

Proposed variation:	Distribution Connection and Use of System Agreement (DCUSA) DCP205 and DCP205A – Recovery of costs due to load and generation increases from existing customers in RIIO-ED1		
Decision:	The Authority ¹ directs that modification DCP205 ² be made ³		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties		
Date of publication:	12 March 2015	Implementation date:	1 April 2015

Background

When reinforcement of a distribution network is triggered by general load or generation growth from domestic and small business customers, the associated costs are normally recovered through distribution use of system (DUoS) charges, and therefore recovered from all users of the distribution network. This is because distribution network operators (DNOs) are unable to identify which individual customers are driving these costs.

Ideally, DNOs would recover reinforcement costs from those customers who impose them. However, since this is currently not practicable, we decided as part of our Decision on Strategy⁴ for the RIIO-ED1 price control that, until DNOs have a means to accurately identify all customers who trigger these costs, they will recover the costs of any reinforcement caused by load or generation growth by domestic and small business customers through DUoS charges.

We have developed Standard Licence Condition (SLC) 13C that will come in to force on 1 April 2015 requiring these costs to be recovered through DUoS charges. DNOs have developed DCP205 and DCP205A to give effect to the Authority's decision and discharge their future obligations under SLC 13C.

The modification proposal

DCP205 was raised by Electricity North West Limited (ENWL) (the "proposer"). DCP205A was raised by SSE Power Distribution.

DCP205 and DCP205A both seek to amend the Common Connection Charging Methodology (CCCM) set out in Schedule 22 of the DCUSA so that the DNOs will fund all network reinforcement in the following circumstances:

- The premises are already connected to the network at 100 amperes or less per phase⁵ and metered with whole current metering;
- The premises remain connected to the distribution network without modification⁶; and
- The premises do not have generation connected that exceeds 16 amperes per phase.

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² 'Change' and 'modification' are used interchangeably in this document.

³ This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

⁴ <https://www.ofgem.gov.uk/publications-and-updates/strategy-decision-riio-ed1-overview>

⁵ Electricity generators produce electricity in three phases. This is distributed through three conductors. Generally, domestic or small businesses are connected to a single conductor or phase, while, larger customers may be connected to two or three phases.

⁶ Except where it is necessary to modify a 'looped service' connection and put in place a dedicated service connection, in which case this will be funded by a DNO. A 'looped service' is when two properties share a single electricity service cable. These are often found in terraced or semi-detached houses. In most cases, a single service supplies only one building.

DCP205 requires equipment connected within customers' premises to comply with certain technical standards⁷, for example to address electromagnetics or harmonics issues. DCP205A differs from DCP205 in that it does not specify any standards that equipment at customers' premises must comply with.

DCUSA Parties' recommendation

All the DNOs voted to accept DCP205. All except one of the DNOs also voted to reject DCP205A. The only IDNO who voted on DCP205 and DCP205A voted to reject DCP205 and accept DCP205A. The only supplier who voted, voted to accept DCP205 and reject DCP205A. In accordance with the weighted voting procedure, the recommendation to us is that both DCP205 and DCP205A are rejected.

The outcome of the weighted votes is set out in the tables below:

DCP205	WEIGHTED VOTING (%)							
	DNO ⁸		IDNO/OTSO ⁹		SUPPLIER		DG ¹⁰	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	100%	0%	0%	100%	100%	0%	n/a	n/a
IMPLEMENTATION DATE	100%	0%	0%	0%	100%	0%	n/a	n/a

DCP205A	WEIGHTED VOTING (%)							
	DNO		IDNO/OTSO		SUPPLIER		DG	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	7%	93%	100%	0%	0%	100%	n/a	n/a
IMPLEMENTATION DATE	7%	93%	100%	0%	0%	100%	n/a	n/a

Our decision

We have considered the issues raised by the proposals and the Change Declaration and Change Report dated 13 February 2015. We have considered and taken into account the vote of the DCUSA Parties on the proposals which is attached to the Change Declaration. We have concluded that:

- implementation of the modification DCP205 proposal will better facilitate the achievement of the DCUSA Charging Objectives;¹¹ and
- directing that the modification be made is consistent with our principal objective and statutory duties.¹²

Reasons for our decision

We consider that DCP205 will better facilitate DCUSA Charging Objective 3.2.1 and has a neutral impact on the other relevant objectives. While DCP205A would have also facilitated Charging Objective 3.2.1, we consider that it would not do so as efficiently as DCP205.

⁷ BS EN 61000-3-2 ((Electromagnetic compatibility (EMC) Limits. Limits for harmonic current emissions (equipment input current ≤ 16 A per phase)) and BS EN 61000-3-3 ((Electromagnetic compatibility (EMC) Limits. Limitation of voltage changes, voltage fluctuations and flicker in public low-voltage supply systems, for equipment with rated current ≤ 16 A per phase and not subject to conditional connection))

⁸ Distribution Network Operator

⁹ Independent Distribution Network Operator/Offshore Transmission System Operator

¹⁰ Distributed Generation

¹¹ The DCUSA Charging Objectives (Relevant Objectives) are set out in Standard Licence Condition 22A Part B of the Electricity Distribution Licence and are also set out in Clause 3.2 of the DCUSA.

¹² The Authority's statutory duties are wider than matters that the Parties must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

DCUSA Charging Objective 3.2.1 – 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

On 1 April 2015, the RIIO-ED1 price control period will begin. Licensees will be obligated, by new SLC 13C, to recover the costs of any reinforcement caused by load or generation growth by domestic and small business customers through DUoS charges. The proposed amendments to the Common Connection Charging Methodology will allow DNOs to discharge this obligation in an effective manner. We consider that DCP205 will achieve this objective more cost effectively for the generality of customers than DCP205A as it also signals to customers the standard of equipment that customers may connect at their premises without being charged.

The inclusion of standards within DCP205 means that where a customer installs a substandard device which causes electromagnetic or harmonic issues on the network the DNO can charge to mitigate them. This means that customers still need to consider what impact the equipment they connect might have on the network. We are concerned that by not specifying such standards, DCP205A could result in customers connecting equipment that is more likely to cause power quality issues, with any resulting reinforcement recovered through DUoS charges rather than through a site-specific charge. We therefore consider that while DCP205A would also result in greater consistency across DNOs and allow DNOs to discharge their licence obligation, DCP205 achieves this more efficiently.

Decision notice

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, the Authority hereby directs that modification proposal DCP205 '*Recovery of costs due to load and generation increases from existing customers in RIIO-ED1*' be made.

Dora Guzeleva

Head of Networks Policy, Local Grids

Signed on behalf of the Authority and authorised for that purpose