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Dear James,

Consultation on Distribution Connection Use of System Agreement (DCUSA) change proposal (DCP) 124: Third party network – National Terms of Connection (NTC)

Electricity North West holds a Distribution Licence. We are therefore impacted by this change proposal and voted in favour of its introduction.

This change proposal was raised to:

- Introduce within the NTC, terms specific to a fully settled Distribution Exemption Holders (DEH) network and where no metering is in place at the boundary between the licensed distributor's network and the DEH's network.
- Introduce default terms for DEHs where no bi-lateral agreement was in place; and
- Include additional terms, not currently catered for within the NTC, specific to this category of customer.

At the time of accession to the DCUSA in October 2006, Schedule 12 covered off further developments to the DCUSA. Within this schedule item 2 covered:

"The further standardisation of distribution connection arrangements, and/or the creation of further standardised bilateral agreements relating to distribution connection".

To meet this obligation DCP033 – Connection terms was raised and approved by Ofgem to introduce the NTC to the DCUSA in October 2010. The intent of the change proposal was to cover all classes of customer. The unmetered section is only specific to unmetered supplies, essentially street lighting installations connected to the distribution network where a supplier was registered. It therefore omitted to cover non metered connections specific to DEHs where there is no supplier registered at the boundary point since in these instances all the connections within the DEHs network are fully settled i.e. each connection point as a registered supplier appointed.

This change proposal therefore caters for the omission made in 2010.

By the inclusion of this first step, any DEH not having a bi-lateral agreement in place (be it boundary metered or not) will now by default have some form of connection agreement in place with the licensed distributor.

The final part of this change proposal was to be specific, within the NTC, regarding the terms to apply to this class of customer. Without it and without a bi-lateral agreement, those without a boundary meter have

no default terms and those with a boundary meter (and a registered supplier) are covered by either section two or three although no specific reference to such would indicate such a situation.

When you consider the introduction of customer choice regarding the ability to choose an electricity supplier rather than the DEH it is appropriate to consider a modification to the NTC to ensure that industry obligations are covered within the terms of connection. This change proposal therefore covered off terms associated with both difference metering and fully settled metered solutions for such connections and ensures compliance with the Balancing & Settlement Code (BSC).

We fully engaged with the industry, including DEHs, in developing these terms and believe that they are fair and appropriate and mirror in the main section 3 of the NTC but also reflect the financial caps contained within both section two and section three dependent upon the type of connection covered by the definition of each of those sections. In other words, those DEHs currently covered by either of these sections still have the same protection.

Whilst the change proposal received unanimous support from the distributor party, it was rejected by the supplier party resulting in a rejection overall due to the governance associated with the voting arrangements. We have some concerns over the supplier responses within the voting returns. We believe that these are based on misunderstandings.

Two suppliers submitted responses.

One supplier rejected on two counts:

- Capacity management, and
- Customer contracts

On capacity management there is no change to the current process and accountability. It is still will the licensed distributor at the connection point to the licensed distributors' network and mirrors the capacity section contained with section 3 of the current NTC. The licensed distributor is not responsible for any capacity arrangements beyond that point. That is with the DEH. It may be that the original change proposal is causing the confusion where use of system terms where being considered but ultimately removed to limit it to connection terms in line with the rest of the NTC.

On the issue of customer contracts – the supplier needs to consider their contracts with customers irrespective of this change proposal. Schedule 2A of DCUSA refers to the NTC for networks.

“Your supplier is acting on behalf of your network operator to make an agreement with you”

This is only correct for connection points to the licensed distributor network as stated in Schedule 2B:

“and the term “network operator” means the licensed electricity distributor for the network.”

Such contract terms cannot be made where the customer is within a DEH network. So irrespective of whether this change proposal is accepted or not this is an issue suppliers need to deal with outside of DCUSA. The discussion in the first consultation was making suppliers aware of this issue.

The second supplier (who did respond to the first consultation) wanted more engagement with other parties yet didn't want to be a party to the working group. The working group sought every opportunity to involve more companies both with the supplier, distributor and DEH community. The NTC is limited to connection terms and not to wider use of system terms. Wider discussions have taken place with Elexon and are taking place on the impact on use of system via DCP158 (inclusive of the Master Registration Agreement and BSC impacts) for difference metering and the Methodology Issues Group for fully settled DEH networks. Any subsequent fallout from these change proposals may or may not affect the NTC and if they do they can be considered at that time.

We therefore believe that the supplier concerns are either based on a misunderstanding or were made before the introduction of the other change proposals and as such may no longer be a concern.

In summary we believe that the change proposal:

- better facilitates the DCUSA objectives; and
- support the benefits;

identified by the DCUSA working group in the change proposal, and as such this change proposal should be approved by Ofgem.

Yours sincerely,

Tony McEntee
Head of Customer Contracts & Supplier Liaison