DCUSA Consultation	At what stage is this document in the process?
# DCP 465 ## NFD Generator and Battery Capacity Charges **Date Raised:** 7 October 2025 **Proposer Name:** Dave Wornell **Company Name:** National Grid Electricity Distribution **Party Category:** DNO	01 – Change Proposal **02 – Consultation** 03 – Change Report 04 – Change Declaration

Purpose of Change Proposal

The CDCM differs from the EDCM in that it does not treat generation sites differently to demand sites when determining the Capacity charge. This change proposal is to align The Differential In Generator and Battery Capacity charges between the two methodologies and therefore reduce the capacity charges for CDCM Generators and Batteries.

	This document is a Consultation issued to DCUSA Parties and any other interested Parties in accordance with Clause 11.14 of the DCUSA seeking industry views on this Change Proposal ("CP"). The Working Group recommends that this CP should proceed to Consultation. Parties are invited to consider the questions set in section 9 and submit comments using the form attached as Attachment 2 to dcusa@electralink.co.uk by **20 November 2026.**
	Impacted Parties Suppliers/DNOs/IDNOs/CVA Registrants
	Impacted Clauses Schedule 16

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Timetable

Activity	Date
Initial Assessment Report	19 November 2025
Consultation Issued to Parties	29 October 2026
Change Report Approved by Panel	20 January 2027
Change Report issued for Voting	21 January 2027
Party Voting Closes	11 February 2027
Change Declaration Issued	16 February 2027
Authority Decision	TBC

Any questions?

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1 Summary

What?

1.1 Following the access SCR and zeroing of the customer contributions the capacity charge in the CDCM has increased to a level that sites with a high import capacity, such as batteries, may find difficult for commercial operation.

1.2 The CDCM differs from the EDCM in that it does not treat generation sites differently to demand sites when determining the capacity charge.

Explanation of Network Use Factors

1.3 Below provides an explanation of Network Use factors (NUF).

- NUFs are a measure of the relative value of assets used by customers at different locations within the EHV network.
- Every customer may have a NUF defined for each of the five network levels considered within the EDCM.
- NUFs are used in order to determine unique network asset rates for every customer associated with their access to capacity and usage of the network.
- Network use factors are used in the calculation of “asset-based” elements of the import capacity charges.
    - network rates direct operating costs
    - asset-based residual revenue element.

Why?

1.4 The Proposer believes the current arrangements result in generation-dominated sites being treated differently depending on whether they are charged under the CDCM or EDCM. Within the EDCM, generation-dominated sites benefit from the use of minimum NUFs when determining capacity charges, recognising their different use of the network. However, an equivalent adjustment does not exist within the CDCM. The Proposer considers that this creates a disparity between the two methodologies, resulting in boundaries, cliff edges and pricing differentials that depend on the level of connection rather than the underlying characteristics of the customer. As Network Use Factors are designed to reflect the relative use of network assets, the Proposer believes they provide an appropriate basis for reducing this disparity and improving cost reflectivity. Without such an adjustment, the differing treatment of similar generation-dominated sites may lead to non-optimal behaviour and inefficient connection or investment decisions.

How?

1.5 All generation-dominated sites in the EDCM are given minimum NUFs, whereas demand-dominated sites are given actual NUFs. This reduces the capacity charge for generation-dominated sites.

1.6 Before the TCR there was no way to identify generation-dominated sites in the CDCM. However, there is now a way to identify these customers, as they are classed as Non-Final Demand.

1.7 A potential method is to set the demand-dominated NUFs in the EDCM to use the minimum NUFs and compare the average price differential and then apply this to the capacity charge for CDCM NFD customers. This is expanded on in Section 4 of this consultation.

2 Governance

2.1 This CP is a Part 1 Matter as it is likely to have a significant impact on the interests of electricity customers.

2.2 This consultation is issued for a period of 15 working days.

3 Why Change?

3.1 This CP seeks to correct a disparity between the two different methodologies, bringing into line the treatment of demand and generation in the CDCM and EDCM.

4 Working Group Assessment

Working Group Assessment

4.1 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.

Overview of the proposed solution

4.2 The Working Group considered the issue raised by the Proposer that capacity charges for generators and battery storage customers connected under the CDCM have increased significantly, particularly following the Access SCR and the removal of upfront customer contributions.

4.3 Under the EDCM, generation-dominated sites (including batteries) are treated differently to demand-dominated sites when calculating capacity charges. In simple terms, EDCM generators benefit from lower NUFs, which reduces their capacity charges.

4.4 By contrast, the CDCM does not currently distinguish between demand customers and generation-dominated customers when setting capacity charges. This means that CDCM generators and batteries can pay materially higher capacity charges than similar customers

connected under the EDCM, creating cliff edges and pricing inconsistencies depending on the point of connection.

4.5 Following changes introduced by the Targeted Charging Review (TCR), it is now possible to identify generation-dominated customers in the CDCM, as these customers are classed as Non-Final Demand (NFD).

4.6 The proposed solution is therefore to align the CDCM treatment of NFD generators and batteries with the approach already used in the EDCM, by reflecting the relative benefit that EDCM generators receive from using minimum NUFs. In practice, this would reduce CDCM capacity charges for NFD generators and battery storage customers, bringing the two methodologies into closer alignment.

4.7 The proposed methodology of the calculation is detailed in the attached legal text.

Working Group consideration and Request for Information

4.8 While the Working Group understood the intent of the proposal, members considered it important to understand the scale and distribution of impacts before finalising a solution.

4.9 In particular, the Working Group wanted greater clarity on:

- the level of reduction in capacity charges for NFD generators and batteries;
- whether impacts were consistent across DNOs and voltage levels; and
- the effect of reduced capacity revenue on residual charges, which are recovered from other CDCM customers.

4.10 To support this assessment, the Working Group issued a Request for Information (RFI) to DNOs, asking them to model the impact of applying an EDCM-aligned approach to CDCM NFD customers over multiple charging years.

4.11 The intent of the RFI was not to select a final solution, but to provide evidence to inform the Working Group's assessment, ensure transparency, and enable industry to understand the likely effects of the proposal.

Summary of RFI impacts (aggregated results)

4.12 Responses were received from DNOs and collated into an anonymised dataset (Attachment 3). The dataset includes impact modelling for 2025/26, 2026/27 and 2027/28. Data was received for 13 of the 14 DNO licence areas for 2025/26 and 2027/28, and for all 14 DNO licence areas for 2026/27. All 14 licence areas are included in the calculation of the overall Applicable Non-Final Demand Multiplication Factor (AMF). For one licence area, only the available 2026/27 data is used; the other 13 use all three years. This means that each licence area has equal weight in the overall calculation.

<u>Impact on capacity charges</u>

4.13 The RFI indicates that applying the proposed approach would reduce capacity charges for NFD generators and batteries across the modelled CDCM voltage levels. The aggregated dataset

shows reductions at LV, LV Substation and HV levels, although the scale of the reduction varies by charging year, voltage level and DNO area.

4.14 The assessment calculates an overall AMF of 72.3%. For each licence area, the average EDCM demand capacity charge using minimum NUFs is divided by the average charge using actual NUFs for each available year. These annual factors are averaged for each licence area, and the 14 licence-area factors are then added together and divided by 14. Applying an AMF of 72.3% means that the relevant CDCM NFD capacity charge would be 72.3% of the charge before adjustment, equivalent to a reduction of approximately 27.7%. The Working Group is seeking views on whether the scale of these impacts is appropriate and proportionate.

Impact on residual charges

4.14 As capacity charges for NFD customers reduce, the associated revenue shortfall is recovered through residual charges, in line with existing CDCM principles.

4.15 The aggregated RFI results show that:

- The total modelled increase in residual revenue is less than 1% of the original residual revenue shown for each year.
- The aggregated residual increase is approximately £1.94m in 2025/26, £2.64m in 2026/27 and £2.62m in 2027/28.
- Across the three years modelled, the total aggregated increase in residual revenue is approximately £7.20m. This equates to an average of approximately £2.4m per year.

Next Steps and Industry Input

4.16 Based on the analysis undertaken to date, the Working Group considers that the proposed solution addresses a recognised inconsistency between the CDCM and EDCM, and that the RFI results provide useful evidence on the scale and distribution of impacts.

4.17 However, before finalising the solution and progressing to Change Report, the Working Group considers it important to seek wider industry views, particularly on:

- the principle of aligning CDCM and EDCM treatment for NFD generators and batteries;
- whether the scale of impacts identified is appropriate and proportionate; and
- any unintended consequences or implementation considerations that the Working Group should take into account.

4.18 Responses to this consultation will be used to help the Working Group refine the proposed solution, confirm whether it is appropriately targeted, and determine whether it should be progressed to a final Change Report.

Question 1 - Do you support the principle of aligning the treatment of NFD generators and battery storage customers under the CDCM with the approach used in the EDCM? Please provide your rationale.

Question 2 - Do you consider the scale of impacts identified by the Working Group's analysis, including reductions in capacity charges for NFD generators and batteries and the associated changes to residual charges, to be appropriate and proportionate? Please provide your rationale.

Question 3 - Do you agree with the proposed methodology of the calculation as specified in the attached legal text? Please provide your rationale.

Question 4 – Do you agree that the calculation should be a three-year average and done at a national level? Please provide your rationale.

Question 5 - Can you think of any other mechanism (other than using the EDCM NUFs to amend the CDCM NFD capacity charges) to resolve the differential treatment between demand and generation in the EDCM and CDCM?

5 Relevant Objectives

Assessment Against the DCUSA Objectives

5.1 For a DCUSA Change Proposal to be approved it must be demonstrated that it better facilitates the DCUSA Objectives. This CP is being assessed against the DCUSA Charging Objectives.

5.2 The Working Group considers that the following DCUSA Charging Objectives are better facilitated by this CP:

	DCUSA Charging Objectives	Identified impact
☐	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	None
☑	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
☑	3. That compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business	Positive
☑	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	Positive
☐	5. That compliance by each DNO Party with the Charging Methodologies facilitates compliance with the EU Internal Market Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators; and	None

☐	6. That compliance with the Charging Methodologies promotes efficiency in its own implementation and administration.	None

5.3 The Working Group believes that DCUSA charging objective 2 will be better facilitated as competition will be improved as a CDCM generator or battery will have less of a disadvantage against an EDCM generator or battery for the import charge.

5.4 The Working Group believes that DCUSA charging objective 3 will be better facilitated as the charges will be more cost reflective.

5.5 The Working Group believes that DCUSA charging objective 4 will be better facilitated as this DCP will continue to help the drive towards Net Zero, which is fundamental to DNOs' business planning.

Question 6 – Do you consider that the proposal better facilitates the DCUSA Charging Objectives? Please give supporting reasons.

6 Impacts & Other Considerations

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

6.1 This Change Proposal does not impact on the SCR but represents an improvement to address a defect or inequality in the current charging methodology.

Consumer Impacts

6.2 This CP will reduce charges for the import MPANs of generators and batteries in the CDCM. Based on the RFI analysis, this would result in a negligible increase to residual charges and, therefore, to charges for other CDCM customers.

Environmental Impacts

6.3 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.

6.4 As stated in paragraph 1.1 above, capacity charge in the CDCM has increased to a level that sites with a high import capacity, such as batteries, find difficult for commercial operation. The working group therefore noted that by aligning the treatment of CDCM-connected NFD sites with the approach already adopted under the EDCM, DCP 465 could support net zero objectives by reducing the costs incurred by generators and batteries and could potentially lead to increased numbers connecting.

Question 7 - Are you aware of any wider industry developments that may impact upon or be impacted by this CP?

7 Implementation

7.1 If the implementation of this CP is in time for April 2028, the working group proposes to use the percentage decrease of 27.7% as set out in the impact assessment for 2028 only. From April 2029 the methodology of the calculation as specified in the legal text will be used.

Question 8 - Are you supportive of this approach? If not, please explain why.

8 Legal Text

8.1 The proposed legal text introduces a methodology within Schedule 16 for calculating the capacity charge applicable to Non-Final Demand sites. The capacity charge for Final Demand sites would be adjusted using an Applicable Non-Final Demand Discount Factor, calculated from historical EDCM NUFs and capacity charge data provided by each DNO.

8.2 The Applicable Non-Final Demand Multiplication Factor (AMF) would be recalculated every three years, beginning with tariffs for 2029/30, and would continue to apply until it is next recalculated. If DCP 465 is implemented in time for setting 2028/29 charges, a transitional AMF of 72.3%, equivalent to a 27.7% reduction in the relevant capacity charge, would apply for that year only.

8.3 The proposed legal text is provided as Attachment 1.

Question 9 - Do you have any comments on the draft legal text?

9 Consultation Questions

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

No.	Questions
1	Do you support the principle of aligning the treatment of Non-Final Demand (NFD) generators and battery storage customers under the CDCM with the approach used in the EDCM? Please provide your rationale.
2	Do you consider the scale of impacts identified by the Working Group's analysis, including reductions in capacity charges for NFD generators and batteries and the associated changes to residual charges, to be appropriate and proportionate? Please provide your rationale.
3	Do you agree with the proposed methodology of the calculation as specified in the attached legal text? Please provide your rationale.
4	Do you agree that the calculation should be a three-year average and done at a national level? Please provide your rationale.

5	Can you think of any other mechanism (other than using the EDCM NUFs to amend the CDCM NFD capacity charges) to resolve the differential treatment between demand and generation in the EDCM and CDCM?
6	Do you consider that the proposal better facilitates the DCUSA Charging Objectives? Please give supporting reasons.
7	Are you aware of any wider industry developments that may impact upon or be impacted by this CP?
8	Are you supportive of this approach? If not, please explain why.
9	Do you have any comments on the draft legal text?

9.2 Responses should be submitted using Attachment 2 to dcusa@electralink.co.uk by no later than **20 November 2026.**

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

10 Attachments

- Attachment 1 - DCP 465 Legal Text
- Attachment 2 - DCP 465 Consultation Response Form
- Attachment 3 - DCP 465 Aggregated Impact Assessment
- Attachment 4 - DCP 465 Change Proposal Form