

DCUSA Change Proposal Form

This form is issued in accordance with Clause 10.5 of the DCUSA.

Completed forms should be returned to dcusa@electralink.co.uk for assessment by the DCUSA Panel. Failure to complete all parts of the form may result in it being rejected by the DCUSA Panel.

- PART A – Mandatory for all Change Proposals
- PART B – Mandatory for Non Charging Methodologies Proposals
- PART C – Mandatory for Charging Methodologies Proposals
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PART A - MANDATORY FOR ALL CHANGE PROPOSALS

Document Control	
CP Status	Standard
CP Number	DCP 268
Date of submission	14 March 2016
Attachments	None
Originator Details	
Company Name	Northern Powergrid (Northeast) Ltd
Originator Name	Lee Wells
Category	DNO
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Phone Number	07885712226
Change Proposal Details	
CP Title	DUoS Charging Using HH settlement data
Impacted parties	Suppliers & Distributors
Impacted Clause(s)	DCUSA Schedule 16
Part 1 / Part 2 Matter	Part 1
Provide your rationale why you consider this change is a Part 1 or Part 2 Matter	The proposal changes the CDCM tariffs in the CDCM and therefore affects all parties impacted by CDCM tariffs
Related Change Proposals	There may need to be a related BSC change proposal to facilitate changes to enable the DUoS billing.
Change Proposal Intent	
The intent of this proposal is to facilitate a transition to half-hourly (HH) settlement for non-half hourly (NHH) customers by moving to a time band charging basis, based on the HH (profiled) data used in settlement.	
Business Justification and Market Benefits	
<p>The DUoS tariffs are currently published in a form related to NHH and HH settlement. This difference is for historic reasons. Increasingly, actual HH data will be available for use in settlement which will enable more accurate settlement and DUoS charging. It is recognised within the industry that the barriers to utilising the actual HH data should be removed. The different charging structures within DCUSA where settled NHH or HH lead to different charges for individual customers or for supplier portfolios. The impact of this effect led to delays to the implementation of P272, et al. The section below (consideration of wider industry impacts) identifies the desire by stakeholders to remove any barriers to enable use of actual HH data within settlement (whether the choice is elective or mandated).</p>	

With the introduction of P272, et al, many of the previous difficulties with this proposed approach have been addressed, notably:

- Introduction of Red, Amber and Green (RAG) tariffs into the Common Distribution Charging Methodology (CDCM) for domestic and small non-domestic customers
- The provision through settlement of aggregated consumption data summed by RAG time bands

This change will utilise these existing frameworks, albeit for greater volumes of energy/revenue.

Utilising the RAG (and Black, Yellow and Green (BYG) for unmetered supplies) framework, irrespective of settlement arrangement, results in a reduction in the number of CDCM tariffs such that the CDCM model becomes simpler (by not accommodating the historic NHH tariffs). The same approach would be applied for import and generation tariffs.

Reducing the number of legacy distribution tariffs, each with a greater volume, minimises the risk of under or over recovery if certain groups of customers (which would benefit from the different charging structure) move and therefore leave the less beneficial customers behind. Consolidating into a fewer number of aggregated tariffs mitigates this risk as some tariffs which customers may move between will be combined into a single tariff type.

The existing tariffs lead to anomalies in the charges for different groups of customers (which may trade NHH or HH), particularly for those that are not close to the 'average' customer assumed. The different choices will impact the overall DUoS revenue/cost for Distributors/Suppliers. These differences reveal the weakness of the CDCM which is calculating the data on an average basis over a 12 month period, whereas within that year one or more a customer could change to utilise HH settlement. This was part of the concern with P272 implementation. By keeping charges on a RAG basis for all customers throughout the year will minimise any effect of mid-year transition. This in turn minimises the revenue risk to Distributors and Suppliers of under/over recovery i.e. a customer moving from a single rate NHH tariff to a three rate HH tariff before winter will likely incur additional charges (or the supplier will be levied higher charges from the DNO), with demand in winter typically being higher than other seasons, and as the single rate reflects an average charge there could be higher than average time of use charges applied.

Examples of different customer groups:

Economy 7 vs Economy 7 with an afternoon boost

The BSC settlement 'chunking' will allocate some of the off-peak usage to the HH times in the afternoon for the Economy 7 customers with an afternoon boost. However, under the current day/night domestic CDCM tariff both customer groups are bundled together and are charged the same night p/kWh. However, under the RAG approach the higher afternoon consumption for the afternoon boost will fall in the red period. This will increase the annual DUoS charge for this tariff group. Whereas the Economy 7 customer without the afternoon boost will see a reduced DUoS charge because they are not incurring any increased night rate average cost for the afternoon boost.

The Economy 7 with afternoon boost customer will be adversely affected by moving to HH settlement. This will probably mean that they will choose not to move the HH settlement. Conversely the Economy 7 customer will see a benefit of HH settlement. This may be an individual customer choice or a supplier making a choice for different parts of their portfolio.

Microgeneration: Photovoltaic (PV) vs combined heat and power (CHP)

A customer with PV microgeneration will typically not import as much energy during the summer or

daylight hours. Any energy not imported will reduce DUoS charges. A customer with a CHP microgenerator¹ will typically generate during the winter during the hour of darkness, and therefore not import as much during the 'peak periods'.

The PV customer will be adversely affected by moving to HH settlement, whereas a CHP customer would benefit. This will probably mean that the PV customer will choose not to move the HH settlement. Whether that is an individual customer choice or a supplier making a choice for different parts of their portfolio.

Making the DUoS charging agnostic of settlement arrangement enables the DCUSA charging approaches to evolve in the future. Making this change in the near future so that it impacts existing NHH and HH settlement customers will ensure the RAG (and BYG) DUoS changes are applied to all settled data equally, irrespective of whether a HH meter is installed and/or settled. The use of DNO specific RAG time bands more accurately reflects the use of the network costs than the legacy settlement profiles/Time Pattern Regimes (TPR), which are currently in use and were driven by historic supply tariffs.

If an individual customer, or part of supplier portfolio, moves from NHH to HH settlement the DUoS billing impact will be minimal. The difference in charges will only be the difference in the NHH profile assumed and the actual HH profile. In principle the NHH settlement profiles are an average for the national consumption, so overall there will be no change in DUoS revenue without having to consider the different impact on tariffs dependent on the NHH or HH settlement arrangements.

In summary, making the proposed change:

- Makes DUoS charges agnostic of settlement arrangement
- Simplifies CDCM – reduces number of changes in the future without having to consider the different impact on DUoS tariffs which would all be RAG (or BYG).
- Simplifies DUoS billing when compared to current arrangements
- Facilitates innovation in NHH import and generation profiling within the BSC settlement arrangements
- Enables simpler migration from NHH arrangements to HH trading at customer and/or supplier request
- Facilitates innovation in DUoS charge structure (e.g. more time bands) with a consistent and fair application irrespective of settlement

Proposed Solution and Draft Legal Text

Changes will be required throughout Schedule 16 of the DCUSA and will be determined by the working group.

The existing NHH based tariffs will be consolidated into the appropriate aggregated HH versions of the import and generation tariffs. The distinctions between domestic and non-domestic will need to continue due to the different standing charges.

The CDCM will need amendment to reflect the reduced number of tariffs.

Proposed Implementation Date

¹ <http://www.flowenergy.uk.com/meet-flow/>

1 April 2018.

Impact on Other Codes

Please tick the relevant boxes and provide any supporting information.

BSC	<input checked="" type="checkbox"/>
CUSC	<input type="checkbox"/>
Grid Code	<input type="checkbox"/>
MRA	<input type="checkbox"/>
SEC	<input type="checkbox"/>
Other	<input type="checkbox"/>
None	<input type="checkbox"/>

There may be a requirement for a BSC change proposal (CP) to require the BSC Agent to calculate the DUoS data in RAG/BYG format. Progression of the CP may determine that Distributors (and Suppliers) will be able to calculate this split themselves, in which case the BSC change will not be required. Through discussion at MIG some participants explained that they already have the capability to determine the RAG split themselves and therefore the working group will need to consider impact further and if necessary ensure that any changes required by the BSC are initiated.

Consideration of Wider Industry Impacts

Competition & Markets Authority, Notice of possible remedies, published 7th July 2015²

102. This remedy would seek to ensure that, within a reasonable timetable, half hourly consumption data could be used by domestic and SME electricity suppliers to settle electricity for customers falling into profile classes 1 to 4. This approach to settlement would give electricity suppliers an incentive to offer innovative time-of-use tariffs* to encourage peak load shifting, reducing the overall costs of generating and supplying electricity to customers. We note that an important prerequisite for this remedy to be effective is that these customers have smart meters installed, which are capable of measuring electricity consumption on a half-hourly basis.

*Time-of-use tariffs vary the price paid by customers depending on the time/day on which they use energy. It gives customers an incentive to move their demand away from peak times, with the potential to reduce the total quantity of generation capacity needed in the system. In this way, peak load shifting has the potential to reduce costs of producing electricity substantially and is one of the most important benefits available from the introduction of smart meters

Ofgem, Response to the CMA's Provisional Findings and Notice of Possible Remedies, 5th Aug 2015³

We share the objectives of maximising the benefits of smart meters as quickly as possible, and aim to ensure all consumers are settled on a half-hourly basis soon after the roll-out of smart meters. To meet this timetable, we will work with DECC in the coming months to develop a plan for the implementation of half hourly settlement.

Ofgem open letter, Half-hourly settlement: the way forward, 17th Dec 2015⁴

² www.gov.uk/cma-cases/energy-market-investigation

³ www.ofgem.gov.uk/sites/default/files/docs/2015/08/ofgem_response_to_the_pfs_and_notice_of_remedies_0.pdf

Our ambition is for all consumers to be settled using half-hourly consumption data. In this letter we outline our plan to identify and remove barriers facing suppliers wishing to settle their domestic and smaller non-domestic customers on a half-hourly basis by early 2017.

BSC Panel Report from the Settlement Reform Advisory Group, Paper 249/13, 11 Feb 2016⁵

Transmission Use of System and Distribution Use of System charging methodologies –
The SRAG has recommended that both National Grid and Distribution Businesses look at any related adjustments to Transmission Use of System (TNUoS) and Distribution Use of System (DUoS) charging methodologies. This is in light of the potential increase in the number of customers being settled HH and the impact this may have on the current methodologies for setting charges for NHH and HH customers. The recommendation also takes into account the long lead in periods normally applied before changes can be implemented to Network charges.

Environmental Impact

Nothing significant is anticipated. Although the change may encourage suppliers to offer innovative retail tariffs which may reduce peak demand generated through less efficient generation sources. The reduction of the greenhouse gasses through the installation of smart meters underpins the government smart meter mandate.

Confidentiality

Not required.

PART B – MANDATORY FOR NON CHARGING METHODOLOGIES CHANGE PROPOSALS

DCUSA Objectives

General Objectives:

Please tick the relevant boxes. [See Guidance Note 9]

- 1 The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated, and economical Distribution Networks
- 2 The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity
- 3 The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences
- 4 The promotion of efficiency in the implementation and administration of this Agreement
- 5 Compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy

⁴ www.ofgem.gov.uk/publications-and-updates/half-hourly-settlement-way-forward

⁵ www.elexon.co.uk/meeting/bsc-panel-249/

Regulators.

Detailed rationale for better facilitation of the DCUSA Objectives identified above

Not applicable.

PART C – MANDATORY FOR CHARGING METHODOLOGIES CHANGE PROPOSALS

DCUSA Charging Objectives

Please tick the relevant boxes. [See Guidance Note 11]

Charging Objectives:

- 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
- 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)
- 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
- 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
- 5 that compliance by each DNO Party with the Charging Methodologies facilitates compliance with the Regulation on Cross-Border Exchange in Electricity and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.

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Detailed rationale for better facilitation of the DCUSA Objectives identified above

Charging Objective 2

The DUoS charges provide Users with cost signals to encourage efficient use of the distribution network. The wider use of RAG (or BYG) DUoS pricing will increase the exposure of suppliers (and their customers) to these cost messages enabling them to respond to (or benefit from) these cost signals.

Charging Objective 3

The costs of using the distribution network should reflect the differences in each supplier portfolio and not be smeared across all users (see example of Economy 7 afternoon boost).

General Objective 1

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General Objective 2

The costs of using the distribution network should reflect the differences in each supplier portfolio and not be smeared across all users (see example of Economy 7 afternoon boost).

Has this issue been discussed at any other industry forums? If so please specify and provide supporting documentation

This change originates from MIG Issue 81 (raised July 2015) which was discussed extensively at the meeting on the 11 February 2016. It builds on previous consideration in other DCPs and MIG Issue 16 considering de-linking.