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Proposed modification:	**Distribution Connection and Use of System Agreement (DCUSA) DCP166 and 166A – Additional text for the DNO Common Connection Charging Methodology to provide clarity where a customer requests a supply voltage in excess of the "Minimum Scheme" for the capacity requested**		
Decision:	We[1] direct that proposal DCP166 be made[2]		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties		
Date of publication:	11 April 2014	Implementation Date:	Next DCUSA release following Consent

Background to the modification proposal

The Common Connection Charging Methodology (CCCM) is set out in Schedule 22 of DCUSA. It explains how Distribution Network Operators (DNOs) calculate charges for connection to their distribution networks.

DCP166 stemmed from the work of the Commercial Operations Group (COG) Connections Sub Group and the Connection Charging Methodologies Forum (CCMF). Both the COG Connections Sub Group and the CCMF considered possible changes to the CCCM. These groups identified the need to clarify how connection charges are applied in circumstances where the Customer's[3] specification for supply voltage and/or number of supply phases is above the minimum level required to provide the capacity requested under the CCCM.

The DNOs' current arrangements on single phase/split phase networks require the Customer to pay extra costs for an upgrade of the line from a two wire connection to a three wire connection if the required capacity could be provided via a two wire connection.

The modification proposal

DCP166 was raised by Eastern Power Networks on 13 February 2013. It aims to clarify charges applicable in circumstances where a Customer requests a supply voltage and/or a number of supply phases in excess of the 'Minimum Scheme'[4] for the capacity requested.

The Minimum Scheme is based on the capacity which the Customer has requested. The proposed legal text for DCP166 states that, where a Customer has specific requirements for a voltage level and/or the number of phases to be provided (which do not match the characteristics of the Minimum Scheme), then any costs in excess of the Minimum Scheme will be met in full by the Customer.

The Working Group which assessed DCP166 had split views on the proposed legal text as a minority of members considered that in some circumstances a three phase supply should be included in the definition of the Minimum Scheme. Two Customers who responded to the DCP166 industry consultation supported alternative legal text regarding a threshold for connections above which costs would be apportioned and shared between the Customer and the DNO.

[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] As defined in DCUSA.
[4] The Minimum Scheme is defined in DCUSA Schedule 22 clauses 1.1 to 1.7.

An alternative Change Proposal (DCP166A) was therefore raised by PowerCon UK Limited on 7 November 2013 to address the concerns raised at the Working Group. DCP166A seeks to address the same defect identified by DCP166 but adds a capacity threshold for connections of 50kVA and above, above which the costs of the connection would be apportioned and shared between the Customer and the DNO. Where a Customer has specific requirements for a voltage level and/or a number of phases which do not match the characteristics of the Minimum Scheme, and the capacity is above the threshold, the costs would be apportioned and shared. This would only apply if it is not possible for the Customer to use a single phase generator or consumption device, namely, there is no other equipment for end use which can be used with a lower number of phases.

DCUSA Parties' recommendation

The Change Declarations for DCP166 and DCP166A indicate that all parties were eligible to vote on the proposals, but only DNOs voted. In this party category (no votes were cast in the IDNO/OTSO, Supplier or DG party categories)[5], there was majority (>50%) support for DCP166 and for its proposed implementation date. The majority (>50%) of votes cast in the DNO party category rejected DCP166A and its proposed implementation date. In accordance with the weighted vote procedure, the recommendation to us is that DCP166 is accepted and DCP166A is rejected.

The outcome of the weighted vote is outlined in the table below:

DCP166	WEIGHTED VOTING (%)							
	DNO[6]		IDNO/OTSO[7]		SUPPLIER		DG[8]	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	100	0	n/a	n/a	n/a	n/a	n/a	n/a
IMPLEMENTATION DATE	74	26	n/a	n/a	n/a	n/a	n/a	n/a

DCP166A	WEIGHTED VOTING (%)							
	DNO[9]		IDNO/OTSO[10]		SUPPLIER		DG[11]	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	0	100	n/a	n/a	n/a	n/a	n/a	n/a
IMPLEMENTATION DATE	0	100	n/a	n/a	n/a	n/a	n/a	n/a

Our decision

We have considered the issues raised by the proposal and the Change Declaration dated 11 March 2014. 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 DCP166 will better facilitate the achievement of the DCUSA Charging Objective 3.2.1;[12] and
- directing that the change is approved is consistent with our principal objective and statutory duties.[13]

[5] There are currently no gas supplier parties.
[6] Distribution Network Operator
[7] Independent Distribution Network Operator/Offshore Transmission System Operator
[8] Distributed Generation
[9] Distribution Network Operator
[10] Independent Distribution Network Operator/Offshore Transmission System Operator
[11] Distributed Generation
[12] 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.

Reasons for our decision

We have assessed the proposals against DCUSA Charging Objective 3.2.1 below. We consider that DCP166 and DCP166A have a neutral impact on the other 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 majority of the Working Group agreed that this Objective is better facilitated by DCP166 as it clarifies the methodology and keeps the CCCM in line with current practices.

DNOs are required to have a CCCM in force, in accordance with Standard Licence Condition 13. We agree that DCP166 better facilitates this Objective as it improves the text in the DCUSA which clarifies the obligations in the Licence. It clarifies that, above the Minimum Scheme, the Customer must pay for the additional cost of connection. Therefore, the Customer can clearly see how the charges are applied. A number of respondents to the consultation also stated that DCP166 remains within the principles of the CCCM as it is generic, without mentioning specific scenarios.

We consider that DCP166A does not better facilitate Charging Objective 3.2.1. We consider it could add unreasonable obligations on DNOs if they are to be required to identify alternative electrical equipment that meets the needs of the Customer. We further consider that is not appropriate to expect all DNOs to have or to acquire detailed knowledge of all of the equipment potentially available to customers to perform any particular function and then be able to decide which equipment could "reasonably" be considered suitable in each instance. This goes beyond the DNOs' areas of expertise and their licence requirements. We note that DNOs should have some knowledge of what equipment is connected to their network

Additionally, our view is that DCP166 clarifies the CCCM and ensures that a coordinated network is maintained. By clarifying how charges are applied, the efficient development of the network is encouraged. We note that the majority of the Working Group considered that the proposed wording sends appropriate cost signals to Customers. We agree that, where significant work is required to reinforce the network, but the benefit to other Customers is minimal, the Customer requiring the change to the network should pay for it. This ensures that other Customers paying use of system charges are not unduly burdened, and strikes a balance with the Customer requiring the connection. The proposal also incentivises the latter to find the most efficient solution to their power needs.

However, we note the argument put forward by the proponents of DCP166A that a Customer may not be able to find an alternative and could be required, for a number of reasons such as specific generation equipment, to have, for example, a three phase connection despite single phase being the Minimum Scheme. Although we note these arguments, further discussion is needed amongst industry on if and how to address this. Additionally, the proposed legal text does not adequately address how the issue affects charges to the Customer. We consider that it does not add clarity and therefore we have concerns that DCP166A would not promote an efficient distribution system.

Additionally, we are not persuaded that we have been provided with enough evidence or support justifying the proposed 50kVA threshold above which costs would be apportioned under DCP166A. The boundary between single phase, split phase and three phase could

[13] 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.

depend on the specific characteristics and conditions of the local network. This issue has yet to be properly addressed in either of the proposals.

DCP166A also states that apportionment of costs "will apply if it is not reasonably possible to obtain suitable equipment to perform the required end use function that operates from a single phase connection." DCP166A does not define "reasonably" thereby leaving this open to interpretation, adding a degree of subjectivity. This would add uncertainty to the methodology, which could lead to an increased number of disputes. We therefore consider that DCP166A could hinder the development and efficient operation of the network.

We therefore consider that Charging Objective 3.2.1 is better facilitated by DCP166, but that it is not better facilitated by DCP166A.

Additional comments

While we consider that DCP166 clarifies the methodology and thereby facilitates more efficient implementation, we have also noted the question that DCP166A has raised in relation to a customer's possible needs above the Minimum Scheme. At this stage, however, we consider that further work is needed to develop this argument and, if required, its potential solution. Implementation of DCP166 should provide further information on the impact of the potential issues raised by DCP166A. The impact and frequency of any such cases will provide further inputs in order to develop an appropriate way of dealing with such cases, if appropriate. Additionally, as these proposals affect a number of parties, we consider more involvement from affected parties, for example during the working group stage, would be beneficial.

Decision notice

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, we hereby direct that modification proposal DCP166 *"Additional text for the DNO Common Connection Charging Methodology to provide clarity where a customer requests a supply voltage in excess of the "Minimum Scheme" for the capacity requested"* be made.

Andy Burgess
Associate Partner – Transmission and Distribution Policy
Signed on behalf of the Authority and authorised for that purpose