

Proposed variation:	Distribution Connection and Use of System Agreement (DCUSA) DCP091 – Publication of Tariffs and Annual Charge Estimates		
Decision:	The Authority ¹ directs that proposal DCP091 be made ²		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested Parties		
Date of publication:	24 October 2011	Implementation Date:	27 October 2011

Background to the modification proposal

Through the development of the Common Distribution Charging Methodology (CDCM) and the Extra High Voltage Distribution Charging Methodology (EDCM), Ofgem has encouraged distribution network operators (DNOs) to engage with customers to ensure they are informed of potential changes to their use of system (UoS) charges and to help them understand the reason for the potential changes. In particular, we stated in our derogation letter of 30 September 2010³ regarding a revised submission date for the EDCM that we expected DNOs to “work closely with customers to ensure they understand the methodology and their illustrative charges such that they are up to date and are able to comment on project developments where they wish to”.

However, it was subsequently noted that DNOs may be unable to fulfil this requirement due to the confidentiality restrictions of the DCUSA (section 34). This could prevent DNOs from disclosing to end customers (the Connectee) their UoS tariff and charges. This is because information on a customer’s consumption, which may be deemed confidential information belonging to the Supplier, is used to calculate their UoS charge.

The modification proposal

DCUSA Change Proposal (DCP) 091 was raised by UK Power Networks in April 2011. It seeks to amend section 34 of the DCUSA to permit DNOs and Independent Distribution Network Operators (IDNOs) (collectively ‘distributors’) to provide UoS tariff and charge information to Connectees, based on supplier consumption data, which may be deemed confidential under section 34 without the express permission of the supplier. This information includes ‘details of the Use of System Charges (and/or the related tariffs, estimated charges or elements from which the charges are constructed)’ which relate to the Connectee.

In the proposer’s view, DCP091 would better facilitate the DCUSA Objectives by enabling customers to be aware of their UoS charges and thus able to react to the charging signals the charging methodologies are designed to provide. These signals are designed to encourage a more efficient, co-ordinated and economical use of the distribution networks. They also consider that the increase in transparency and provision of information is a major factor in the implementation of the EDCM (which this modification would support). Among other things, this modification would enable distributors to further develop the information provided to users that helps them predict their charges.

An alternative proposal, DCP091A, was raised by Electricity North West. It sought to broaden the definition of charge information by enabling the distributor to make available ‘any information’ that would enable the Connectee to understand how UoS charges are determined.

¹ The terms ‘the Authority’, ‘Ofgem’ and ‘we’ are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

³ Derogation regarding revised submission date for the EHV Distribution Charging Methodology (EDCM)
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=652&refer=Networks/ElecDist/Policy/DistChrgs>

DCUSA Parties' recommendation

The Change Declaration for DCP091 and DCP091A indicates that DNO, IDNO/OTSO, Supplier and Distributed Generation (DG) parties were eligible to vote on these proposals. In accordance with the weighted vote procedure, the recommendation to the Authority is that DCP091 and DCP091A are rejected.

Reasons cited for supporting DCP091 were that this modification would improve the visibility of UoS charges and help DNOs meet their obligations under their distribution licence⁴.

Reasons given against supporting either DCP091 or DCP091A include that distributors should not provide final UoS charge information (or advice on how they might manage their charge) as they are not aware of the specific arrangements between suppliers and customers⁵. For example, if UoS charges are rolled up into the customer's overall charge, rather than 'passed through', the customer may not actually receive the exact charge (or reduction) outlined by the DNO. Two suppliers indicated that it should be the supplier that is the source of billing and charge information.

The outcome of the weighted vote is set out in the table below:

	WEIGHTED VOTING (%)							
	DNO		IDNO/OTSO		SUPPLIER		DG	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
DCP091								
Change Solution	46	54	100	0	0	100	N/A	N/A
Implementation Date	51	49	100	0	0	100	N/A	N/A
DCP091A								
Change Solution	54	46	0	100	33	67	N/A	N/A
Implementation Date	54	46	0	100	33	67	N/A	N/A

The Authority's decision

The Authority has considered the issues raised by the proposal and its alternative and in the Change Declaration dated 19 September 2011. The Authority has considered and taken into account the votes of the DCUSA Parties on the proposal which is set out in the Change Declaration. It has concluded that:

1. implementation of the change proposal DCP091 will better facilitate the achievement of the DCUSA General Objectives;⁶ and
2. directing that the change is approved is consistent with the Authority's principal objective and statutory duties.⁷

⁴ See UKPN's comment in the change report - page 1 of Appendix A – DCP091 and DCP091A Consolidated Log of Votes and Comments in DCUSA Change Report – DCP091 and DCP091A – Publication of Tariffs and Annual Charges Estimates

⁵ See npower comments in the Change Report - pages 3-4 of the above appendix.

⁶ The DCUSA General Objectives (Applicable DCUSA Objectives) are set out in Standard Licence Condition 22.2 (a) to (d) of the Electricity Distribution Licence and are also set out in Clause 3.1 of the DCUSA.

⁷ The Authority's statutory duties are wider than matters that the Panel must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

Reasons for the Authority's decision

We agree with the proposer and the working group that the proposal better facilitates the achievement of the DCUSA General Objectives. Our reasons are as follows:

- *General Objective 3.1.1: The development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System.*
This modification will enable distributors to provide information to customers that will help them understand their final charge. In doing so, they may be able to modify their behaviour to respond to pricing signals. These signals are designed to provide for more economic and efficient use of the distribution networks.
- *General Objective 3.1.2: The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent with that) the promotion of such competition in the sale, distribution and purchase of electricity.*
Competition, particularly in the supply of electricity, will be promoted by the provision of charge information to customers. This enables customers to better understand the component of their charge that relates to their use of the distribution network, and thus whether their current supply or contractual arrangements best suit their circumstances.
- *General Objective 3.1.3: The efficient discharge by each of the DNO Parties and IDNO Parties of the obligations imposed upon them by their Distribution Licences.*
We have, particularly during the development of the EDCM (which is a licence requirement), set expectations on the DNOs to help customers understand the methodology as well as the charges it produces. Being able to provide information on their charges should help DNOs to meet this expectation.

We consider that the provision of information is in line with our own statutory duties to protect the consumer and promote competition, for the same reasons as detailed under *General Objective 3.1.2* above.

DCP091 restricts the type of information that may be provided by DNOs to Connectees in relation to their charges, to the charges themselves and/or the related tariffs, estimated charges or elements from which the charges are constructed. We consider that this is sufficient in facilitating the objective we set out that customers should be informed of potential changes to their UoS charges and to help them understand the reason for the potential changes. It is more proportionate in facilitating the General Objectives than DCP091A which effectively restricts the type of information only to that which will enable the Connectee to understand their charge.

Obligations parties should be aware of when disclosing information

We note that our approval of this modification does not absolve any party of the need to ensure compliance with other requirements outside the DCUSA around non-disclosure of certain data, for example, the provisions detailed in the Utilities Act 2000.

In providing data on UoS tariffs and charges to customers, distributors should advise customers to engage with their supplier (if any) or other relevant parties when considering the charge information or any potential change to their behaviour. It should be made clear that the final impact of the UoS charge on the customer's electricity bill may depend on the specific arrangements between the customer and the supplier.

Decision notice

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, the Authority hereby directs that modification proposal DCP091: *'Publication of Tariffs and Annual Charge Estimates'* be made.

Andy Burgess

Associate Partner, Transmission and Distribution Policy

Signed on behalf of the Authority and authorised for that purpose