




DCUSA Change Proposal (DCP)		At what stage is this document in the process?
<h1>DCP 461C</h1> <h2>Reducing the impact of Transmission Distribution Charges – DNO parties apply a consistent locational signal</h2> <p>Date Raised: 20/01/2026</p> <p>Proposer Name: Lee Wells</p> <p>Company Name: Northern Powergrid</p> <p>Party Category: DNO</p>	01 – Change Proposal	
	02 – Consultation	
	03 – Change Report	
	04 – Change Declaration	
<h3>Purpose of Change Proposal</h3> <p>To standardise the current charging approach across all DNOs so that all relevant transmission costs are recovered via connection charges, promoting a consistent application for all DNO customers while preserving locational cost signals and protecting DUoS customers from uncontrollable costs.</p>		
	<h3>Governance</h3> <p>The Proposer recommends that this Change Proposal should be:</p> <ul style="list-style-type: none"> treated as a Part 1 Matter; treated as a Standard Change; and progressed to the Working Group phase (to continue development within the existing DCP 461 Working Group). <p>The Panel will consider the proposer's recommendation and determine the appropriate route.</p>	
	<h3>Impacted Parties</h3> <p>[Suppliers/DNOs/IDNOs/CVA Registrants/Gas Suppliers/OTSO Party]</p>	
	<h3>Impacted Clauses</h3> <p>Schedule 22</p>	

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Indicative Timeline		 DCUSA@electralink.co.uk  020 7432 3011 Proposer Lee Wells  email address Lee.wells@northernpowergrid.com
The Secretariat recommends the following timetable:		
Initial Assessment Report		18 February 2026
Consultation Issued to Industry Participants		February 2026
Change Report Approved by Panel		15 April 2026
Change Report issued for Voting		16 April 2026
Party Voting Closes		11 May 2026
Change Declaration Issued		13 May 2026

1 Summary

What?

- 1.1 Section 14 (Charging Methodologies) of the Connection and Use of System Code (CUSC) sets out how transmission system costs are recovered. In simple terms cost-recovery varies depending on whether the assets are 'connection assets' or 'infrastructure assets':
 - 1.1.1 Connection assets are recovered via connection charges to a single user in accordance with the CUSC. A DNO is seen as a single user even if there are multiple embedded customers connected to that DNO's connection to the transmission network) and relate to assets solely required to connect that user to the transmission system; and
 - 1.1.2 Infrastructure assets are recovered via Transmission Network Use of System (TNUoS) charges and relate to assets shared by multiple transmission connected users.
- 1.2 The treatment of how DNOs charge connection assets to connecting customers needs to be consistent across DNOs.

Why?

- 1.3 DNOs are recovering the costs of transmission system connection assets inconsistently. Therefore, a consistent and transparent approach across all DNOs is needed to ensure that customers face a fair, predictable, and non-discriminatory charging framework; whilst ensuring that a DNO can recover costs levied by the National Energy System Operator (NESO) that are not within that DNOs control.
- 1.4 Whether a customer is required to pay for these assets currently depends on each DNO's interpretation of Schedule 22 (Common Connection Charging Methodology) of the Distribution Connection and Use of System Agreement (DCUSA). Further, an interpretation that the customer should not pay (in particular) the relevant capital costs, may result in a DNO being funded through its price control settlement for costs which that DNO may otherwise not be able to recover in full (due to certain licence obligations, see section 3 for more detail).
- 1.5 While the majority of DNOs recover these connection asset costs through their own connection charges, some have interpreted the rules differently and have chosen to socialise them through Distribution Use of System (DUoS) charges (and some may have secured the necessary funding arrangements to support this approach).
- 1.6 This may result in materially different customer outcomes depending on the region in which the connection is made. The proposed change seeks to remove this inconsistency and ensure a uniform and non-discriminatory approach is applied consistently across all DNOs, and in accordance with our interpretation of a DNO's obligations as they currently apply.
- 1.7 This approach will:
 - 1.7.1 Preserve the locational cost signal (when a DNO connection triggers reinforcement on the transmission system).

- 1.7.2 Retain protection for the connectee from a ‘last person standing risk’ (where a single customer may be liable for the full costs of the transmission system work) through the application of the Electricity Connection Charges Regulation (“ECCR”) ‘second comer’ rules, thus providing future safeguards against the financial burden.
- 1.7.3 Protect the generality of customers, including the most vulnerable.
 - 1.7.3.1 *Because barriers to the UK’s energy transition are wider than making it cheaper for a developer to connect more renewable generation.*
 - 1.7.3.2 *Increased energy costs risk disincentivising electrification in the home (e.g. connecting low carbon technologies such as charging electric vehicles).*
 - 1.7.3.3 *Moving the costs to DUoS charges will increase the overall cost paid by customers courtesy of additional financing costs.*
 - 1.7.3.4 *The cost of living crisis already means that some customers cannot afford to pay.*
 - 1.7.3.5 *But pushing more costs onto future generations is likely to create a bigger problem down the line.*
- 1.7.4 Preserve a DNO’s funding neutrality.
 - 1.7.4.1 *Because the DCUSA does not govern what can be recovered by DUoS charges.*
 - 1.7.4.2 *A DNOs licence does – and the ED2 licence (and previous versions) would mean that a DNO may not be able to recover the costs through DUoS charges.*
- 1.7.5 Reasonably require that any defect associated with the different treatment of the costs in accordance with the CUSC charging methodology (i.e. connection assets v infrastructure assets) need be addressed at its root cause.¹
 - 1.7.5.1 *It has been claimed that 50-60% of grid supply points (GSPs) would mean costs are recovered via TNUoS charges (i.e. treated as infrastructure assets).*
 - 1.7.5.2 *However, contrary to this, this appears to be true for <15% of GSPs in our licence areas.*

How?

- 1.8 DCUSA Schedule 22 requires that, where a customer’s connection is conditional on transmission system work being completed, a DNO will reflect these costs in its connection charge.
- 1.9 The DCUSA should be amended to clarify that these costs are Connection Charges for Transmission Connection Assets excluding the Non-Capital Components (each term as defined in the CUSC).
 - 1.9.1 A DNO would recover the following from the customer via its connection charge:

¹ CUSC Modification Proposal (CMP) 460 ‘Improving Transmission Connection Asset Charging’ is progressing in parallel.

1.9.1.1 *Capital Components triggered by the customer; and*

1.9.1.2 *Other Charges triggered by the Customer.*

1.9.2 A DNO would recover the following from the generality of customers via DUoS charges:

1.9.2.1 *Capital Components not triggered by the customer; and*

1.9.2.2 *all Non-Capital Components.*

1.10 Whilst out of scope of this Change Proposal (CP), the electricity distribution licence should be also amended to ensure that no amounts in paragraph 1.9.1 should be recovered via its DUoS charges. This can be managed through the standard price control process for ED3.

2 Governance

Justification for Part 1 or Part 2 Matter

2.1 This CP is likely to impact competition in distribution and transmission of electricity and will impact on:

2.1.1 the charges end users face when requesting a new connection, for example those seeking to connect low-carbon generation or large-scale demand; and

2.1.2 the DUoS charges that the generality of consumers pay.

Requested Next Steps

2.2 This CP should:

- be treated as a Part 1 Matter;
- be treated as a Standard Change; and
- proceed to the Working Group phase (to continue development within the existing DCP 461 Working Group).

2.3 This CP identifies one of the issues identified in DCP 461 and provides solutions for it. It is associated with two other related CPs, which are mutually exclusive but are being consulted concurrently to aid stakeholders.

3 Why Change?

3.1 DNOs are recovering the costs of transmission system connection assets inconsistently. Therefore, a consistent and transparent approach across all DNO is needed to ensure that customers face a fair, predictable, and non-discriminatory charging framework, whilst ensuring that a DNO can recover costs levied by NESO that are not within that DNOs control.

- 3.2 Schedule 22 of the DCUSA sets out that charges for transmission system costs may be determined by NESO as a consequence of a customer's connection (or the combined impact of that and other connections). Charges such as application fees etc may apply and paragraph 1.72 of Schedule 22 states that these will be passed to the customer via the connection charge, as set out below [emphasis added]:

*1.72 We have an obligation under the CUSC to discuss certain requests for connection or changes in connection with the Independent System Operator and Planner (ISOP). Such requests are typically for large electrical demand or generation projects. Under certain circumstances, as determined by the ISOP, they **may apply charges to assess the potential impact on the GB Transmission System of a request or the combined effect of a number of requests and these will be included in the Connection Charge, or through a separate mechanism agreed between you and us.***

*1.73 Subsequent to such assessment, the ISOP may also require works to be undertaken on the GB Transmission System as **a condition of the connection being permitted.** In the event of ISOP applying charges for these works, **we will reflect these charges in our charges to you.**"*

- 3.3 Schedule 22 does not specify if the charges are the Capital Components, Non-Capital Components, or Other Charges of Connection Charges for Transmission Connection Assets (each as defined in the CUSC), but it is reasonable to interpret the obligation as relating to all costs other than the Non-Capital Components, because:

3.3.1 Capital Components and Other Charges can be/are charged upfront;

3.3.2 Non-Capital Components are always charged over the life of the asset;

3.3.3 Whilst Non-Capital Components could be capitalised by a DNO (and therefore charged upfront to the customer), paragraph 1.12 of Schedule 22 sets out that this would apply (to a DNO's costs) when "*additional assets [are] requested by [the Customer]*" – and the assets to which these charges relate are not requested by the customer; and

3.3.4 Charging for capitalised Non-Capital Components would unlikely align with the charges levied by NESO (because the rates applied vary annually) meaning the DNO would not be neutral.

- 3.4 Special condition 6.1 (Pass-through items (PTt)) of the electricity distribution licence (the 'licence') provides for the pass-through of Transmission Connection Point Charges incurred by the licensee in the same regulatory year. Transmission Connection Point Charges historically represent the majority of costs set out which this CP is concerned with and is defined as:

"means the sum of:

(a) charges payable by the licensee that are levied by a Transmission Licensee as connection charges by direct reference to the number or nature of connections between the licensee's Distribution System and the GB Transmission System, and includes any associated Transmission Network Use of System Charges and any Remote Transmission Asset rentals payable by the licensee; and

(b) charges payable by the licensee to another Electricity Distributor in respect of units transported from that Electricity Distributor's Distribution System,

less any charges under (a) or (b) that meet the definition of New Transmission Capacity Charges.”

- 3.5 The final part of the definition of Transmission Connection Point Charges introduces the term New Transmission Capacity Charges. New Transmission Capacity Charges are a component of load related expenditure (LRE) within a DNO's totex, and in simple terms are the costs of Transmission Connection Assets which are:
 - 3.5.1 Energised on or after 1 April in the first regulatory year of the current price control period;
 - 3.5.2 For a new or reinforced connection to the transmission system; and
 - 3.5.3 Pursuant to a DNO's need (including that DNO's customer's need).
- 3.6 For example, if Transmission Connection Assets energised within the current price control period are:
 - 3.6.1 Replaced either (i) like-for-like due to age and/or condition, or (ii) with assets of a greater capacity but at the discretion of the transmission system operator, the costs will be Transmission Connection Point Charges (and therefore pass-through); or
 - 3.6.2 New or reinforced assets, and pursuant to the need of a DNO, the costs will be New Transmission Capacity Charges (and therefore not pass-through).
- 3.7 Whether a customer is required to pay a charge for these assets currently depends on each DNO's interpretation of the rules described above. While the majority of DNOs recover connection asset costs through connection charges, some have chosen to socialise them through DUoS charges (and some may have secured the necessary funding arrangements to support this approach).
- 3.8 This may result in materially different customer outcomes depending on the region in which the connection is made. The proposed change seeks to remove this inconsistency and ensure a uniform and non-discriminatory approach is applied consistently across all DNOs, and in accordance with our interpretation of a DNO's obligations as they currently apply.
- 3.9 This approach will:
 - 3.9.1 Preserve the locational cost signal (when a DNO connection triggers reinforcement on the transmission system).
 - 3.9.2 Retain protection from a 'last person standing risk' through the application of the ECCR.
 - 3.9.3 Protect the generality of customers, including the most vulnerable.
 - 3.9.4 Preserve a DNO's funding neutrality.
 - 3.9.5 Reasonably require that any defect associated with the different treatment of the costs in accordance with the CUSC charging methodology (i.e. connection assets v infrastructure assets) need be addressed at its root cause.

4 Solution and Legal Text

Legal Text

- 4.1 The DCP 461 Working Group, following the review of the consultation responses, has developed draft legal text for each of the options it agreed to progress for the issue relevant to this CP. The draft legal text is attached to this CP form as attachment 1.

5 Code Specific Matters

Reference Documents

- 5.1 Not applicable.

6 Relevant Objectives

	DCUSA Charging Objectives	Identified impact
<input type="checkbox"/>	1. That compliance by each DNO Party with the Charging Methodologies facilitates the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence	Neutral
<input checked="" type="checkbox"/>	2. That compliance by each DNO Party with the Charging Methodologies facilitates competition in the generation and supply of electricity and will not restrict, distort, or prevent competition in the transmission or distribution of electricity or in participation in the operation of an Interconnector (as defined in the Distribution Licences)	Positive
<input type="checkbox"/>	3. That compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business	Neutral
<input type="checkbox"/>	4. That, so far as is consistent with Clauses 3.2.1 to 3.2.3, the Charging Methodologies, so far as is reasonably practicable, properly take account of developments in each DNO Party's Distribution Business	Neutral
<input type="checkbox"/>	5. That compliance by each DNO Party with the Charging Methodologies facilitates compliance with the EU Internal Market Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators; and	Neutral
<input checked="" type="checkbox"/>	6. That compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	Positive

- 6.1 DCUSA Charging Objectives 2 and 6 will be better facilitated by this CP, with all others having a neutral impact. This would be courtesy of the consistent application of the charging methodologies through simple amendments to existing DCUSA provisions. This should ensure that competition is not affected (and where it is the application of the CUSC charging methodology which is creating a perceived defect and should therefore be addressed at its root cause).

7 Impacts & Other Considerations

Consumer impacts

- 7.1 Protects the generality of customers by not increasing DUoS charges to reflect assets that those customers may otherwise not benefit from and in doing so it protects vulnerable customers and avoids worsening affordability issues for those that need additional support and cannot afford bills now.

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

- 7.2 None

Impacts on other Codes

- 7.3 Insert text here.

Grid Code..... ☐ SEC..... ☐ CUSC..... ☐

Distribution Code... ☐ REC..... ☐ BSC..... ☐

None..... ☒

Environmental Impacts

- 7.4 In accordance with DCUSA Clause 10.4.5A, the Proposer assessed whether there would be a material impact on greenhouse gas emissions if this CP were implemented and that assessment is set out below.

Are there any wider industry impacts?

- 7.5 It is not believed that this CP impacts upon wider industry.

8 Implementation

Proposed Implementation Date

- 8.1 This CP should be implemented on 1 April 2028 i.e. the start of the ED3 price control period.

9 Recommendations

The Code Administrator will provide a summary of any recommendations/determinations provided by the Panel in considering the initial Change Proposal. This will form part of a Final Change Report.