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| **DCUSA Consultation** | | At what stage is this document in the process? |
| **DCP 443:**  **Excess Capacity**  **Date Raised:** 09/07/2024  **Proposer Name:** Peter Waymont  **Company Name:** Eastern Power Networks  **Party Category:** DNO | | |  | | --- | | **01 – Change Proposal** | | **02 – Consultation** | | **03 – Change Report** | | **04 – Change Declaration** | |
| **Purpose of Change Proposal**  To drive the correct customer behaviour regarding exceeding capacity. | | |
| Description: Description: YES_GREEN | This document is a Consultation issued to DCUSA Parties and any other interested Parties in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 443.  The Working Group recommends that this Change Proposal should proceed to Consultation.  Parties are invited to consider the questions set in section 10 and submit comments using the form attached as Attachment 2 to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) by DD MON YYYY. | |
| Description: Description: High_Impact | **Impacted Parties**  Suppliers/DNOs/IDNOs/CVA Registrants | |
| Description: Description: High_Impact | **Impacted Clauses**  Schedules 16/17 and 18 | |

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| **Contents**  1 Summary 3  2 Governance 3  3 Why Change? 3  4 Working Group Assessment 4  5 Relevant Objectives 7  6 Impacts & Other Considerations 8  7 Implementation 8  8 Legal Text 8  9 Consultation Questions 11  10 Attachments 12  **Timetable**   |  |  | | --- | --- | | Activity | Date | | Initial Assessment Report | 17 July 2024 | | Consultation Issued to Industry Participants | TBC | | Change Report Approved by Panel | 15 January 2025 | | Change Report issued for Voting | 16 January 2025 | | Party Voting Closes | 06 February 2025 | | Change Declaration Issued to Parties/Authority | 10 February 2025 | | Authority Decision | TBC | | **Any questions?** |
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1. Summary

#### What?

## To amend the CDCM and EDCM such that excess capacity charges are set in order to drive the correct customer behaviours.

#### Why?

## Customer behaviour may be sub-optimal as a result of the existing processes.

#### How?

## To set the daily exceeded capacity charge to give the right messages/cost signals to influence optimal customer behaviour.

## One solution might be using the highest MD in the preceding 12 months, for which we have provided draft legal text. This is how we charged excess capacity for at least 16 years prior to CDCM and EDCM.

## Alternatively calculating the exceeded capacity to be double the capacity charge (which is broadly the difference between the two charges when Customer Contributions was utilised) would be an alternative approach.

1. Governance

## This CP satisfies the criteria for a Part 1 Matter as it impacts the methodologies.

## This consultation is issued for a period of 15 working days. The Working Group will review the responses after this period.

1. Why Change?

## There was a change to the Connection and Access arrangements where some costs were removed. The input into the DUoS charging model which calculated the excess capacity charge is defined by these arrangements, as a result the value was set to zero, which resulted in the excess charge being the same as the capacity charge.

## As a result we have seen a consultant state “With the capacity and excess capacity charges being the same, there is little incentive for the customers to increase their capacities, especially if there are “costs to do this.”.

## We have seen a customer email us and tell us that they will exceed their capacity for two weeks this summer and will be happy to pay the excess.

## We have also had dialogue with a customer who stated that as excess capacity charges will be the same as standard capacity charges, a consumer will no longer be penalised at a higher rate for exceeding capacity, which is not the cost reflective message the charges should be showing.

## A customer has contacted us to request a reduction in their capacity on the basis they will pay the excess when they do exceed.

## Where a customer properly applies for an upgrade in their capacity, they are not allowed to reduce it again for 12 months (Schedule 16 Paragraph 149). This creates a discrimination/disincentive between those who behave properly as compared to those who do not.

## The National Terms of Connection (NTC) give certain rights to the Distributor when a customer exceeds their capacity but in practice this can be a long-winded process, that endures long after the event and leaves the distributor with no real sanctions.

## Taking an excess capacity is not an agreement to that capacity being available and the NTC still apply to the MIC/MEC.

Question 1 – Do you understand the intent of the CP?

Question 2 – Are you supportive of the principle of the CP?

1. Working Group Assessment

#### Working Group Assessment

## The DCUSA Panel established a Working Group to assess this CP. Meetings were held in open session and the minutes and papers of each meeting are available on the DCUSA website – www.dcusa.co.uk.

## The Proposer walked the Working Group through the change and explained that the purpose of this change is to amend the CDCM and EDCM as such that excess capacity charges are set in order to drive the correct customer behaviours. Customer behaviour may be sub-optimal as a result of the existing processes.

## In order to do this, it is proposed that the daily exceeded capacity charge is set to give the right messages/cost signals to influence optimal customer behaviour. One solution might be using the highest MD in the preceding 12 months, for which we have provided draft legal text. This is how we charged excess capacity for at least 16 years prior to CDCM. Alternatively calculating the exceeded capacity to be double the capacity charge (which is broadly the difference between the two charges when Customer Contributions was utilised) would be an alternative approach.

## It was noted that paragraph 3.1 of the CP states that there was a change to the Connection and Access arrangements where some costs were removed, after further checks. A Working Group member stated that the EDCM is the same for the current year, however, the CDCM is different and asked how this issue occurred.

## Another Working Group member advised that the charges were changed to be the same due to Customer Contributions being put to 0 (since Access SCR was implemented) – doing so brought the excess capacity tariff back in line with the regular capacity tariff.

## It was suggested that it may be helpful to create worked examples to gain a better understanding of what the chargeable capacity could amount to for the Customer. The Working Group agreed that this would be beneficial and created the below examples to help give an illustrative view on how the process would work.

* Customer Exceeds in one month only
* Customer Exceeds twice, the second time is lower
* Customer Exceeds twice, the second time is higher
* Customer Exceeds always
* Customer Exceeds in one month only, capacity reduction agreed
* Customer Exceeds in one month only, capacity increase agreed

## The illustrative examples can be found in **Attachment 3 Excess Capacity Worked Examples**.

## It was considered whether there is an alternate approach where the excess capacity charge is changed.

## The Working Group agreed to seek further information on the alternative solution via the Consultation and then if desired, this can be further developed at a later date.

Question 3– Would an alternative process that increases the excess capacity charge be a more suitable solution e.g. it doubles?

## It was queried whether this change includes both import and export charges – the Proposer advised they did not initially include export charges; however, it was agreed to add this question into the Consultation for further feedback.

Question 4– Should this change include both import and export excess capacity charging?

## The Working Group were not aware of any other solution that could remedy the issue but would like views from Parties as to whether there were any other solutions that the Working Group had not considered.

Question 5 – Are there any other solutions that haven’t been mentioned in this consultation? Please provide details of any potential alternative solutions.

## It was queried whether there would be any potential system changes required for this change. It was noted that there would be system changes required but the scale of these system changes would be dependent on which approach the Working Group agreed to take.

## It was believed that both approaches suggested so far (using the highest MD in the preceding 12 months or increasing the excess capacity) would require some system changes but both solutions would be able to be facilitated.

## The Working Group agreed to ask a question on what the potential system changes

Question 6 – What are the perceived system changes to any potential solutions? Please provide details.

## It was highlighted that there would be impacts to customers if this change were to be approved, specifically by increasing the charges customers incurred by exceeding their agreed capacity.

## It was noted however that the point of increasing this charge was to drive the correct customer behaviour which would drive more efficiency and also protect other customers from being impacted by a site exceeding their capacity

## The Working Group would like views from parties as to what the potential customer impacts could be if this CP were to be approved.

Question 7 – What are the potential customer impacts for the short and long term?

## A Working Group member quired if there’d be any other unintended consequences of creating a differential rate for charging excess capacity.

## The Working Group were not aware of any but felt it would be prudent to ask a consultation question on this, as it would help to inform the solution if there we some unintended consequences to creating a differential rate.

Question 8 – Are you aware of any unintended consequences of creating a differential rate for excess capacity.

## The Working Group quired what impacts there could be for Distributors in terms of any planning for customers who exceed their MIC.

## It was queried that if large numbers of customers exceeded their MIC, could there be impacts to the industry in terms of reinforcement plans and network services to Distributors?

The Working Group were not clear on what these impacts could be so would like to seek Party views on whether there would be impacts/consequences to short and long term planning and or services if large numbers of customers continued to exceed their MIC.

Question 9 – Do you have a view on what consequences there could be of customers exceeding MIC, for long-term and/or short-term DNO planning and/or DSO services.

1. Relevant Objectives

#### Assessment Against the DCUSA Objectives

## For a DCUSA Change Proposal to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. There are five General Objectives and six Charging Objectives.

## The Proposer considers that the following DCUSA General Objectives are better facilitated by this CP:

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|  | **DCUSA Charging Objectives** | **Identified impact** |
|  | 1. That compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence | Positive |
|  | 1. That compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences) | Positive |
|  | 1. That compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business | None |
|  | 1. That, so far as is consistent with Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party’s Distribution Business | None |
|  | 1. That compliance by each DNO Party with the Charging Methodologies facilitates compliance with the EU Internal Market Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators; and | None |
|  | 1. That compliance with the Charging Methodologies promotes efficiency in its own implementation and administration. | None |

## The Working Group believes that DCUSA Charging Objective 1 is better facilitated as Condition 7A of the Distribution Licence is concerned with the efficient and economic operation of the total system, and Objective 2 is better facilitated by this change as it would send a strong signal to Customers that where they exceed their capacity they will face higher charges, it would also ensure that the network is more effectively utilised.

Question 10 – Do you consider that the proposal better facilitates the DCUSA General Objectives? Please give supporting reasons.

1. Impacts & Other Considerations

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

## This Change Proposal may impact upon the DUoS SCR but should proceed as it is a relatively simple change that can and should be dealt with now, rather than waiting for the outcome of the DUoS SCR, which may still be some way from being known.

#### Consumer Impacts

## There are no consumer impacts other than those that have already been mentioned in this CP.

**Does this Change Proposal Impact Other Codes?**

## No

#### Environmental Impacts

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

Question 11 – Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

1. Implementation

## This CP should be implemented on 1 April 2026 as this aligns with the new yearly charging statements.

Question 12 – Are you supportive of the proposal implementation date?

1. Legal Text

## The legal text for this CP is provided as Attachment 1.

## Amend Schedules 16, 17 and 18 as follows

**Schedule 16**

153. Where a customer takes additional capacity over and above the MIC without authorisation, the excess will be classed as exceeded capacity. The exceeded portion of the capacity will be charged at the exceeded capacity rate (p/kVA/day). The exceeded capacity will be charged for the duration of the month, and derived as follows:

Exceeded capacity (kVA) = max (0, Chargeable capacity – MIC)

Where:

Chargeable capacity = max (actual capacity utilised in that month or in the preceding 11 months), as set out below

MIC = Maximum Import Capacity

**Schedule 17 and 18**

20.6 For Connectees other than those that have an agreement with the DNO, the terms of which require them, for the purposes of P2/6 compliance, to export power during supergrid transformer (SGT) outage conditions, the exceeded portion of the export capacity is charged at the same rate as the capacity that is within the Maximum Export Capacity. This is charged for the duration of the month ~~in which the~~ ~~breach occurs~~ based on the highest excess in that month or in the preceding 11 months.

20.7 For Connectees other than those with DSM agreements, the exceeded portion of the import capacity is charged at the same rate as the capacity that is within the Maximum Import Capacity. This is charged for the duration of the month ~~in which the~~ ~~breach occurs~~ based on the highest excess in that month or in the preceding 11 months.

20.8 Sites subject to DSM arrangements would normally pay the DSM-adjusted capacity charge for capacity usage up to their Maximum Import Capacities.

20.9 If sites with DSM agreements were to exceed their maximum import capacities, the exceeded portion of the capacity will be charged at a different rate. This will be charged for the duration of the month ~~in which the~~ ~~breach occurs~~ based on the highest excess in that month or in the preceding 11 months. This charge for exceeded capacity (in p/kVA/day) would be determined as follows;

[Exceeded capacity charge in p/kVA/day] = [Import capacity charge p/kVA/day] + (([FCP capacity charge p/kVA/day] + ([FCP super-red rate p/kWh] \* [Average kW/kVA adjusted for part year] \* [number of super-red hours connected] / ([days in Charging Year] – [Days for which not a customer]))) \* (1 - ([chargeable capacity]/ [Maximum Import Capacity]))

Where:

The FCP super-red unit rate and FCP capacity charges in the equation above are the charges before any adjustments for DSM have been made.

21.1 Table 21.1 summarises the method of application of import charge components.

**Table 21.1 Application of EDCM import charge components**

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| **Tariff component** | **Unit** | **Application** |
| Import fixed charge | p/day | Applied as a fixed charge. |
| Import capacity charge | p/kVA/day | Applied to the Maximum Import Capacity. |
| Exceeded import capacity charge | p/kVA/day | Applied to exceeded capacity for the duration of the month ~~in which the breach occurs~~ based on the highest excess in that month or in the preceding 11 months (except for sites which operates subject to grid code requirements for generation) |
| Import super-red unit rate | p/kWh | Applied to active power units consumed during the DNO Party's super-red time band. |

21.2 Table 21.2 summarises the method of application of export charge components.

**Table 21.2 Application of EDCM export charge components**

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| **Tariff component** | **Unit** | **Application** |
| Export fixed charge | p/day | Applied as a fixed charge. |
| Export capacity charge | p/kVA/day | Applied to the Chargeable Export Capacity. |
| Exceeded export capacity charge | p/kVA/day | Applied to exceeded capacity for the duration of the month ~~in which the breach occurs~~ based on the highest excess in that month or in the preceding 11 months (except for sites which operates subject to grid code requirements for generation) |
| Export super-red unit rate | p/kWh | Applied to active power units exported during the DNO Party's super-red time band. |

#### Text Commentary

## This reinforces that the excess capacity change is based on the highest MD in a 12 month period.

Question 13 - Do you have any comments on the draft legal text?

Question 14 -Do you have any additional comments?

1. Consultation Questions

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

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| **No.** | **Questions** |
|  | Do you understand the intent of the CP? |
|  | Are you supportive of the principle of the CP? |
|  | Would an alternative process that increases the excess capacity charge be a more suitable solution e.g. it doubles? |
|  | Should this change include both import and export excess capacity charging? |
|  | Are there any other solutions that haven’t been mentioned in this consultation? Please provide details of any potential alternative solutions.  What are the perceived system changes to any potential solutions? Please provide details. |
|  | What are the perceived system changes to any potential solutions? Please provide details. |
|  | What are the potential customer impacts for the short and long term? |
|  | Are you aware of any unintended consequences of creating a differential rate for excess capacity. |
|  | Do you have a view on what consequences there could be of customers exceeding MIC, for long-term and/or short-term DNO planning and/or DSO services. |
|  | Do you consider that the proposal better facilitates the DCUSA General Objectives? Please give supporting reasons. |
|  | Are you aware of any wider industry developments that may impact upon or be impacted by this CP? |
|  | Are you supportive of the proposal implementation date? |
|  | Do you have any comments on the draft legal text? |
|  | Do you have any additional comments? |

## Responses should be submitted using Attachment 2 to dcusa@electralink.co.uk no later than DD MON YYYY.

## Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate any parts of a response that are to be treated confidentially.

1. Attachments

* Attachment 1 – DCP 443 Legal Text
* Attachment 2 – DCP 443 Consultation Response Form
* Attachment 3 –Excess Capacity Worked Examples
* Attachment 4 – DCP 443 Change Proposal Form