








## Part A: Generic

DCUSA Change Proposal (DCP)		At what stage is this document in the process?
<h1>DCP 341:</h1> <h2>Removal of residual charging for storage facilities in the CDCM</h2> <p><i>Insert date raised: 31 January 2019</i></p> <p><i>Proposer Name: Tony McEntee</i></p> <p><i>Company Name: Electricity North West</i></p> <p><i>Company Category: DNO</i></p>		<p><b>01 – Change Proposal</b></p> <p>02 – Consultation</p> <p>03 – Change Report</p> <p>04 – Change Declaration</p>
<p><b>Purpose of Change Proposal:</b></p> <p>The intent of this change proposal is to amend the application of residual charging in respect of storage generators in the CDCM.</p>		
	<p><b>Governance:</b></p> <p>The Proposer recommends that this Change Proposal should be:</p> <ul style="list-style-type: none"> <li>• Part 1 Matter</li> <li>• Treated as a Standard Change</li> <li>• Proceed to Working Group</li> </ul> <p>The Panel will consider the proposer’s recommendation and determine the appropriate route.</p>	
	<p><b>Impacted Parties:</b> DNOs, IDNOs, Suppliers and DG Parties</p>	
	<p><b>Impacted Clauses:</b> Changes will be required to Schedule 16 of DCUSA, which details the CDCM. If new tariffs are to be introduced, this will require changes to multiple clauses and tables to include the new tariffs. The treatment of residual charging for such tariffs would then be applied through changes to clauses 92-95.</p>	

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Indicative Timeline		 0207432 3011 Proposer: <b>Tony McEntee</b>  <a href="mailto:tony.mcentee@enwl.co.uk">tony.mcentee@enwl.co.uk</a>  08433 114320
<b>The Secretariat recommends the following timetable:</b>		
Initial Assessment Report	20 February 2019	
Consultation Issued to Industry Participants	TBD	
Change Report Approved by Panel	17 July 2019	
Change Report issued for Voting	19 July 2019	
Party Voting Closes	09 August 2019	
Change Declaration Issued to Parties	13 August 2019	
Change Declaration Issued to Authority	13 August 2019	
Authority Decision	17 September 2019	

## 1 Summary

### What?

Changes are required to the Common Distribution Charging Methodology (CDCM) to ensure that storage facilities are not subject to residual charges for demand where the intent is to export the energy taken back onto the system.

### Why?

Residual charges exist to ensure that distributors recover their allowed revenue. They generally recover sunk costs in respect of historic investments into network infrastructure for the purpose of serving

demand customers. In July 2017, the Government and Ofgem published their Smart Systems and Flexibility Plan<sup>1</sup> where they identified a number of policy and regulatory barriers to the further deployment of storage. In order to address these, Ofgem identified a number of actions which included that storage facilities should not pay the 'demand residual' element of network charges at transmission and distribution level (page 11 of published document).

Ofgem issued an open letter<sup>2</sup> on 23 January 2019 on the implications of charging reform on electricity storage. In this letter they requested that modifications be brought forward to promptly address residual charging for storage in the CDCM and EDCM.

## How?

The detail for the solution should be developed by a working group. It is initially envisaged that this Change Proposal (CP) will be implemented by the introduction of a new set of tariffs which will be applied in respect of the demand element of storage facilities, which will mirror the existing LV HH metered, LV Sub HH metered and HV HH metered tariffs but with no 'adder' applied to unit rates (i.e. with no residual element).

## 2 Governance

### Justification for Part 1 and Part 2 Matter

This CP should be considered as a Part 1 Matter as it will impact storage facilities, Suppliers and demand consumers to the extent that any revenue shortfall will be reflected as an increase to demand tariffs.

### Requested Next Steps

This Change Proposal should:

- Be treated as a Part 1 Matter
- Be treated as a Standard Change
- Proceed to Working Group

## 3 Why Change?

Storage facilities in the CDCM are treated as generators and each have an export Meter Point Administration Number (MPAN) charged under the CDCM with an associated import MPAN, which is charged an import tariff. For example, a half-hourly (HH) settled LV connected storage facility will have an

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/63344/2/upgrading-our-energy-system-july-2017.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/63344/2/upgrading-our-energy-system-july-2017.pdf)

<sup>2</sup> [https://www.ofgem.gov.uk/system/files/docs/2019/01/storage\\_and\\_charging\\_reform\\_2201f.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/01/storage_and_charging_reform_2201f.pdf)

export MPAN on the 'LV Generation Non-Intermittent' tariff (which attracts no residual charges) and an import MPAN on the 'LV HH Metered' tariff (which does attract residual charges). As a result, CDCM embedded generators are paying residual charges for import, with the level of residual charge paid varying dependent on the location of the embedded generator (i.e. within which DNO network the embedded generator is sited) and the size of the import (and specifically the unit volume imported since residual charging in the CDCM is applied exclusively to unit rates).

More traditional forms of embedded generation generally have small import capacities, and so residual charging on the demand element is relatively small. Storage facilities have a much higher import capacity (generally equal to their export capacity) and so residual charging on the demand element represent a significant charge.

This means that traditional forms of embedded generation are charged much lower demand residual charges as a result of their small import connections to the DNO network compared to storage operators because of their much larger import connections to the DNO network. As a result, storage would not be competing on a level playing field with other forms of embedded generation.

Any reduction in residual charges paid by storage facilities will be recovered from the remainder of CDCM demand customers. The number of qualify storage facilities is likely to be relatively low initially and hence the impact is expected to be minimal for CDCM customers overall.

The impact is uniform for 13 DNO licensees, with decreases for the import tariffs for storage and increases for all other tariffs, with the magnitude of the impact varying dependent on the magnitude of scaling in each DNO area and the volume of import assumed to be associated with storage facilities.

The one remaining DNO licensee (the London region) sees the inverse of this impact, with import tariffs for storage facilities increasing and other tariffs decreasing – this is because scaling in the London region is negative, i.e. the underlying charges generated by the CDCM would generate revenue in excess of revenue allowances so underlying charges are 'scaled' down to allowed revenue. This means that the 'pre-scaled' tariffs (which are being applied to the import for embedded generators) are in fact higher than the scaled tariffs.

The new tariffs will only apply to storage facilities not co-located with final demand. Where a Supplier requests that a DNO applies these reduced tariffs, it must provide assurance to the DNO that the storage facility is exempt from final consumption levies.

## Part B: Code Specific Details

### 4 Solution and Legal Text

Changes will be required to Schedule 16 of DCUSA, which details the CDCM. If new tariffs are to be introduced, this will require changes to multiple clauses and tables to include the new tariffs. The treatment of residual charging for such tariffs would then be applied through changes to clauses 92-95.

#### Legal Text

The Working Group should draft legal text appropriate for the solution developed.

## 5 Code Specific Matters

### Reference Documents

Connection and Use of System Code (CUSC) modification CMP 280 – ‘Creation of a New Generator TNUoS Demand Tariff which Removes Liability for TNUoS Demand Residual Charges from Generation and Storage Users’<sup>3</sup> is currently progressing through the CUSC modification process to address the same issue in the Transmission Network Use of System (TNUoS) charging framework.

On 23 January 2019 Ofgem published an Open letter<sup>4</sup> on implications of charging reform on electricity storage.

## 6 Relevant Objectives

DCUSA Charging Objectives	Identified impact
<input checked="" 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	Positive
<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 checked="" 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	Positive
<input checked="" 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	Positive
<input type="checkbox"/> 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.	None

<sup>3</sup> <https://www.nationalgrid.com/uk/electricity/codes/connection-and-use-system-code/modifications/creation-new-generator-tnuos>

<sup>4</sup> [https://www.ofgem.gov.uk/system/files/docs/2019/01/storage\\_and\\_charging\\_reform\\_2201f.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/01/storage_and_charging_reform_2201f.pdf)

**Charging Objective One:** Standard Licence Condition four of the electricity distribution licence requires that distributors operate their businesses in a way that does not distort competition in the generation of electricity. This CP will ensure that storage facilities connected at HV and LV are able to compete on a level playing field with traditional embedded generation technologies, and so will avoid a distortion to competition in the generation of electricity.

**Charging Objective Two:** This CP will ensure that storage facilities connected at HV and LV are able to compete on a level playing field with traditional embedded generation technologies, and so will avoid a distortion to competition in the generation of electricity.

**Charging Objective Three:** This CP will increase the cost-reflectivity of tariffs for storage facilities by ensuring they are not exposed to residual charges.

**Charging Objective Four:** DNOs are seeing an increase in the number of applications for the connection of storage facilities to their networks. This CP will ensure that such storage facilities can compete on a level playing field with other embedded generators.

## 7 Impacts & Other Considerations

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

This CP has a significant crossover with the Targeted Charging Review (TCR) Significant Code Review (SCR) which is currently being progressed by Ofgem, which is looking at residual charging more generally. Ofgem has indicated that it views this CP as a 'quick win' which can be progressed in isolation whilst the TCR looks at the issue of residual charging more fundamentally.

### Does this Change Proposal Impact Other Codes?

- BSC
- CUSC
- Grid Code
- MRA
- SEC
- Other
- None

### Consideration of Wider Industry Impacts

No other wider industry impacts have been identified other than those indicated in the above proposal.

### Confidentiality

Non-confidential

## 8 Implementation

This CP should be implemented as soon as possible. Use of System charges were published for 2020/21 in December 2018; hence the earliest a change to Use of System charges can be made is 1 April 2021. Charges for 2021/22 will be published in December 2019, so in order to achieve this an Ofgem decision will be required by 30 September 2019 in order to comply with DCP 293 – ‘Charging Methodology Cut-Off Date’<sup>5</sup>.

In order to avoid a distortion between the CDCM and EDCM, it would be preferable if the implementation date of this change were to align with that of DCP 342.

### Proposed Implementation Date

The proposed implementation date for this CP is 01 April 2021.

## 9 Recommendations

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[https://www.dcusa.co.uk/Lists/Change%20Proposal%20Register/DispForm.aspx?ID=318&Source=https%3A%2F%2Fwww%2Edcusa%2Eco%2Euk%2FSitePages%2FActivities%2FChange-Proposal-Register-Archive%2Easpx%23InplviewHash35f4ef25-f112-41cb-9311-dac2d3455147%3DPaged%253DTRUE-p\\_DCP%253D301-p\\_ID%253D329-PageFirstRow%253D21&ContentTypeId=0x0100684A1DE09E1F9740A444434CF581D435](https://www.dcusa.co.uk/Lists/Change%20Proposal%20Register/DispForm.aspx?ID=318&Source=https%3A%2F%2Fwww%2Edcusa%2Eco%2Euk%2FSitePages%2FActivities%2FChange-Proposal-Register-Archive%2Easpx%23InplviewHash35f4ef25-f112-41cb-9311-dac2d3455147%3DPaged%253DTRUE-p_DCP%253D301-p_ID%253D329-PageFirstRow%253D21&ContentTypeId=0x0100684A1DE09E1F9740A444434CF581D435)