significant value to the application and to the DNOs understanding the circumstances of the customer's business before challenging the re-banding conversation, encouraging the applicant to free some of their capacity by reducing their existing MIC. | This was noted by the Working Group. |
| Electricity North West Ltd. | Non-confidential | This is unrealistic, for many customers usage patterns are constantly changing and they cannot always control this. The example of an electric car charging point illustrates this, demand will vary over time due to random factors. | This was noted by the Working Group. The Working Group discussed that, in the example provided, the customer would know what MIC they require based on the equipment installed at site, and that a MIC could be reduced as a result of removing equipment from site. |
| National Grid ESO | Non-confidential | No comment. | |
| Optimal Power Networks | Non-confidential | Yes. Customer needs to provide relevant information to support their application. This is same principle as the non-final demand customer. | This was noted by the Working Group. |
| Shell Energy UK | Non-confidential | Yes, we believe it would be appropriate to get this confirmed in writing from the customer as part of the application process. | This was noted by the Working Group. |

| | | | |
|---|------------------|--|---|
| SSE Networks | Non-confidential | Yes. | This was noted by the Working Group. |
| UK Power Networks | Non-confidential | Yes, there are other ways a customer could react, installing generation on site, batteries etc but all of these have an upfront cost which they might not wish to spend money on. If a customer who exceeds their MIC is not eligible it would be important that they confirm their MIC is appropriate before being confirmed as a HCULU customer. | This was noted by the Working Group. The Working Group noted that installing on-site generation and batteries does not necessarily mean a MIC could be reduced, as if these were not available the customer would require their MIC. |
| Pembrokeshire County Council | Non-confidential | We are happy to confirm and equally happy not to have to do so for reduced admin. This will be part of the annual review of HH electricity consumption where the MIC can be considered against actual use. | This was noted by the Working Group. |
| Denbighshire County Council | Non-confidential | We are happy to confirm and equally happy not to have to do so for reduced admin. This will be part of the annual review of HH electricity consumption where the MIC can be considered against actual use. | This was noted by the Working Group. |
| Working Group Conclusions The Working Group noted the views above and that whilst the application itself may not be necessary, in so far as the data would objectively include or exclude a customer, the act of applying may prompt the customer to assess all their options. This may also relate to any form of discretion or flexibility, by providing context for the application and allowing the DNO to assess whether the customer meets the spirit of the change proposal. | | | |

Question 13

| Company | Confidential/ Anonymous | 13. Do you agree that requiring 12 consecutive months of energised consumption data in order to apply to be a HCULU customer mitigates this interaction, and is this fair? Please provide your rationale. | Working Group Comments |
|-------------------------|----------------------------|--|---|
| Northern Powergrid | Non-confidential | The consumption data should be for 12 months with the site being energised for the full 12 months | This was noted by the Working Group. |
| SSE Business Energy | Non-confidential | It does, but only partly as having 12 months of energised consumption data does not necessarily prove that their current usage pattern cannot be amended. | This was noted by the Working Group. |
| SSE Generation | Non-confidential | We agree that sites with a period of de-energisation should not be considered eligible for HCULU status (notwithstanding the fact that we don't support the proposal overall). Under q.6, we advocated a data 24-month period, and in line with this, we suggest a requirement of 24 consecutive months of energised consumption data. | This was noted by the Working Group. |
| Brownlow Utilities Ltd. | Non-confidential | It is fair to require 12 consecutive months of data but allow supporting evidence to be provided if the profile is expected to change in any way. | This was noted by the Working Group. |
| Eyemouth Freezers Ltd. | Non-confidential | See 17 below | |
| E.ON | Non-confidential | The de-energisation of a site could reduce a customer's utilisation, but it is unlikely that this could be possible for a long enough period of time to change a customer's eligibility without impacting their business. We can imagine situations where a customer does need to de-energise for a short period i.e. maintenance and where it would seem unfair to preclude them for consideration on this basis alone. | <p>This was noted by the Working Group.</p> <p>The Working Group will need to consider the amount of time, if any, that a site could be de-energised,</p> |

| | | | |
|--------------------------------------|------------------|---|--|
| | | Therefore, we believe that a minimum time of energisation over the last 12 months should be a requirement e.g. 50 weeks. | and this may also relate to the discretion/flexibility provided by the solution. |
| The Electricity Network Company Ltd. | Non-confidential | We do not consider that 12 months' worth of energised consumption data should be a requirement from the applicants. In our view, de-energised customers are held financially responsible through other change proposals, such as DCP 411 referred to in this section and thus, should not be 'penalised' any further. The intent of this change proposal is to support customers who do not often use their full agreed MIC while still enduring "a disproportionate share of the residual costs", which, we consider that de-energised sites should qualify for as they meet the criteria. | This was noted by the Working Group. The Working Group considered whether DCP 411 presents an issue or not. It was agreed that the Working Group would look at some scenarios in a future Working Group meeting. It was noted that this is dependant on DCP 411's approval. It was also agreed to look at de-energisation scenarios not related to DCP 411 (e.g., gaps in energised status for, e.g., 6 months)). |
| Electricity North West Ltd. | Non-confidential | This is fair, but only mitigates this issue to some extent. Usage could change following assignment to HCULU status in any event. | This was noted by the Working Group. The Working Group noted such a change would be captured in the reassessment. |
| National Grid ESO | Non-confidential | No comment. | |
| Optimal Power Networks | Non-confidential | Yes. It gives a fair and accurate picture [of] a business volume over a full year. | This was noted by the Working Group. |
| Shell Energy | Non- | We believe that there could be a potential interaction with the | This was noted by the Working |

| | | | |
|--|------------------|--|--|
| UK | confidential | <p>DCP411 (Charging De-energised sites) change proposal and this DCP 412 proposal.</p> <p>We agree that this could be mitigated by requiring any customers/applicants to be considered as HCULU customer to [be] assessed based on their actual data for 12 consecutive months with NO instances of de-energisation. Any customer with instances of de-energisation in the past 12 months, should wait until they have 12 consecutive months' worth of actual data without any episodes of de-energisation before applying to be considered as a HCULU customer.</p> | <p>Group.</p> <p>The Working Group noted that periods of de-energisation could be one area of discretion or flexibility by the DNOs.</p> |
| SSE Networks | Non-confidential | Yes. | This was noted by the Working Group. |
| UK Power Networks | Non-confidential | We believe that 24 months of data should be required, and as mentioned above (Q12) we feel that confirmation on the two points would be worthwhile and ensure the process remains robust. | This was noted by the Working Group. |
| Pembrokeshire County Council | Non-confidential | We agree this is fair for the reasons outlined above. | This was noted by the Working Group. |
| Denbighshire County Council | Non-confidential | We agree this is fair for the reasons outlined above. | This was noted by the Working Group. |
| <p>Working Group Conclusions</p> <p>The Working Group noted the responses and the dependency on DCP 411 with regards to this. It was also noted that, in terms of periods of de-energisation, this could be for short periods (e.g., for days or weeks) as opposed to longer term, and this may need be taken into consideration (e.g., in the form of discretion).</p> | | | |

Question 14

| Company | Confidential/ Anonymous | 14. 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. | Working Group Comments |
|-------------------------|----------------------------|---|---|
| Northern Powergrid | Non-confidential | We do not have any comments on this at this time, as this is only the first consultation of two planned. We will provide comments when the full solution has been outlined by both consultations. | This was noted by the Working Group. |
| SSE Business Energy | Non-confidential | We do not believe the proposal better facilitates the DCUSA charging objectives. | This was noted by the Working Group. |
| SSE Generation | Non-confidential | <p>No, we don't. In the consultation document, 6.2, it is argued that Charging Objective 1 is better facilitated in terms of the TCR principles, in particular by ensuring HCULU sites' residual charges are allocated on the basis of their actual use of the network as opposed to their MIC value.</p> <p>We consider that the last part of this statement is fundamentally incorrect, in that the TCR decision was that residual charges for distribution-connected sites with a MIC should in fact be banded based on that MIC, and not on any other metric.</p> | <p>This was noted by the Working Group.</p> <p>The Working Group discussed the principles of the TCR charging as a cost recovery mechanism and agreed to review the objectives text for consultation 2. It was noted that an action to summarise the TCR intent and principles will feed into this.</p> |
| Brownlow Utilities Ltd. | Non-confidential | Because one size clearly does not fit all, the proposal does better facilitate the charges providing it significantly reduces the costs to those businesses worst affected. Focus on the load factor seems to be at the root of facilitating a more appropriate method of charging. | This was noted by the Working Group. |
| Eyemouth Freezers Ltd. | Non-confidential | The DCUSA Charging Objectives are quite extraordinary in that they do not mention at all the obvious requirement for a charging regime that is fair to consumers of electricity or the requirement for the price | This was noted by the Working Group. |

| | | | |
|--------------------------------------|------------------|---|---|
| | | signals to incentivise efficient use of the system and its capacity. The objectives were written by EU bureaucrats to implement an EU directive which is (or should be) irrelevant to a country outside the EU. The whole basis of the TCR regime is fatally flawed. | |
| E.ON | Non-confidential | We believe that this proposal does better facilitate the DCUSA Charging Objectives, specifically Charging Objective 1 by ensuring that network charges are applied in a fairer and more cost reflective basis. | This was noted by the Working Group. This was noted as relating the SSE Generation response above, in that the residual is not a cost-reflective charge. The Proposer noted its emphasis was on making this fairer. |
| The Electricity Network Company Ltd. | Non-confidential | We believe that the DCUSA Charging Objective 1 could be better facilitated by this change proposal by DNOs being compliant with the licence requirements related to SCRs, by implementing several of the TCR Principles set out in the Direction. More precisely, this change proposal aims to reduce the harmful distortions in residual charges allocated to the HCULU customers, as defined in this change proposal and would also implement fairness across those highly impacted customers as a result of the TCR decisions. | This was noted by the Working Group. |
| Electricity North West Ltd. | Non-confidential | No, we cannot identify better facilitation of the objectives due to this change. | This was noted by the Working Group. |
| National Grid ESO | Non-confidential | No | This was noted by the Working Group. |
| Optimal Power Networks | Non-confidential | No. It is ultimately creating a cross-subsidy which may impact the viability of other businesses. Energy costs in recent years have impacted many businesses especially those that have closed down. | This was noted by the Working Group. It was discussed that whilst this does create a cross subsidy, it is only to benefit the most impacted businesses, and that if these |

| | | | |
|----------------------------------|------------------|---|---|
| | | <i>The responder further clarified that the response is about the current market conditions that have resulted in many customers struggling to pay for their energy, with some businesses closing down as a result, and no support was provided for these. In creating an exception for peaky customers support would be provided for only some customers who are struggling, as opposed to all customers who are struggling.</i> | businesses fail the costs would be covered by other customers regardless. |
| Shell Energy UK | Non-confidential | No comments | |
| SSE Networks | Non-confidential | This will help to facilitate charging objective 1, introducing caveats for customers who genuinely cannot change their MIC are banded according to actual usage. | This was noted by the Working Group. |
| UK Power Networks | Non-confidential | DCUSA Charging Objective 1 will be better facilitated as it will ensure that customers who are eligible be a HCULU Customer are correctly charged based upon their usage of the network. | This was noted by the Working Group. |
| Pembrokeshire County Council | Non-confidential | We consider that the proposal better facilitates the DCUSA charging objective 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. | This was noted by the Working Group. |
| Denbighshire County Council | Non-confidential | We consider that the proposal better facilitates the DCUSA charging objective 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. | This was noted by the Working Group. |
| Working Group Conclusions | | | |

The Working Group noted the responses and agreed to review the TCR decision document, per an action already taken, to better understand the original intent and policy decisions. It noted that additional clarity could be requested from Ofgem in the event that there are differing interpretations. The objective section of the second consultation will be updated to reflect the position of the Working Group following this.

Question 15

| Company | Confidential/ Anonymous | 15. Are you aware of any wider industry developments that may impact upon or be impacted by this CP? | Working Group Comments |
|--------------------------------------|----------------------------|--|--|
| Northern Powergrid | Non-confidential | There may be interactions with the DUoS SCR. | This was noted by the Working Group. |
| SSE Business Energy | Non-confidential | We believe that this CP could impact the effectiveness of the MHHS Programme by customers changing their demand patterns to qualify as a HCULU customer. There may also be impact on the EII scheme. | The Working Group will seek additional clarification on this response. (re the impacts on the MHHS Programme and the EII (e.g., the Network Charging Scheme?)) |
| SSE Generation | Non-confidential | Yes, we consider that this proposal interacts with the various other TCR-related change proposals, decided or work in progress, in terms of how to correctly interpret and apply the TCR principles and decision (e.g. DCP388, 389, 410, 411, 420, and various CUSC modifications, such as CMP363/364) | This was noted by the Working Group. The Chair agreed to pull together a summary of the Changes referenced for review by the Working Group. |
| Brownlow Utilities Ltd. | Non-confidential | It could be incorporated into Smart Grid Technologies and provide opportunities for customers to be incentivised for avoiding high demands to avoid stress on local networks. | This was noted by the Working Group. |
| Eyemouth Freezers Ltd. | Non-confidential | No | |
| E.ON | Non-confidential | No | |
| The Electricity Network Company Ltd. | Non-confidential | No, we are not aware of any other wider industry developments which could be impacted or have impact on this change proposal. | This was noted by the Working Group. |

| | | | |
|------------------------------|------------------|----------------------------|--|
| Electricity North West Ltd. | Non-confidential | No. | |
| National Grid ESO | Non-confidential | No | |
| Optimal Power Networks | Non-confidential | No – please see Q17 | |
| Shell Energy UK | Non-confidential | No comments | |
| SSE Networks | Non-confidential | No. | |
| UK Power Networks | Non-confidential | None that we are aware of. | |
| Pembrokeshire County Council | Non-confidential | No | |
| Denbighshire County Council | Non-confidential | None | |

Working Group Conclusions

The Working Group noted the DCUSA Change Proposals and CUSC Modifications provided by SSE Generation and agreed to pull together a summary of these changes, including when they may go live, or if they are already live, to allow a full assessment of any potential interactions/impacts to be assessed.

Question 16

| Company | Confidential/ Anonymous | 16. Do you have any comments on the proposed legal text? | Working Group Comments |
|-------------------------|----------------------------|--|---|
| Northern Powergrid | Non-confidential | We have no comments at this time beyond that the legal text will need updating to reflect the final solution. | This was noted by the Working Group. |
| SSE Business Energy | Non-confidential | No. | |
| SSE Generation | Non-confidential | <p>We appreciate that the legal text is as yet incomplete, pending the second consultation.</p> <p>In the meantime, we suggest that in relation to this first consultation, at legal text 6.2(c)(ii):</p> <p>- the following wording is added: “declaring that they are unable to change their current usage patterns, together with an explanation of the reasons for this”; ...</p> <p>and a provision (iv) is added about the data required to be submitted alongside the signed letter from the Customer’s company director.</p> | <p>The Working group agreed to add the amendment to the legal text.</p> <p>The Working Group added the following additional legal text: “submitting half hourly data and their own assessment of their HCULU eligibility, using the established formula.” This will be consulted on in the second consultation.</p> |
| Brownlow Utilities Ltd. | Non-confidential | No comments on this. | |
| Eyemouth | Non- | See 17 below | |

| | | | |
|--------------------------------------|------------------|---|---|
| Freezers Ltd. | confidential | | |
| E.ON | Non-confidential | No | |
| The Electricity Network Company Ltd. | Non-confidential | We support the principles of this change proposal and we agree that the issues related to the customers negatively impacted as a result of the TCR Decisions should be addressed, however, we have some concerns about some approaches from this change proposal, such as the complexity of some parameters, and thus potentially making the criteria confusing, which could, in turn, allow room for distorted interpretations and further unfairness brought to some customers. In the interest of keeping the principles and licences fairly simple and clear, we fear that this change proposal is heading in the opposite direction. | This was noted by the Working Group. The Working Group noted this relates to the potential splitting out of the formula into two steps, which may make this easier to understand and use. |
| Electricity North West Ltd. | Non-confidential | No. | |
| National Grid ESO | Non-confidential | No | |
| Optimal Power Networks | Non-confidential | No. | |
| Shell Energy UK | Non-confidential | No comments | |
| SSE Networks | Non-confidential | The current amendments to the legal text are satisfactory. It is envisaged that further additions will be made in relation to question 7 & 13 to clarify these parts of the process at a later time. | This was noted by the Working Group. |
| UK Power Networks | Non-confidential | No. | |

| | | | |
|--|------------------|------|--|
| Pembrokeshire County Council | Non-confidential | No | |
| Denbighshire County Council | Non-confidential | None | |
| Working Group Conclusions The Working Group amended the legal text to reflect the feedback provided by SSE Generation and noted, re SSE Network's response, the requirement to update the legal text following any decisions regarding exceeding the MIC and the data assessment period. | | | |

Question 17

| Company | Confidential/ Anonymous | 17. Do you have any other comments on DCP 412? | Working Group Comments |
|---------------------|----------------------------|--|---|
| Northern Powergrid | Non-confidential | <p>In the consultation document it mentions more than once that if one site is removed from a band then the other customers within that band will increase to recover that charge. For DUoS charges this is not true. As the tariffs are already set then if a site moves between bands then the difference between the revenue expected to be collected when charges were set and the revenue collected at the lower band goes into under-recovery. This is then recovered via the prior year correction mechanism. This will increase allowed revenues in the next year for which charges are being set and the increase will be shared across the whole customer base, not just the band they were previously in. Charges for a published year are not recalculated when a site is reallocated to a different band (for the EDCM the revised fix charge is calculated outside of the models by adjusting the fixed charge for the difference in residual).</p> <p>This means that the table showing the impact on customers remaining in the band in 5.13 is incorrect.</p> <p>In addition in the sample calculations provided the data sample is from November 2020 to October 2022, but the calculations have been done for the data in 2020, 2021 and 2022, so is for 2 months, 12 months and 10 months respectively. This should be two twelve month calculations to be comparable, and to align to the suggested data period in the consultation</p> | <p>The Working Group agreed to revisit the impact assessment and validate whether it is correct.</p> <p>The Working Group agreed to seek advice on the process from the modellers to ensure its understanding is correct. It was discussed that the under-recovery of revenue would be socialised over all customers, not just those within the band.</p> <p>The Working Group agreed to review the analysis and determine if it needs to be presented differently.</p> |
| SSE Business Energy | Non-confidential | No. | |
| SSE Generation | Non- | We feel that splitting the consultation into two (i.e. consulting | This was noted by the Working |

| | | | |
|-------------------------|------------------|---|---|
| | confidential | separately on the 'who should be eligible?', and the 'how should eligible sites be treated?') means that in this first consultation, stakeholders are being asked to provide their views without having full sight of the end-to-end solution, i.e. whilst having only partial information. We don't think that this is good practice. | Group. The Chair agreed to take an action to consider the impacts of splitting consultations for consideration in future approaches and what questions are relevant to ask when doing so, whether it sets an inappropriate precedent and whether earlier input from Ofgem or industry could avoid this approach being necessary. |
| Brownlow Utilities Ltd. | Non-confidential | Any charging methodologies that have an adverse effect on the competitiveness of UK businesses at home and abroad should be avoided. In the case of a particular Brownlow Utilities Ltd. client, they are a highly specialised manufacturer providing a unique service to UK sectors. The UK is well known for its innovative and specialist engineering capabilities. TCR threatens the existence of specialist niche businesses such as this client. Therefore, any amendments to the charging methodology to avoid low load factor customers being disadvantaged should be implemented. | This was noted by the Working Group. |
| Eyemouth Freezers Ltd. | Non-confidential | Our problem with this whole exercise is beautifully illustrated by Attachment 5 to the consultation pack which illustrates the case of a customer with an excessive MIC (or ASC). This states that the customer is 'not being unfairly treated by the TCR as they should look to be re-banded under the current process': the current process bans such re-banding, and DCP 412 is silent on the issue. We also agree the conclusion on attachment 5 that we need a measure to test whether Max Demand is close to ASC – which is another way of saying we need to agree what a site's MIC | This was noted by the Working Group. The Working Group discussed that re-banding is not banned, but that there are requirements that need to be met (e.g., exceptional circumstances). The Working Group discussed that the re-banding referenced in this response relates more so to the |

| | | | |
|--------------------------------------|------------------|--|--|
| | | requirement actually is. Then – if we have to have bands – THERE MUST BE AN OPEN AND ACCESSIBLE RE-BANDING PROCESS TO REFLECT THIS. Nothing else has any chance of being fair to consumers. | exceptional circumstances, which is out of scope of DCP 412. It was suggested that the respondent could be pointed towards this, noting the materiality requirements. |
| E.ON | Non-confidential | No | |
| The Electricity Network Company Ltd. | Non-confidential | We believe that this change proposal may require a shift in approach, potentially taking a step back and reconsidering some of the directions it is currently heading towards, and making the requirements too complicated to follow and hard to demonstrate by potential applicants. | This was noted by the Working Group. |
| Electricity North West Ltd. | Non-confidential | No. | |
| National Grid ESO | Non-confidential | We consider that this change doesn't affect CUSC section 14, charging, as the ESO Revenue department receives numbers of customers per band, per GSP Group, per Supplier automatically from each DNO or iDNO. Therefore, it is believed that no change would be needed to CUSC section 14, should DCP412 be implemented. However, should this change be approved a 6 months notice period prior to the TNUoS charging year would be preferred so that the ESO have sufficient time to estimate and set TDR charges per band to reflect its effect. | The Working Group noted the lack of CUSC impact. It was discussed that clarification should be sought on why a notice period of 6 months is required, as changes already occur as a result of other processes (e.g., moving a customer from final demand to non-final demand, changes under exceptional circumstances, etc.). It was also noted the changes should be minimal, per the impact assessment. |

| | | | |
|------------------------|------------------|--|--|
| | | | Action: Chair to seek clarification from the ESO. |
| Optimal Power Networks | Non-confidential | Many other businesses, small local ones, are currently failing due to high wholesale costs been blamed, they aren't getting the help they need from this proposal. Creating a "two tier" market with many cross-subsidy is not helpful as other businesses may become unviable if they are not benefiting from any "cross subsidy". The examples used do not provide a clear picture of peaky customers as more clarity is needed around this. | <p>Noted by the Working Group.</p> <p>The Working Group discussed that the intent of the CP was to help a specific subset of customers. The Proposer acknowledges the creation of the "two tiers" of support, but that this is to support the customers most adversely impacted.</p> <p>This is linked to a previous comment where it was discussed that the impacts of the business going out of business would need to be weighed up against the impacts of re-banding them.</p> |
| Shell Energy UK | Non-confidential | <p>We understand, for simplicity, this change proposal would be looked at through two consultations and the second consultation to discuss the remedy that would be applied to eligible customers, including how it would be calculated, applied to the customer, and reviewed moving forwards, will be issued in September 2023.</p> <p>Whilst we agree in principle with what this proposal is trying to achieve for HCULU customer group, we are interested to see how this would be managed in practice and we would like to see minimal impact on rest of the non-eligible customers within the non-domestic market. For example, we are keen to understand the impact on already published 24/25 DUoS tariffs under the 15 months' notice as</p> | <p>Noted by the Working Group.</p> <p>It was highlighted that published tariffs are already impacted today, by existing processes.</p> <p>It was noted that the impacts to wider customers could be undertaken and is linked to the action under Northern Powergrid's response and will be clarified in the</p> |

| | | | |
|--|------------------|---|---|
| | | a result of the implementation of DCP412. | next consultation. |
| SSE Networks | Non-confidential | No. | |
| UK Power Networks | Non-confidential | No. | |
| Pembrokeshire County Council | Non-confidential | If this proposal to reduce residual standing charges is not implemented we will see business failure and will not be able to pay the energy bills. We will disconnect and remove the EV charging sites from service. We will have to inform the Government bodies who fund the EV charging sites of the circumstances that have led to the impossibility to provide EV charging services to the public. Implementation of reduced charges under this proposal as soon as possible is absolutely critical. | This was noted by the Working Group. It was noted that DCP 420 is looking at the impacts to these sites. |
| Denbighshire County Council | Non-confidential | If this proposal to reduce residual standing charges is not implemented we will see business failure and will not be able to pay the energy bills. We may be forced to disconnect and remove EV charging infrastructure from service. We will have to inform the Government bodies who fund the EV charging sites (Welsh Gov & UK Gov) of the circumstances that have led to the impossibility to provide EV charging services to the public. Implementation of reduced charges under this proposal as soon as possible is absolutely critical. | This was noted by the Working Group. It was noted that DCP 420 is looking at the impacts to these sites. |
| Working Group Conclusions The Working Group agreed to review the impact assessment and to get advice from the modellers on the impacts to DUoS tariffs. The Working Group acknowledged that, as per Northern Powergrid's response, some of the under-recovered revenue would be socialised across domestic sites, however this should be extremely minimal at the 95% threshold. | | | |