

Proposed variation:	Distribution Connection and Use of System Agreement (DCUSA) DCP163 – Removal of HVS Tariffs from the CDCM Methodology		
Decision:	The Authority ¹ directs that proposal DCP163 be made		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties		
Date of publication:	07/06/2013	Implementation Date:	First Release Following Authority Consent

Background to the modification proposal

Customers that are connected to the electricity distribution networks are charged for use of the network under either the higher voltage level charging methodology (EDCM²) or under the lower voltage charging methodology (CDCM³). There is effectively a distribution charging boundary between the CDCM and the EDCM, created by licence conditions 13.A.6 and 13.B.6⁴ which specify which sites should be charged under the CDCM and the EDCM respectively.

Prior to 1 April 2011, distribution network operators (DNOs) applied different boundaries, and treated customers connected to the same section of the network differently, depending on when the connection was made. Since 1 April 2011, the boundary has been the same for all DNOs⁵. It has been defined⁶ such that the EDCM applies to all customers connected at 22kV and above and customers that are metered at the high voltage (HV) side of substations with a primary voltage of 22kV or more.

DNOs have been considering the classification of customers called “HV substation” (“HVS”) customers. This is because, dependent upon the location of its metering, each HVS customer could either be charged under the EDCM, or under the CDCM. By 1 April 2012, all HVS demand customers had been moved either to the EDCM or to a CDCM HV Network tariff. Since 1 April 2013 all HVS Generation customers have also been moved in the same manner. The HVS demand and generation tariffs in the CDCM have been retained, and all DNOs have confirmed that they no longer have any customers on these tariffs.

Northern Power Grid proposes to remove all reference to the following HVS tariffs from the CDCM; the HV Sub HH Metered tariff, the HV Sub Generation Non-Intermittent tariff and the HV Sub Generation Intermittent tariff. This will involve changes to the legal text, the CDCM model and the Annual Review Pack⁷.

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 The EDCM is the Extra High Voltage (EHV) Distribution Charging Methodology.

³ The CDCM is the Common Distribution Charging Methodology.

⁴ <http://epr.ofgem.gov.uk/EPRFiles/Electricity%20Distribution%20Consolidated%20Standard%20Licence%20Conditions%20-%20Current%20Version.pdf> see p.61 and p.65

⁵ Decision on Electricity distribution charging boundary between higher (EDCM) and lower (CDCM) voltages: <http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgs/Documents1/EHV%20boundary%20decision%201007.pdf>

⁶ Standard Licence conditions of the Electricity Distribution Licence Condition 13B.6.

⁷ The Annual Review Pack is updated once per year to take into account changes that have been made to the CDCM

The modification proposal

DCP 163 was raised by Northern PowerGrid (“the proposer”) as a result of work undertaken by the DCMF⁸. The proposer considers that DCP163 would promote efficiency in the implementation and administration of DCUSA by removing unnecessary wording from the CDCM that is no longer needed as customers have been moved to different network tariffs. The proposal is to remove the HVS HH Metered tariffs, the HVS Generation Non-Intermittent tariff, and the HVS Generation Intermittent tariff from the CDCM. This would involve changes to the legal text of the DCUSA document, the CDCM model and the Annual Review Pack.

The proposer believes that DCP 163 will better facilitate DCUSA Charging Objective 3.2.1⁹ because it will remove unnecessary wording from the CDCM methodology. This would facilitate the discharge by the DNO Party of the obligations imposed on it under the Act and by its Distribution Licence.

A DCUSA Workgroup was established with DNO and IDNO representatives, and was attended by an Ofgem representative. The Workgroup decided that a consultation with DCUSA parties was not necessary as the only question for parties to answer would be whether or not they agree that the HVS tariffs should be removed from the CDCM methodology. The Workgroup also felt that there was sufficient industry participation in developing the Change Proposal in the DCMF MIG.

DCUSA Parties’ recommendation

The Change Declaration for DCP163 indicates that DNO, IDNO/OTSO¹⁰, Supplier and DG¹¹ parties were eligible to vote on DCP163. In each party category where votes were cast (no votes were cast in the DG party category), there was unanimous support for the proposal and for its proposed implementation date. In accordance with the weighted vote procedure, the recommendation to the Authority is that DCP163 is accepted. The outcome of the weighted vote is set out in the table below:

DCP163	WEIGHTED VOTING (%)							
	DNO		IDNO/OTSO		SUPPLIER		DG ¹²	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	100	0	100	0	100	0	n/a	n/a
IMPLEMENTATION DATE	100	0	100	0	100	0	n/a	n/a

Our decision

We have considered the issues raised by the proposal and the Change Declaration dated 8 May 2013. We have considered and taken into account the vote of the DCUSA Parties on the proposal, which is attached to the Change Declaration. We have concluded that:

- implementation of the change proposal DCP163 will better facilitate the achievement of the DCUSA Charging Objectives¹³; and

⁸The DCMF is the Distribution Charging Methodologies Forum; work was undertaken by the DCMF MIG, which is the Methodology Issues Group.

⁹ 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

¹⁰ IDNOs are Independent Network Operators’ OTSOs are Offshore Transmission System Operators

¹¹ DG refers to Distributed Generators

¹² DGs were eligible to vote but no parties in this category voted

¹³ The Applicable Charging Methodology Objectives (Charging 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.

- directing that the change is approved is consistent with our principal objective and statutory duties¹⁴.

Reasons for our decision

We have assessed the proposal against the DCUSA Charging Objective outlined below. We consider that DCP163 is neutral with respect to the other Charging Objectives.

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.

The boundary between the two Use of System charging methodologies is set out in Standard Conditions 13A and 13B of the Distribution Licence. Using the definition of the boundary, the HVS tariffs are no longer applicable to the designated properties within the CDCM. We note that DNOs are no longer using the HVS tariffs. It is therefore appropriate to remove the references to HVS tariffs from the CDCM. This change proposal will bring the CDCM in line with the licence.

Decision notice

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, the Authority hereby directs that DCUSA modification proposal DCP163: 'Removal of HVS Tariffs from the CDCM Methodology' be made.

Andrew Burgess

Associate Partner – Transmission and Distribution Policy

Signed on behalf of the Authority and authorised for that purpose

¹⁴ 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.