

Proposed variation:	Distribution Connection and Use of System Agreement (DCUSA) DCP 084: User Requirements associated with the provision of Customer Usage Information		
Decision:	The Authority ¹ has decided to reject this proposal ²		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested Parties		
Date of publication:	13 March 2012	Implementation Date:	N/A

Background to the modification proposal

As distribution network operators (DNOs) are responsible for distributing electricity regionally, they need to understand future changes in the amount of energy being distributed across their network and the costs associated with distributing it. DNOs use this information to plan the future development and maintenance of an efficient distribution network and to forecast their future allowed revenue.

DNOs currently have several sources of information available to forecast future energy consumption. They rely on these various sources to produce an accurate forecast of future regional energy demand.

On 11 January 2011 Ofgem approved change proposal DCP066A. It was implemented on 26 January 2011³. This proposal built upon the arrangements set out in two previous change proposals, DCP030⁴ and DCP050⁵, which were approved and implemented on 26 February 2009 and 25 February 2010 respectively. The cumulative effect of these previous changes is that, under Clause 35.A of the DCUSA, DNOs are now required to submit to the DCUSA Secretariat cost information on their forecasted allowed revenue position for the current regulatory year, the last regulatory year and the next four regulatory years. The DNOs also hold quarterly teleconference calls to provide an oral commentary of the data. Suppliers use this information to forecast the direction and magnitude of changes in distribution revenue (and the effect on the distribution use of system charges that DNOs will charge them) over a five year period. There is no reciprocal obligation on suppliers to provide any information that may help improve the accuracy of the DNOs' allowed revenue forecasts.

The modification proposal

DCP084 was raised by Electricity North West Limited (ENWL) (the proposer). The proposer believes that suppliers are well placed to understand the likely impact of factors that affect the future number of electricity units consumed at a macro level, for example, changes in retail electricity prices, changes in disposable income, changes in energy efficiency practices and variations in the economic climate such as the gross domestic product (GDP).

DCP084 seeks to place an obligation on suppliers (those with over one million registered metering points under the Master Registration Agreement (MRA)) to provide quarterly customer usage data to the DNOs. The data would illustrate the percentage increase/decrease in units supplied, by each profile class (as defined in the Balancing and Settlement Code (BSC)), by metering point, for that regulatory year and a forecast for the next four regulatory years. The data would be completed on a national level, to

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 <http://www.ofgem.gov.uk/Licensing/ElecCodes/DCUSA/Changes/Documents1/DCP066D.pdf>

⁴ <http://www.ofgem.gov.uk/Licensing/ElecCodes/DCUSA/Changes/Documents1/DCP030%20D.pdf>

⁵ <http://www.ofgem.gov.uk/Licensing/ElecCodes/DCUSA/Changes/Documents1/DCP050%20D.pdf>

provide a macro level view of future consumption. Alongside the data, the suppliers would also be required to send an accompanying written commentary to help understand the underlying assumptions presented within the data table. The data and accompanying commentary would be collated by the DCUSA Secretariat and circulated to the DNOs only. The information provided by the suppliers would be subject to the confidentiality restrictions set out in Clause 34 of the DCUSA.

DCP084 was the subject of two consultations and a Request for Information (RFI) to allow industry and non-DCUSA parties to comment on the proposal.

The DCP084 Change Report notes the view of supporters of the proposal and of the DCP084 Working Group that the information sought would allow DNOs to forecast future regional energy consumption more accurately. In their view, the proposal would facilitate DCUSA General Objective 1⁶, as more accurate forecasts of energy consumption would assist forward planning of distribution network capacity, and DCUSA General Objective 3, as the DNOs have a licence obligation to be accurate in recovering their allowed revenue⁷.

The Change Report also notes the view of supporters of the proposal that it would better facilitate DCUSA General Objective 2, as more accurate forecasts of future allowed revenue and lower likelihood of mid-year price changes would enable more informed decision making and better use of resources. The supporters of the proposal consider that this should reduce barriers to entry in the supply market, facilitate the development of distributed generation projects, and enhance competition in the generation market.

DCUSA Parties' recommendation

The Change Declaration for DCP084 indicates that DNO, IDNO/OTSO, Supplier and Distributed Generation (DG) parties were eligible to vote on DCP084. Votes were cast in each party category (except in the DG party category).

The percentage of those who voted to accept the change proposal and the proposed implementation date was not greater than 50% in all Party categories. In accordance with the weighted vote procedure, the parties' recommendation to the Authority is that change proposal DCP084 is rejected. The change proposal was largely accepted in the DNO category, but the IDNO and Supplier categories voted unanimously against the change proposal. The outcome of the weighted vote is set out in the table below:

DCP084	WEIGHTED VOTING (%)							
	DNO		IDNO/OTSO		SUPPLIER		DG	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	73	27	0	100	0	100	n/a	n/a
IMPLEMENTATION DATE	73	27	0	100	0	100	n/a	n/a

The Authority's decision

We have considered this proposal and the Change Declaration dated 7 February 2012⁸. We have considered and taken into account the views of DCUSA Parties that were raised

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

⁷ Electricity distribution charge restriction condition (CRC) 3.2 states that DNOs, in setting their use of system charges must take all appropriate steps within their power to ensure that in each regulatory year their actual revenue does not exceed their allowed revenue.

⁸ DCUSA change proposals, modification reports and representations can be viewed by registered users on the DCUSA website operated by ElectraLink: <http://www.dcusa.co.uk/Public/Default.aspx>

in response to the Working Group's two consultations, the Request for Information (RFI)⁹ and the vote of the DCUSA Parties on the proposal which is set out in the Change Declaration.

The Authority has concluded that implementation of the change proposal DCP084 will not better facilitate the achievement of the DCUSA General Objectives¹⁰.

Reasons for the Authority's decision

In reaching our decision, we have considered whether the provision of customer usage information sought by DCP084 better facilitates the achievement of the relevant objectives of the DCUSA and is consistent with the Authority's principal objective and statutory duties. We consider that DCUSA General Objectives 3.1.1 and 3.1.2 are pertinent in our decision to reject the proposal. We consider that the proposal is neutral or has no impact with regard to the other DCUSA General Objectives.

DCUSA General Objective 3.1.1 'the development, maintenance and operation by the licensee of an efficient, coordinated, and economical Distribution System'

The proposer argues that a more accurate forecast of future energy consumption will allow DNOs to better plan the development, maintenance and operation of their network. Whilst we agree with this principle, we do not believe that the information sought as part of this proposal will help the DNOs achieve a more accurate forecast of future energy consumption.

DNOs operate on a regional basis. Under this proposal, suppliers would be required to provide customer usage forecasts at a national level. This information will not necessarily reflect the considerable variations in energy consumption that exist at a regional level. We consider that it would take considerable analysis to make this information relevant to distributors on a regional basis. If a DNO places too much reliance on national data trends that are irrelevant to that DNO's region to forecast future energy consumption, then this could have a negative effect on the development, maintenance and operation by the licensee of an efficient, coordinated and economical distribution system in its region.

We also have concerns about the reliability of the data provided as part of this change proposal, given that customers are able to switch electricity supplier. As part of this proposal, suppliers are required to make assumptions about the customer base that the supplier will hold over the next five years. If more than one large supplier forecasts that it will be supplying a specific MPAN, then energy consumption may be double counted by the DNO. Using potentially inaccurate data to forecast future consumption could have a negative impact on the development and maintenance of an efficient distribution network.

We consider that the DNOs have access to many other indicators of future regional energy consumption that are more relevant, accurate and reliable than the information sought by this change proposal. Internally, DNOs have historical data on the aggregate amount of energy distributed across their network from settlement data. DNOs also have information on future connections to the distribution system and changes to connection capacity. Externally, National Grid Electricity Transmission (NGET) produces a document each year that forecasts demand at a macro level and by grid supply point over the

⁹ In accordance with the role, functions, and responsibilities of the Working Group set out in Section 1B of the DCUSA.

¹⁰ The DCUSA General Objectives (Applicable DCUSA Objectives) are set out in Standard Licence Condition 22.2 of the Electricity Distribution Licence and are also set out in Clause 3.1 of the DCUSA.

following seven years¹¹. Several other third parties, for example, academics, government departments and local councils also provide important information that can be used to indicate future changes to energy demand at both a national and regional level.

We are not convinced that the information sought in this change proposal would provide additional value to a DNO. We note that the DCUSA party voting and Working Group consultation responses indicate that not all the DNOs were convinced that the data would provide any additional benefit.

DCUSA 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'

We agree with the principle that increased accuracy of future DNO allowed revenue forecasts and fewer mid-year price changes should reduce barriers to entry in the supply market and enhance competition in the generation market. However, as stated above, we do not think that the information required by the DCP084 solution would necessarily achieve this. We consider that this information could potentially lead to more inaccurate forecasts of future allowed revenue. More inaccurate forecasts of future demand would have a negative impact on the promotion of competition in the supply and generation of electricity.

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Signed on behalf of the Authority and authorised for that purpose

¹¹ The Seven Year Statement (SYS) which is available at: <http://www.nationalgrid.com/uk/Electricity/SYS/>