

Common Connection Charging Methodologies (CCM)

Options for governance

Aspirations

- In Ofgem's Code Governance Review Final Proposals document it remained of the view that all connection charging methodologies should be subject to open governance , but CCM would be progressed outside the code governance review project.
- Ofgem also noted concerns from respondents that inclusion of distribution connection methodologies within the relevant commercial code (DCUSA for electricity distribution) may not be effective as the code may not encompass the relevant parties.
- In Ofgem's "Common Connection Charging Document consultation: Summary of responses July 2010" it stated its view that DNOs should bring forward proposals setting out the approach they intend to take to introduce common governance arrangements.
- Ofgem also added that as part of establishing these new arrangements it will be important for the DNOs to consider how best to facilitate open governance. Such arrangements could allow parties other than DNOs to raise changes to the Methodology as well as ensuring that the Methodology remains common going forward.

Options and DCUSA

- I have set out five options for discussion and some are linked to DCUSA.
- Understanding the origins and funding of DCUSA is therefore key to the debate.
- DCUSA is run by DCUSA Ltd, with board members and shareholders.
- Suppliers and distributors have panel members who also sit on the board.
- DCUSA is half funded by suppliers.

Background to DCUSA

- The DCUSA was established in October 2006 as a multi-party contract between the licensed electricity distributors, suppliers and generators of Great Britain.
- It is concerned with the use of distribution systems to transport electricity to or from connections .
- The DCUSA replaced numerous bi-lateral use of system contracts (not connection offer contracts).
- It focuses on arrangements **after** customers have been connected.
- It does not cover arrangements prior to connection.

Managing DCUSA changes

- The governance panel is elected by parties to the agreement and it is supported by a secretariat.
- Parties to the agreement (or parties nominated by Ofgem) can submit change proposals to the panel.
- Change proposals usually involve working groups, consultation, voting and (for significant matters) an Ofgem decision.
- The use of system charging methodology was recently added to DCUSA (a neat fit anyway).

DCUSA Parties

- Supply and distribution licensees are obliged to become parties to DCUSA.
- Connection customers are almost always not parties to DCUSA e.g. developers.
- Often the connecting party to a distribution network will be a single customer or housing developer who will have a one-off relationship with the distribution network.

Stakeholder Summary

Use of system charges

- Suppliers
- IDNOs
- DNO interconnectors
- CVA customers (Big demand and generation customers)

Connection charges

- Domestic customers
- Non-domestic customers
- House builders
- ICPs/IDNOs
- Lighting authorities
- Developers
- Generators
- Other utilities

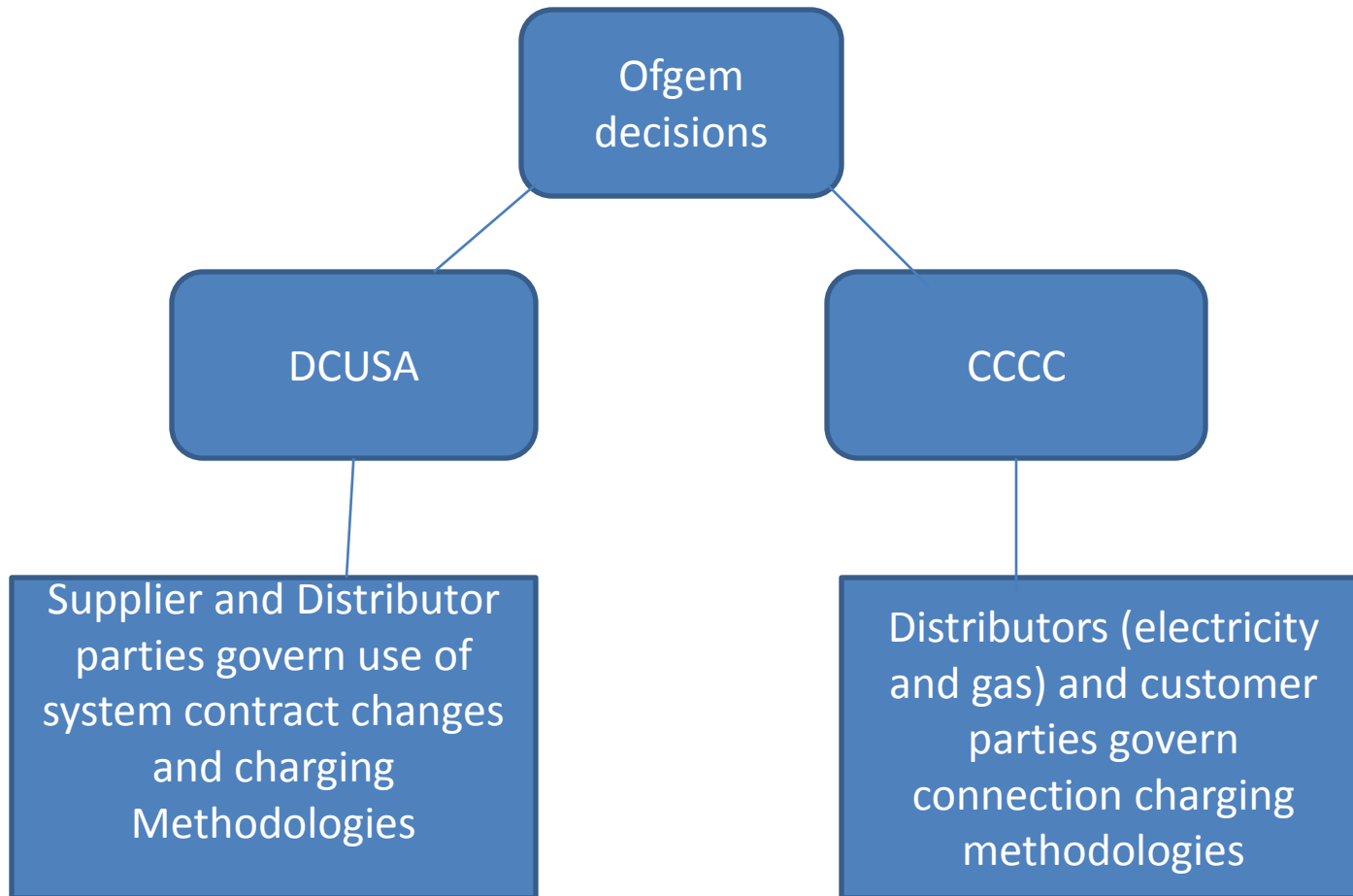
Options for common governance

- Option 1. a new Common Connection Charging Code (CCCC) covering gas and electricity connection charge methodologies.
- Option 2. create a DCUSA duplicate covering electricity connections i.e. a distribution connection charging code (DCCC) with its own panel.
- Option 3. DCUSA heavy – incorporate a CCM section into the DCUSA agreement with its own sub-panel, parties and cost allocation.
- Option 4. DCUSA light – add the CCM as an annex to DCUSA using the DCUS A secretariat and no change to parties or voting arrangements.
- Option 5. CCM standing group – managed by DNOs with input from independents (no secretariat)

Option 1 - Combined Code

- A new Combined Connection Charging Code (CCCC) covering methodologies for gas and electricity could drive commonality across both connection regimes.
- Separate to use of system arrangements in existing codes
- Has the benefit of a single forum for independents, customers and Ofgem to liaise with on connection charging.
- Sets a requirement to establish who the parties to the CCCC would be and how the funding is shared.

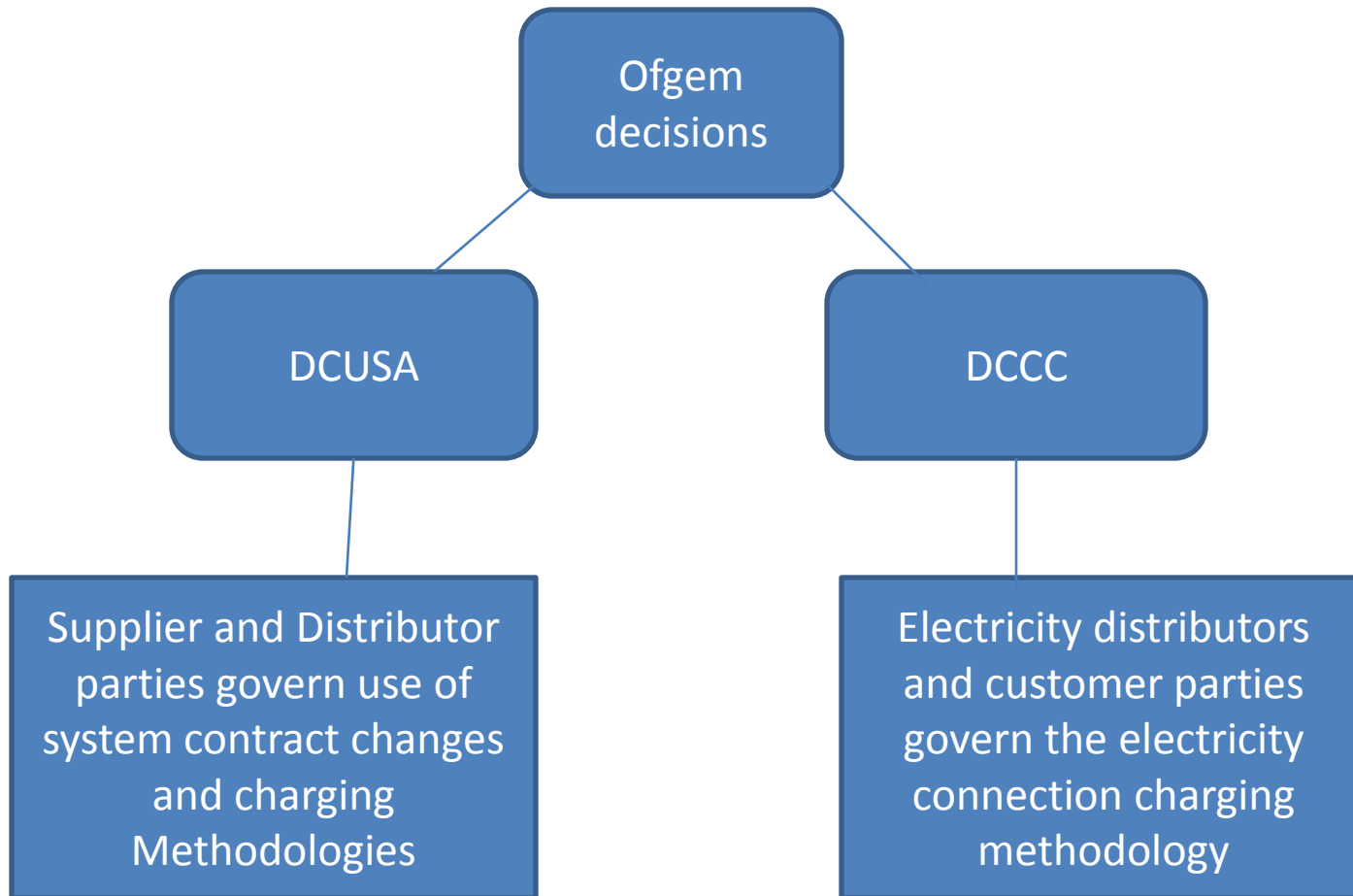
Option 1 - Combined Code



Option 2 - DCCC DCUSA Duplicate

- Create a DCUSA duplicate covering electricity connections only i.e. a distribution connection charging code (DCCC) with its own panel and different parties.
- Costs shared by parties.
- Separate to use of system covered by DCUSA.
- Could capture other connection issues.
- Sets a requirement to establish who the parties to the DCCC would be.

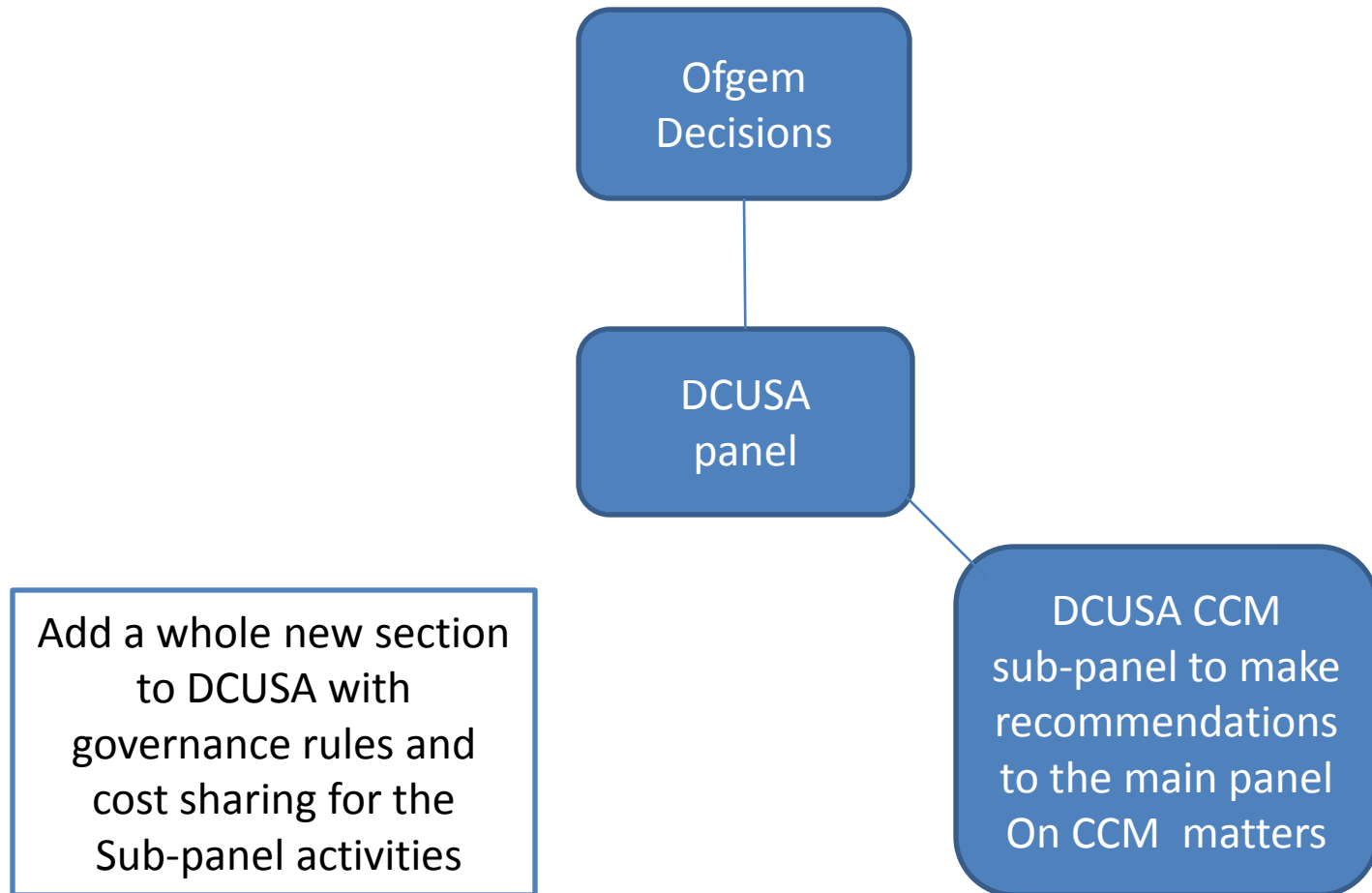
Option 2 - DCCC DCUSA Duplicate



Option 3 - DCUSA heavy

- Incorporate a CCM section into the DCUSA agreement with its own sub-panel, new parties and cost allocation.
- Suppliers would not fund this part of DCUSA, would not be parties to it and would not be on the sub-panel.
- Utilises DCUSA change process and secretariat.
- Sets a requirement to establish who the parties to the CCM section would be.

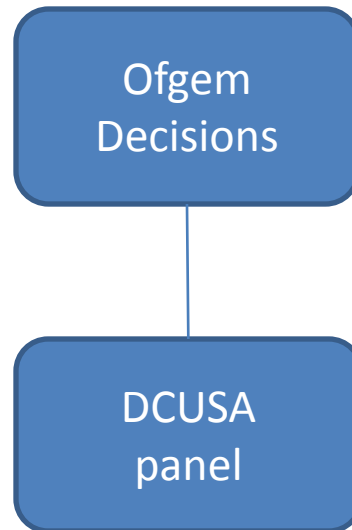
Option 3 - DCUSA heavy



Option 4 - DCUSA light

- Option 5. DCUSA light – add the CCM as an annex to the existing DCUSA as a storage location
- Uses the existing DCUSA change process, but modified so that non-parties can submit CCM change proposals with Ofgem prior consent.
- No change to parties, only relevant parties could vote on change proposals and non-parties could not vote.

Option 4 - DCUSA light



Add a new annex to DCUSA with no change the parties, governance rules or cost sharing.

Option 5 - CCM standing group

- A DNO managed CCM standing group under the DCMF with input from independents.
- Would co-ordinate changes to the CCM ahead of synchronised submissions to Ofgem.
- Would include stakeholder consultation and informal DNO voting.
- Not part of an industry code/agreement and no formal parties.
- Would achieve common governance quickly and is a low cost option.

Option 5 - CCM standing group

