

DCP 443

‘Excess Capacity’

COLLATED CONSULTATION RESPONSES WITH WORKING GROUP COMMENTS

| Company | Confidential/ Anonymous | 1. Do you understand the intent of the CP? | Working Group Comments |
|----------------|----------------------------|---|------------------------|
| BUUK | Non-Confidential | Yes. | |
| Centrica | Non-Confidential | Yes we understand the intent of the CP. | |
| NGED | Non-Confidential | Yes. | |
| NPg | Non-Confidential | Yes. | |
| SPEN | Non-Confidential | Yes. | |
| SSE Business | Non-Confidential | Yes, we do. | |
| SSE Generation | Non-Confidential | <p>We do (but please note the last paragraph on export users).</p> <p>The proposal has highlighted that currently, under the EDCM, exceeded capacity charges are the same as standard capacity charges.</p> <p>Under the CDCM, this will also be the case from 1 April 2025, as a result of Ofgem’s Access SCR reforms where connection charges were reduced,</p> | |

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| | | <p>which fed into the excess capacity charging calculations. (There is currently still a differential between the two tariffs, however, this will end.) The Working Group analysis also highlighted that prior to charging year 2018/19, both charges were the same.</p> <p>We understand that the proposer is seeking to (re-)introduce, from 1 April 2026, a differential between the standard capacity charge and the exceeded capacity charge, under both the CDCM and the EDCM. This is to (re-)create a price signal to network users to not exceed their agreed capacity, by charging exceeded capacity charges based on the highest maximum demand in the preceding 12 months, from the month of exceedance for the next 12 months (currently it is chargeable just for the month of exceedance). (In other words, the exceeded capacity charge itself is to remain unchanged.)</p> <p>We note, from the consultation document, that “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”, and hence, the proposer considers that a price signal is needed in addition.</p> | |
| SSEN | Non-Confidential | Yes. | |
| UKPN | Non-Confidential | Yes. | |

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Working Group Conclusions:

| Company | Confidential/ Anonymous | 2. Are you supportive of the principle of the CP? | Working Group Comments |
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| BUUK | Non-Confidential | Yes. | |
| Centrica | Non-Confidential | Yes we are supportive of the principles of the CP. | |
| NGED | Non-Confidential | Yes. | |
| NPg | Non-Confidential | Yes. | |
| SPEN | Non-Confidential | In principle we are supportive of the need to disincentivise poor behaviours and at the same time balance this against the potential unintended consequence of overly penalising genuine oversight by customers or locking network capacity unnecessarily longer term. | |
| SSE Business | Non-Confidential | Partially. We agree that there must be an incentive for a consumer to keep their usage within their agreed capacity. We also agree that where a consumer has exceeded their capacity for several months the customers | This change isnt seeking to change a customer MIC. And that any |

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| | <p>capacity should be increased to ensure they pay for the correct capacity. However, we do not agree that changes should be made to the customers MIC for the forthcoming 12 months where they have exceeded their capacity for a short period (e.g. 2 weeks, as per the statement within the consultation).</p> <p>Should a customer exceed their capacity once within a 12-month period, then we believe that the customer should pay the current excess capacity charges. However, they should be advised at that point that should they exceed their capacity again, within that 12-month period, then an assessment will be completed and their capacity will be increased, with the relevant charges being applied. This will incentivise the customer to remain within their agreed capacity.</p> <p>Where a customer continues to exceed their capacity over and above their agreed MIC, then we agree that the customer should be re-assessed, and their capacity increased with the correct charges applied.</p> <p>We would like to note that ‘Treating Customers Fairly’ should be taken into consideration in that, customers who continually exceed their capacity should not be treated the same for those that do not. Where a customer has exceeded their capacity once, they should be contacted to advise the process in which will be taken should they continue to exceed it. E.g. a review will be completed, and should they continue to exceed the capacity, changes will be made going forward.</p> | <p>limit/grace period is out of scope for this change.</p> |
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| | | Whilst we do appreciate there is a need to ensure the network has no detrimental impacts, we consider this to be a more consistent and fairer approach. | |
| SSE Generation | Non-Confidential | Yes, we are. We note that individual incidences of customers exceeding their capacity may not always have a material impact on the system, however, collective unplanned exceedance is more likely to have a negative impact on the resilience and costs of the network, and in turn the wider network user community. Hence, capacity exceedance is to be discouraged. | |
| SSEN | Non-Confidential | Yes in principle. | |
| UKPN | Non-Confidential | Yes. | |
| Working Group Conclusions: | | | |

| Company | Confidential/ Anonymous | 3. Do you believe that the proposed solution of charging excess capacity charges each month based on the MD in the previous 12 months is suitable? Please provide rationale. | Working Group Comments |
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| BUUK | Non-Confidential | Yes, it would hopefully encourage best practice and would take out the risk of capacity not being available. | |
| Centrica | Non-Confidential | We agree that there should be a financial incentive on customers to manage their demand in line with their agreed capacity. However we are unable to assess whether charging the excess for a full 12 months is reasonable and costs reflective and we do not have the data to assess what the true cost to the network is when customers exceed their agreed capacity. | It was noted that this data may be commercially sensitive and would be difficult to draw like for like comparisons as each scenario is unique. |
| NGED | Non-Confidential | If a customer goes over their capacity once and is a one off then to charge them 12 times the capacity charge is a bit harsh however, for regular offenders this seems sensible as they should be paying this value anyway and effectively are already paying this. | |
| NPg | Non-Confidential | <p>No. It seems unfair to charge a customer for a full year when they have only exceeded in one month and potentially only in one half hour. This could also disincentivise customers from remaining within their MIC as, for example, if they know they tend to be close to or exceed their MIC once a year they would have no incentive to not exceed in the rest of the year because they would be being charged for it regardless.</p> <p>If there was a change in tenancy then if the excess capacity charges are passed through by the supplier then the new customer would be responsible for paying for the previous customer's behaviour. Additionally erroneous data spikes that are not picked up by monthly checks or not corrected could also be charged for a full year.</p> | COT/COS process may require further review/consideration. How was the cot/COS issue dealt with prior to EDCM/CDCM? |

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| SPEN | Non-Confidential | <p>No. We believe moving to the proposed solution would require substantial changes to existing processes and systems.</p> <p>We would question if the number of network users exceeding their authorised capacity is significant enough to justify the costs involved in implementing such a change.</p> <p>There may be more pragmatic options available that would have the desired effect of deterring poor network behaviours, without the same consequential cost impact.</p> <p>The Alternative approach, that reintroduces the differential between the capacity tariff and excess capacity tariff, may be a more equitable solution for those customers that inadvertently breach their capacity or have a “one-off” breach and avoids automatically locking network capacity unnecessarily.</p> | Seek clarity on ‘automatically locking network capacity unnecessarily.’ |
| SSE Business | Non-Confidential | <p>Should the customer exceed the capacity for more than one month within a preceding 12 months then we agree that the capacity charges should reflect that of the Maximum Demand for the forthcoming 12 months, unless the customer amends their MIC to reflect the new increased demand.</p> | |
| SSE Generation | Non-Confidential | <p>We note that the DCUSA sets out that following a user’s new connection or an increase in a MIC, then no reduction in that MIC will be allowed for a period of one year. The proposed solution would, as we understand it, create parity between adhoc capacity exceedance (to be discouraged) and the formal process for adjusting a user’s MIC (to be encouraged). This could</p> | Further consideration as to whether 12 months is long enough to encourage the correct behaviour. |

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| | | <p>remove the current lack of incentive for at least some users to formally request a MIC increase.</p> <p>Another reason that potentially supports the proposed solution is that, according to the consultation (4.4), “this is how some DNOs charged excess capacity prior to the implementation of the CDCM”, i.e. this solution has a precedent.</p> <p>However, we think that</p> <p>a) the proposed parity between adhoc exceedance and the formal process for adjusting a user’s MIC may not provide a sufficient incentive for some users to ‘do the right thing’. We therefore think that the period for applying the Exceeded Capacity charge should be more than 12 months (e.g. 15 months), to ensure the charge clearly signals to users that increasing their MIC is the lower-cost option in comparison to adhoc exceedance.</p> <p>(It would be useful to see some analysis from those DNOs who have previously used the proposed approach of applying the charge over a 12-month period, to establish whether this was sufficient to lead to the desired outcomes.)</p> <p>and</p> <p>b) other solutions should also be explored more fully than has been the case. A good starting point would be to see some analysis from</p> | |
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| | | DNOs who used other methods for calculating their exceeded capacity charges. | |
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| SSEN | Non-Confidential | <p>We believe this would help discourage customers from using as much excess capacity however there are some potential issues:</p> <ul style="list-style-type: none"> • If the customer had exceeded capacity in month 1 would the DNO need to ensure that excess was available for the following 11 months as the customer would be paying for it, this could cause issues during periods where spare capacity is tighter. • Will it impact customers who are frequently exceeding capacity enough compared to the current process or would it mainly impact customers who occasionally exceed capacity. The customer who exceeds 10 months out of 12 is less impacted by this change than the customer who only exceeds once a year. • Can it really be argued as being cost reflective if the customer is charged a full year for a single month's excess, if there's no additional excess then there's no additional costs that the later months cover. | <p>Point one-this is a charging mechanism and is attempting to charge the customer the cost of going over their MIC.</p> <p>Point two-This to be considered when discussing the length of the excess charges (less or more than 12 months) to ensure that it incentivises the correct customers.</p> <p>Third point-Further consideration required to cost reflectivity.</p> <p>The CP doesn't prohibit working with the capacity charge as well as the excess charge. It's specifically about both.</p> |
| UKPN | Non-Confidential | <p>Yes, since the exceeded capacity charge was set to the same as the capacity charge (as a result of the removal of Customer Contribution from the calculation) we have seen an increase in Customers happy to exceed the agreed MIC and pay the excess for that month. This encourages use of capacity in excess of a site's MIC, which is sub-optimal behaviour as a result of the current processes.</p> | <p>Noted that it was the capacity that was increased to match excess charge.</p> <p>It was highlighted that it may be possible to look back to pre differential behaviour (2018) to see if behaviour changed at that point or</p> |

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| | | We believe that charging the excess capacity charge for 12 months would give the right messages/cost signals to influence customer behaviour. | any other triggers that may have drove changes in bahavoieur. It was noted that the Access-SCR related change which makes the standard capacity charge and the exceeded capacity charge equal is not coming into effect until 2025/26. It therefore seems unlikely that the effect UKPN describes is based on the change. It was noted that the CP does provide some examples of sub optimal customer behaviour in the current year and concerns about charges in the future. |
| Working Group Conclusions: | | | |

| Company | Confidential/ Anonymous | 4. Would an alternative process that reintroduces the differential between the capacity tariff and excess capacity tariff be a more suitable solution e.g. by doubling the excess capacity tariff? Is there a cost reflective way to do this? Please provide details and rationale. | Working Group Comments |
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| BUUK | Non-Confidential | No, we believe the proposed approach is reasonable and fair. | |
| Centrica | Non-Confidential | This could be an alternative however without the data mentioned in the answer to question 3 we are unable to provide a view. Any agreed solution must be reasonable and be able to be justified to consumers. | |
| NGED | Non-Confidential | An alternative approach whereby the charge is doubled is less harsh however, it will have to be a policy decision as it is not cost reflective. | |
| NPg | Non-Confidential | <p>Yes this would be more suitable. Reducing the customer contribution input to zero had the effect of increasing the capacity tariff element, rather than decreasing the excess capacity tariff element, so it would seem more suitable to identify a method to decrease the capacity tariff rather than only seeking to increase the excess capacity tariff. Any change should be cost reflective.</p> <p>The increase in the capacity tariff is due to the change in connection boundary introduced by the Access SCR. This means that the majority of customers do not have a customer contribution at the time of connection and instead the costs must be recovered through UoS charges. So it is correct that the capacity charges have increased, with the unintended consequence that this aligned them with the excess capacity tariff. Any change to the tariffs needs to be cost reflective and cannot just be a simple doubling (or halving) of one tariff element with no real justification.</p> | |
| SSE Business | Non-Confidential | Although the alternative process reintroduces the differential, and this may be a reasonable process to drive the correct customer behaviour, we | |

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| | | believe that any charges should be a deterrent to the customer exceeding their capacity but should not be excessive. However, charges for customers who apply to increase their MIC to match their MD should be lower than the excess charges. | |
| SSE Generation | Non-Confidential | We think that whilst the proposed solution is suitable to a degree because it provides (albeit limited) signals which should discourage capacity exceedance, it is not clear that it is cost-reflective, and nor would simply doubling the current tariff be. We expect that a cost-reflective solution would require a more in-depth change in the charging methodology. Ofgem's DUoS SCR may be the right vehicle for this. | |
| SPEN | Non-Confidential | <p>Yes. We believe applying a straightforward price differential between Capacity and Excess Capacity charges would send an effective price signal to users for all types of breach (inadvertent, one-off, and persistent) but only if the excess charge is set at a sufficient level to be effective.</p> <p>We consider that excess charges, which are set suitably higher than the capacity charge, for the month of occurrence (existing process), would send a strong price signal. These charges should be set possibly at around 3.5 to 4.0 times higher.</p> <p>Setting the Excess Charge sufficiently high enough would mean the use of system charges seen by a customer who breaches their capacity once or inadvertently would therefore be around the same for the year as those seen by a customer who agrees a maximum capacity in advance but</p> | |

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| | | <p>requires the capacity greater than a year. In this way, the costs of using the system are also shared equitably between users.</p> <p>Persistent breaches would potentially incur higher annual charges overall, which should help to encourage the user to agree a new authorised capacity in accordance with the terms and conditions of their Connection Agreement.</p> <p>The proposed Alternative approach would also avoid the cost associated with the need to change existing billing applications since they are already capable of applying an excess capacity charge.</p> | |
| SSEN | Non-Confidential | If this could be done in a way that reflects the costs accurately it could be a better option however we are unsure of how that may be done or what the cost considerations might be e.g. has a DNO purchased flexibility services to balance the local network. | |
| UKPN | Non-Confidential | We believe that this approach would be appropriate but since the setting of Customer Contributions to zero, have reservations as to how this can be utilised in order to set an appropriate and cost reflective charge. A solid basis for the charges would need to be found. | |
| <p>Working Group Conclusions: It was highlighted that the cost reflectivity was something that requires further consideration and wasn't a show stopper. The WG noted that the costs arising from excess capacity could potentially constitute an over recovery if treated as allowed revenue.</p> | | | |

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It was noted that the cost to be recovered could be considered to not be part of the allowed revenue since a DNO is not planning to incur the cost of exceedance.

If it was taken out of DUoS then it could be dealt with in price reviews.

| Company | Confidential/ Anonymous | 5. Are there any other options that have not been mentioned that would discourage customers from exceeding their MIC? Please provide details. | Working Group Comments |
|----------|----------------------------|--|--|
| BUUK | Non-Confidential | None that are foreseeable at this time. | |
| Centrica | Non-Confidential | It is our understanding that the customer agrees their MIC with the DNO and this should be referenced in the connection agreement. Where MIC are being exceeded DNOs should be contacting customers to highlight this and putting in place processes to agree new MICs where required. | It was noted if a DNO contacted every customer who'd exceeded their MIC, this would require alot of resource and could be a long process due to custmer contact element. |
| NGED | Non-Confidential | Not aware of any. | |
| NPg | Non-Confidential | None identified at this time. | |

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| SPEN | Non-Confidential | None. | |
| SSE Business | Non-Confidential | Ultimately any charges passed onto the consumer will rely on the supplier dealing with any customer queries. Therefore, exploring alternative solutions, such as reviewing the National Terms of Connection, would enable a DNO to deal with customers who exceed their capacity in a timelier manner and strengthen the terms placed onto a customer for exceeding such capacity. | |
| SSE Generation | Non-Confidential | <p>The consultation (3.14) states that "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".</p> <p>We think it would be useful to explore ways of strengthening those rights and processes to make them swifter, more visible and more effective.</p> | |
| SSEN | Non-Confidential | <p>A possible but unattractive alternative would be to reduce the MIC on a sliding scale based on the percentage of excess capacity used. Such a solution would carry contractual issues which make it less feasible.</p> <p>The variables here are the cost, the volume, and the frequency so they are the only factors that could be targeted in the fix.</p> | Clarity provided to note that by 'reducing their MIC on a sliding scale' was specifically the volume ie physically restricting their demand to the supply capacity. It was noted that whilst this was a possible solution, it was mentioned by the responder that this wouldn't be an ideal solution. |

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| UKPN | Non-Confidential | None that we can think of at this time. | |
| Working Group Conclusions: | | | |

| Company | Confidential/Anonymous | 6. Should a change in MIC, either an increase or a decrease (as in example 7 and 8 above), reset the excess capacity charges? Please provide rationale. | Working Group Comments |
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| BUUK | Non-Confidential | No. This could result in many changes to the MIC in one year, which could result in an increase in invoice queries, investigation of these have the risk of being costly and resource intensive. | |
| Centrica | Non-Confidential | Yes we believe this is a more cost reflective solution. As capacity is at a premium on the network customers who are below their MIC should be able to reduce their MIC and financially benefit. | |
| NGED | Non-Confidential | In the consequence of 12 months then it would seem sensible to reset but do not need to reset for doubling. | |
| NPg | Non-Confidential | No. If the principle of the proposed solution is that the cost has been incurred for a full year then if the capacity has been exceeded then changing the MIC does not negate this. A change in tenancy would not reset the excess capacity so a decrease in MIC should not either. | |

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| | | <p>One complication with this would be what the chargeable capacity should be if the MIC is decreased. If we say that the original MIC was M1, say 100kVA, and the max demand was MD, say 110kVA, then the amount exceeded is $E = MD - M1 = 10\text{kVA}$ and the customer could be charged this 10kVA for 12 months. If the site reduced capacity in that 12 months to $M2 = 90\text{kVA}$ then would the chargeable capacity remain at 110kVA, meaning that they are effectively paying for 20kVA excess capacity? Or would the excess remain at 10kVA, meaning that the chargeable capacity becomes 100kVA?</p> <p>For the increase in MIC, if this was set to equal or above the MD then this would automatically supersede the MD as the chargeable capacity anyway.</p> <p>If it was set to less than the MD then the same issue as identified for a decrease in MIC still applies.</p> | |
| SPEN | Non-Confidential | Excess Charges should be applied when the authorised capacity is exceeded on a month-by-month MIC level forward basis. | |
| SSE Business | Non-Confidential | <p>Should a customer change their MIC, then we believe that any excess capacity charges should be reset providing that the increase reflects the MIC. If, following an agreed increase in their MIC, the customer is still exceeding their agreed capacity, excess charges should still be applied.</p> <p>If the customer requests to reduce their MIC, although they have exceeded the capacity in the preceding months, the DNO should be able to reject the reduction until the customers demand matches that of their request.</p> | |

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| SSE Generation | Non-Confidential | <p>We think that where a user's MIC has been increased (by that user) to the level of their maximum demand in the last 12 months, their exceeded capacity charge should be ceased from that point onwards, given that the price signal has had the desired effect (as per Example 8 of Attachment 3).</p> <p>However, where a user's MIC has been reduced (by that user) following an exceedance, we consider that the user should remain liable for their exceeded capacity charge for the full 12 months, based on their previous, higher MIC (i.e. not as per Example 7). This is to preserve the price signal effect on that user of the exceeded capacity charge.</p> | |
| SSEN | Non-Confidential | <p>Yes if the MIC is changed it should reset the excess capacity charges. Part of the problem is the lack of distance between the regular and excess charges meaning people don't update their MICs, if this doesn't happen it would be another reason for customers to not update their MICs as there would be less benefit from it. It would also be more reflective of any changes in the site use.</p> | |
| UKPN | Non-Confidential | <p>Yes we believe that where there is a change of the MIC (increase or decrease) then the exceeded capacity charge calculation should be reset, as by not doing so would result in the customer facing charges which are no longer appropriate. For increases, the customer has taken the appropriate behaviour, for decreases the excess would be overly high.</p> | |
| Working Group Conclusions: | | | |

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| Company | Confidential/ Anonymous | 7. Should this change include both import and export excess capacity charging? | Working Group Comments |
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| BUUK | Non-Confidential | No, I believe this is only relevant for import excess capacity. (Check with JN?) | |
| Centrica | Non-Confidential | Yes we do not see why these should be treated differently. | |
| NGED | Non-Confidential | There is no capacity charge for CDCM generation but if this was to be applied to EDCM then yes. | |
| NPg | Non-Confidential | The change should only address import capacity charging as there are no existing export capacity charges for CDCM customers. The EDCM has export capacity charging, however it is fundamentally different and should not be included with this change. | |
| SPEN | Non-Confidential | No. Import CDCM customer do not currently incur capacity charges and we see no reason to apply a change. | |
| SSE Business | Non-Confidential | We do not have any views on whether this proposal should include Export capacity. | |
| SSE Generation | Non-Confidential | As we understand it, the CDCM (Schedule 16) only applies in the context of demand users and import exceeded capacity charges, and this is reflected in the proposed Schedule 16 draft legal text. | |

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| | | <p>For the avoidance of doubt, we consider the introduction of export capacity charges and export exceeded capacity charges at LV/HV out of scope of this change proposal.</p> <p>With regard to the EDCM (Schedules 17 and 18), we note that export capacity and exceeded capacity do apply at EHV level, albeit they don't currently have a differential (which is the issue this proposal is seeking to address).</p> | |
| SSEN | Non-Confidential | Unsure if this is an issue that really impacts export, if it does then they should be included. | |
| UKPN | Non-Confidential | We believe that this change should only consider the MIC rather than the MEC. | |
| Working Group Conclusions: | | | |

| Company | Confidential/ Anonymous | 8. Should this change include EDCM excess capacity charging? Please provide your rationale. | Working Group Comments |
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| BUUK | Non-Confidential | Yes – we can identify no rationale for not including it. | |

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| Centrica | Non-Confidential | Yes approach should be the same to support intent of the CP and be cost reflective. | |
| NGED | Non-Confidential | Yes. | |
| NPg | Non-Confidential | No. The calculation of capacity charges in the EDCM is fundamentally different to in the CDCM. The EDCM has never had a differential between the capacity and excess capacity tariffs and we do not believe this change should consider introducing one. | |
| SPEN | Non-Confidential | Yes. | |
| SSE Business | Non-Confidential | We believe it would be beneficial for both CDCM and EDCM to align their excess capacity charging however we do not have any strong views on this. | |
| SSE Generation | Non-Confidential | See our reply to q.7. | |
| SSEN | Non-Confidential | EDCM utilises a different method for calculating excess capacity and so could need a different type of fix, if EDCM has a similar issue with customer behaviour regarding excess it may make more sense as a separate CP | |
| UKPN | Non-Confidential | Yes we believe that the same approach should be applied to all Import Customers, as doing so only to those covered by the CDCM would not be fair or appropriate. | |

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Working Group Conclusions:

| Company | Confidential/ Anonymous | 9. What system changes would be required for the proposed solutions, or for any alternative solutions you have suggested? Please provide details. | Working Group Comments |
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| BUUK | Non-Confidential | The calculation of the MIC for invoicing purposes would require a system change. This would hopefully be a change to the software that would be relatively easy to implement. | |
| Centrica | Non-Confidential | N/A. | |
| NGED | Non-Confidential | St Clements have said that there is a lot of system changes required for the 12 month option in a time when they are very resource constrained. The cost they have quoted is 50 to 100k across all the DNOs. They have also said that this could cause run time issues to the billing. The simple doubling option requires no additional cost or resource. | |
| NPg | Non-Confidential | Reintroduction of a differential between the capacity charge and excess capacity charge would not require any system changes. Charging excess capacity based on the MD in the preceding 12 months would require changes to billing systems to alter the calculation of the | |

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| | | excess capacity charges. If the CDCM and EDCM were treated differently for this then there would need to be a flag to say which tariffs should be charged based on a single month and which should be charged on the MD in the preceding 12 months. | |
| SPEN | Non-Confidential | <p>For the proposed solution it would require a change to our industry processes and systems. Our UoS billing application would need to undergo substantial change.</p> <p>No or limited change would be required to introduce the Alternative proposal/solution.</p> | |
| SSE Business | Non-Confidential | We do not believe any systems changes would be required as any charges passed from the DNO, are billed directly to the customer. | |
| SSE Generation | Non-Confidential | We have no comment. | |
| SSEN | Non-Confidential | None that aren't mentioned in the change proposal. | |
| UKPN | Non-Confidential | <p>We would need to make changes to our Billing System for the 12 month solution, although the cost of these would be shared with the other DNOs. There will be complexities around historic rebilling (the knock on impact of revised meter data causing a reassessment of an MD in the past).</p> <p>It may also be sensible to amend the REP-900 to add the MD in the prior 11 months and its date/time alongside the MD in the month.</p> | |

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Working Group Conclusions:

| Company | Confidential/ Anonymous | 10. Does this change suitably incentivise customers not to exceed their MIC? Please rationale. | Working Group Comments |
|----------|----------------------------|---|------------------------|
| BUUK | Non-Confidential | This change should incentivise customers to apply the correct MIC in the first instance. | |
| Centrica | Non-Confidential | Yes we believe this change will incentivise customers not to exceed their MIC. | |
| NGED | Non-Confidential | Don't know for infrequent ones as we don't know why they are going over but the 12 month ones are unlikely as there will be no difference to their existing bills. | |
| NPg | Non-Confidential | <p>To understand this it would be helpful to understand how much of an impact it had on customers exceeding their MIC when the differential between the capacity and excess capacity charges was introduced. A suggestion for a data request is given in the answer to Q21.</p> <p>DNOs invoice these charges to the Supplier rather than the end user and have no view of the contracts between the Supplier and end customer, and therefore no view of whether a differential incentivises customer behaviour or not.</p> | |

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| SPEN | Non-Confidential | <p>It’s difficult to know/quantify that without a clear incentive and given the complexity of administrating the Proposed solution, how successful it would be in changing user behaviour.</p> <p>The Alternative proposal, however, sends a stronger price/cost signal not to exceed and if they do so inadvertently or unavoidably (one-off) they pick up an equitable share of the cost, for that charging year, without unnecessarily locking up capacity and risking network congestion longer term.</p> | |
| SSE Business | Non-Confidential | Yes, should a customer be advised of the potential for increased charges. If they continue to exceed their capacity, in our view, this will either encourage the customer to increase their MIC to ensure they do not pay excess charges, or will encourage them to remain within their current capacity. | |
| SSE Generation | Non-Confidential | Yes, see our response to q.3. – we are not sure that cost parity between exceeded capacity and agreed increased capacity is sufficient to incentivise all or most users. Any analysis that is able to be sourced from DNOs who have used this approach in the past could be helpful. | |
| SSEN | Non-Confidential | Believe this change would be more impactful on customers who very rarely (e.g. once a year) exceed capacity than those who repeatedly do and act ‘irrationally’ which would be targeting the wrong customers. If a customer repeatedly exceeds capacity currently and doesn’t believe it is worth updating the MIC still then I don’t believe this change would affect them much either. | |

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| UKPN | Non-Confidential | Yes we believe that it does, we utilised this approach for a number of years prior to the CDCM being implemented and although you could argue that the world was different then we did not experience a significant volume of customers exceeding their agreed MIC. | |
| Working Group Conclusions: | | | |

| Company | Confidential/Anonymous | 11. Are you aware of any unintended consequences of A. Billing Excess Capacity based on the highest MD over 12 months B. Creating a differential rate for excess capacity. C. Any alternative solution you have suggested Please provide details. | Working Group Comments |
|----------|------------------------|---|------------------------|
| BUUK | Non-Confidential | N/A | |
| Centrica | Non-Confidential | Either solution could drive increased consumer queries to suppliers which will need explaining to the consumer. | |
| NGED | Non-Confidential | No. | |
| NPg | Non-Confidential | A – Yes, if a site: | |

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| | | <p>i. changed hands then the new customer would be paying for the previous customer exceeding their MIC.</p> <p>ii. had an erroneous spike in data that wasn't caught and withdrawn by DNO pre-billing checks, and if the spike was not corrected in a timely manner by the Supplier's data collector then this could lead to excessive capacity charging for up to 12 months.</p> <p>B – No. This was the status quo from 2017/18 to 2024/25 and there were no unintended consequences identified during that time.</p> | |
| SPEN | Non-Confidential | <p>A – Customers could view this a new authorised assigned capacity in perpetuity.</p> <p>B – None</p> <p>C – N/A</p> | |
| SSE Business | Non-Confidential | Although we appreciate that customers need to ensure they remain within their MIC and should be deterred from exceeding that to reduce strain on the network, any changes need to consider the supplier impact, such as increased consumer complaints. | |
| SSE Generation | Non-Confidential | For point A, please see our responses to q.3 and 7.: we are not sure that cost parity between exceeded capacity and agreed increased capacity is sufficient to incentivise all or most users, i.e. the practice of exceeding capacity may persist, unless the proposed charging period is increased to | |

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| | | create a cost differential for users between exceedance and increasing their MIC . Any analysis that can be sourced from DNOs who have used the approach in the past could be helpful. | |
| SSEN | Non-Confidential | Those mentioned in response to question 3. | |
| UKPN | Non-Confidential | The only issue we have identified for this solution ('A' above) is where a new Customer takes over a site as they would remain eligible for the costs caused by the previous Customer exceeding the capacity for the period of time which remains of the 12 months since the MIC was exceeded. We do not believe there is a robust way of effectively resetting the excess where a New Customer takes on responsibility for a site (due to the lack of accurate information received advising us that this has happened, potentially causing too many resets). | |
| Working Group Conclusions: | | | |

| Company | Confidential/ Anonymous | 12. 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? | Working Group Comments |
|---------|----------------------------|--|------------------------|
| BUUK | Non-Confidential | We would also highlight that there is a not-insignificant risk associated with exceeding MIC, potentially repeatedly, where the network does not have | |

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| | | the capacity to tolerate this, or where the network conditions could mean impact to other customers (e.g. through protection operating causing an outage to other customers). Under this situation, it ceases to be simply a matter of billing the customer for usage, and more of an exploration of recuperation of costs required for damages incurred or reinforcements needed as a result of the customer's actions. We are aware that there are existing powers available under the ESQCR for similar situations however we would strongly advise that any solution compliments these for ease of implementation. | |
| Centrica | Non-Confidential | N/A. | |
| NGED | Non-Confidential | DNO's plan for the MIC however, do use diversity and actual loadings in the planning of the network. Although if a customer goes over their capacity there could be safety issues. | |
| NPg | Non-Confidential | Not at this time. | |
| SPEN | Non-Confidential | Long-term the customer could cause damage to their own, the DNO's and potentially other customers' equipment. | |
| SSE Business | Non-Confidential | We do not believe enough analysis has been completed against the issues which this change is trying to rectify. It would be beneficial for DNOs to provide analysis on the impacts that customers exceeding their MIC have caused. | |

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| SSE Generation | Non-Confidential | We would have liked the consultation to include some analysis from the DNOs on the impacts of past and current incidences of MIC exceedance, such as how many there have been and what maximum and average exceedances DNOs have seen. We hope that this can still be provided. | |
| SSEN | Non-Confidential | If customers are consistently exceeding MIC and not updating then it would make it hard to forecast actual capacity usage for customers. Additional reinforcement would likely be needed as the excess increased. The longer the issue isn't resolved the more natural and ingrained the behaviour could become making it harder to fix later. The DSO may have to procure and pay for flexibility services on the local network. | |
| UKPN | Non-Confidential | <p>We are of the view that if the current number of customers exceeding their MIC continues to increase (especially on specific part of a network) then it is likely to cause issues on the network for a wider number of customers. The networks are only capable of a finite capacity.</p> <p>Where customers exceed their capacity, this can drive the need for reinforcement, the costs of which are borne by all customers.</p> | |
| Working Group Conclusions: | | | |

| Company | Confidential/ Anonymous | 13. Do you consider that the proposal better facilitates the DCUSA General Objectives? Please give supporting reasons. | Working Group Comments |
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| BUUK | Non-Confidential | Yes – 3. The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences | |
| Centrica | Non-Confidential | We agree with working groups view that charging group 1 and 2 are better facilitated by this change. Consumers will have a financial incentive not to exceed their agreed capacity which will assist network planning and resilience. | |
| NGED | Non-Confidential | NGED believe that this charging proposal has a negative effect on Charging Objective 3 as it is not cost reflective. | |
| NPg | Non-Confidential | We are unable to make an assessment at this as there are multiple solutions proposed and there are still questions on the scope of the solution. | |
| SPEN | Non-Confidential | Both proposals facilitate the General Objectives, but we believe the Alternative Proposal facilitates an equitable share of costs, sends a strong cost signal to deter poor behaviour and doesn't lock capacity making it available to other or new users without the potential need to meet network reinforcement costs. | |
| SSE Business | Non-Confidential | As the consultation has alluded to, DNOs have applied different methods for charging excess capacity. Therefore, should this change be agreed, we believe Charging Objective 2 would be better facilitated as this would provide a consistent approach. | |
| SSE Generation | Non-Confidential | We note that it is the Charging Objectives rather than the General Objectives which should be reviewed for this proposal. | |

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| | | Objective 2 – facilitation of competition We consider that the proposal may have a positive impact in that it creates a more level playing field between demand users who increase their capacity, and those who don't. This can matter in the context of fair competition for demand side response contracts. | |
| SSEN | Non-Confidential | Yes this would better facilitate objective 1 as preventing 'irrational' behaviour would increase the efficiency of the process. | |
| UKPN | Non-Confidential | We believe that DCUSA Charging Objectives 1 is better facilitated by this change as Condition 7A of the Distribution Licence is concerned with the efficient and economic operation of the total system, and DCUSA Charging Objective 2 is also 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. | |
| Working Group Conclusions: | | | |

| Company | Confidential/ Anonymous | 14. Are you aware of any wider industry developments that may impact upon or be impacted by this CP? | Working Group Comments |
|---------|----------------------------|--|------------------------|
| BUUK | Non-Confidential | Potentially MHHS however subject to further review. | |

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| Centrica | Non-Confidential | The working group should assess whether there are any impacts on the MHHS programme. | |
| NGED | Non-Confidential | The DUoS SCR could impact upon the CP. | |
| NPg | Non-Confidential | None other than the DUoS SCR. | |
| SPEN | Non-Confidential | No. | |
| SSE Business | Non-Confidential | Not at this time | |
| SSE Generation | Non-Confidential | Whilst we think that the issue identified in this proposal should be addressed now, we consider that other, potentially more cost-reflective solutions for exceeded capacity charges should be explored via Ofgem's DUoS SCR (timelines tbc). | |
| SSEN | Non-Confidential | No. | |
| UKPN | Non-Confidential | No. | |
| Working Group Conclusions: | | | |

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| Company | Confidential/ Anonymous | 15. Are you supportive of the proposal's implementation date? | Working Group Comments |
|----------|----------------------------|--|------------------------|
| BUUK | Non- Confidential | Yes. | |
| Centrica | Non- Confidential | Yes we support proposed implementation date of April 2026. | |
| NGED | Non- Confidential | NGED believe that 1st April 2026 seems not possible for the doubling but possible for the 12 month if you had a derogation to change the statement wording. | |
| NPg | Non- Confidential | <p>The proposed implementation date of 1 April 2026 would not be achievable without a derogation to charges since 2026/27 tariffs will be published in December 2024.</p> <p>The system changes that would be required for the 12 month MD solution may not be possible by April 2026 because of the implementation of MHHS which requires large changes to the billing systems meaning there may not be scope to update the billing system with other changes at the same time.</p> | |

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| SPEN | Non-Confidential | If the Alternative solution is adopted and “new” Excess Charge introduced the date will be driven by the date Distribution Prices have to be published i.e. 15 months prior to effective date. | |
| SSE Business | Non-Confidential | Yes. | |
| SSE Generation | Non-Confidential | Yes, we have no objection to the proposed implementation date of 1 April 2026. | |
| SSEN | Non-Confidential | Yes. | |
| UKPN | Non-Confidential | Yes. | |
| Working Group Conclusions: | | | |

| Company | Confidential/Anonymous | 16. Does the legal text suitably and clearly delivery the proposed solution? If not, please provide rationale. | Working Group Comments |
|---------|------------------------|--|------------------------|
| BUUK | Non-Confidential | Yes. | |

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| Centrica | Non-Confidential | Yes. | |
| NGED | Non-Confidential | Yes. | |
| NPg | Non-Confidential | <p>No. The solution is not sufficiently developed to judge this.</p> <p>The legal text for billing the highest MD over 12 months does not deal with the proposition under examples 7 and 8 to negate the excess capacity if the MIC is changed.</p> <p>No legal text has been proposed for the reintroduction of the differential tariffs.</p> | |
| SPEN | Non-Confidential | In terms of the Proposed solution the legal text appears to enable the change. | |
| SSE Business | Non-Confidential | Yes. | |
| SSE Generation | Non-Confidential | <p>Not entirely, in our view.</p> <p>We note, given our more detailed level of understanding, that the proposed legal text appears to reflect the solution accurately (which is that the exceeded capacity charge is to be applied for 12 months for each exceedance, rather than for one month) but at the same time, we believe</p> | |

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| | | <p>that to the average reader, this significant network charging change may not be very clear at all.</p> <p>We would welcome some additional wording to make the proposed mechanism much more transparent to the average reader, by adding wording along the lines of: "For any individual exceedance, the exceeded capacity charge is due to be paid for 12 months".</p> | |
| SSEN | Non-Confidential | Yes. | |
| UKPN | Non-Confidential | Yes. | |
| Working Group Conclusions: | | | |

| Company | Confidential/Anonymous | 17. Do you have any comments on the draft legal text? | Working Group Comments |
|----------|------------------------|---|------------------------|
| BUUK | Non-Confidential | No. | |
| Centrica | Non-Confidential | No. | |

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| NGED | Non-Confidential | No. | |
| NPg | Non-Confidential | See response to Q16. | |
| SPEN | Non-Confidential | A further review would be required for the Alternative solution. | |
| SSE Business | Non-Confidential | No. | |
| SSE Generation | Non-Confidential | Yes - see our response to question 16. | |
| SSEN | Non-Confidential | No. | |
| UKPN | Non-Confidential | No, it describes the 12 month scenario well. | |
| Working Group Conclusions: | | | |

| Company | Confidential/ Anonymous | 18. Should the legal text explain the impact of this change? | Working Group Comments |
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| BUUK | Non-Confidential | Yes – I think to outline the rationale behind this change would be beneficial. | |
| Centrica | Non-Confidential | The additional proposed text is helpful for Suppliers but communication to consumers from DNOs should be reviewed and separate guidance produced if necessary. | |
| NGED | Non-Confidential | No unless required. | |
| NPg | Non-Confidential | This could be included in the LC14 as additional guidance, if it is not included in the legal text. | |
| SPEN | Non-Confidential | Yes, this is a complex area, and it would need to be clearly explained in simple terms for customers to aid their understanding of the potential impact on their costs. | |
| SSE Business | Non-Confidential | Yes. | |
| SSE Generation | Non-Confidential | Yes, it should, in this instance as, in our view, the current legal drafting is not sufficiently clear on the effect of what is a significant network charging change. See our response to question 16. | |
| SSEN | Non-Confidential | Yes. | |

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| UKPN | Non-Confidential | <p>No, this is not an approach taken in DCUSA with other elements of the charges.</p> <p>The impact is often given in more simplified language in the charging statement.</p> | |
| Working Group Conclusions: | | | |

| Company | Confidential/Anonymous | 19. Do you have any comments on the proposed wording regarding the impact? | Working Group Comments |
|----------|------------------------|--|------------------------|
| BUUK | Non-Confidential | No. | |
| Centrica | Non-Confidential | No – only that consumers will not see this. How does this get communicated to end consumers? | |
| NGED | Non-Confidential | No. | |
| NPg | Non-Confidential | No. | |

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|----------------------------|------------------|--|--|
| SPEN | Non-Confidential | None. | |
| SSE Business | Non-Confidential | No, we agree with the proposed wording. | |
| SSE Generation | Non-Confidential | Yes, see our response to questions 16. to 18. | |
| SSEN | Non-Confidential | No. | |
| UKPN | Non-Confidential | It is not required. The proposed text could be misleading as an individual exceedance may never be charged at all. | |
| Working Group Conclusions: | | | |

| Company | Confidential/Anonymous | 20. How should the legal text deal with changes in MIC? | Working Group Comments |
|---------|------------------------|---|------------------------|
| BUUK | Non-Confidential | We would reiterate our response to question 12, pertaining to acknowledging technical risks associated with exceeding MIC and that any drafting must not add additional burdens to existing processes in this area. | |

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| Centrica | Non-Confidential | This should be clear to both Suppliers and Customers however the DCUSA legal text is not best placed for this. This should be clearly set out in the charging statements in our view. | |
| NGED | Non-Confidential | Ensure any consequences from changes in MIC are well-defined and outlined. | |
| NPg | Non-Confidential | This would need a section for exceptional circumstances with full explanation of when a reset in the chargeable capacity is applicable. | |
| SPEN | Non-Confidential | Provision of illustrative worked examples showing the impact of the change. | |
| SSE Business | Non-Confidential | Please see our response to Q6 | |
| SSE Generation | Non-Confidential | <p>See our response to question 6.:</p> <p>We think that where a user’s MIC has been increased (by a user) to the level of their maximum demand in the last 12 months, their exceeded capacity charge should be ceased from that point onwards, given that the price signal has had the desired effect (as per Example 8 of Attachment 3).</p> <p>However, where a user’s MIC has been reduced (by a user) following an exceedance, we consider that the user should remain liable for their exceeded capacity charge for the full 12 months, based on their previous, higher MIC (i.e. not as per Example 7). This is to preserve the price signal effect of the exceeded capacity charge.</p> | |

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| | | <p><u>Legal text suggestions</u></p> <p>In terms of the legal text, for the first scenario (MIC increase), one could add: "Where an increased MIC has been agreed, at or above the level of the exceedance, the exceeded capacity charge in relation to that exceedance will cease. Where the increased MIC is below the level of exceedance, the exceeded capacity charge will continue to apply for the full 12 months, applying the same, unchanged, exceeded capacity charge."</p> <p>For the second scenario (MIC decrease), one could add: "Where a reduced MIC has been agreed, the exceeded capacity charge will continue to apply for the full 12 months, applying the same, unchanged, exceeded capacity charge."</p> | |
| SSEN | Non-Confidential | When the MIC is recalculated (increase or decrease) any individual exceedances from the prior 11 months are no longer due. | |
| UKPN | Non-Confidential | <p>It would require some words along the lines of either adding</p> <p>'Where a new MIC is agreed (either an increase or decrease) then from the effective date of the new MIC no further excess capacity charges will be levied, until such time as the new MIC is exceeded when any excess charges would apply from that date onwards'.</p> <p>or amending the consultation text –</p> | |

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| | | "Chargeable capacity = max (actual capacity utilised in that month or <u>in any of the preceding 11 months during which the MIC value was the same</u>), as set out below" | |
| Working Group Conclusions: | | | |

| Company | Confidential/ Anonymous | 21. Do you have any additional comments for this consultation? | Working Group Comments |
|----------|----------------------------|--|------------------------|
| BUUK | Non-Confidential | No comment. | |
| Centrica | Non-Confidential | No. | |
| NGED | Non-Confidential | No. | |
| NPg | Non-Confidential | It would be helpful to see some kind of quantification of the size of the issue. Both in terms of the number of sites exceeding their capacity and the number of sites exceeding on a long term basis so that the necessity to change to either charging based on the 12 month MD or reintroducing a differential between the capacity and excess capacity tariffs can be understood. It could also be helpful to see if the introduction of the | |

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| | | <p>differential between the capacity and excess capacity caused a reduction in the number of sites exceeding their MIC, either on a short or long term basis.</p> <p>There was an RFI for DCP 161 which introduced the differential between the capacity and excess capacity tariffs. It could be of use to compare any current data with the data from this RFI, if it is available, to identify any changes in behaviour which came about as a result of DCP 161. Issuing the same RFI again could mean that the data is directly comparable.</p> | |
| SPEN | Non-Confidential | None. | |
| SSE Business | Non-Confidential | Not at this time. | |
| SSE Generation | Non-Confidential | We have no additional comments at this point. | |
| SSEN | Non-Confidential | No. | |
| UKPN | Non-Confidential | No. | |
| Working Group Conclusions: | | | |

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