

Modification proposal:	Distribution Connection and Use of System Agreement (DCUSA) DCP190 and DCP190A – Credit for Equipment Recovery Associated with Temporary Connections		
Decision:	We ¹ direct that DCP190 ² be made ³		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties		
Date of publication:	24 March 2015	Implementation date:	Next DCUSA Release following Authority consent

Background

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.

DCP190 stemmed from the work of the Connections Sub Group of the Commercial Operations Group (COG). The group found that some DNOs already provide a credit to customers for any equipment recovered when a temporary connection is no longer required. However, this practice is not consistent across all DNOs.

The modification proposal

DCP190 was raised by Northern Powergrid on 18 September 2013. The aim of the proposal is to amend the CCCM to ensure consistency among DNOs. It would enable all customers to receive a credit for equipment recovered from the disconnection of a temporary connection.

Schedule 22 Clause 1.19 of DCUSA defines temporary connections as connections that are only required for a period of up to five years. Under current arrangements, it is not a requirement for DNOs to provide customers on a temporary connection with credit for reusable equipment once disconnected. DCP190 proposes to amend paragraph 1.33 of Section 1, Schedule 22 of DCUSA to allow customers to receive a credit where there is a net value in the equipment recovered. DCP190 also introduces the ability for DNOs to set a de minimis value on this credit, to be specified by each DNO in section 6 of their Connection Charging Methodology Statement (CCMS). This is to ensure that credits are not provided in those circumstances where it would be uneconomical to do so, for example where administrative costs are higher than the amount refunded to the customer.

While the working group agreed with the principle of the change proposal, there were split views on the legal drafting of DCP190. As a result, DCP190A was raised by PowerCon (UK) Ltd. Following a first consultation, significant changes were made to both legal texts, requiring a second consultation to be carried out. One of the key changes in DCP190 was the introduction of the de minimis value as described above. However some Working Group members considered that because the de minimis value was not defined, its application by DNOs could remain inconsistent. As a result, DCP190A proposes that credit is provided in all circumstances where there is a net value in the equipment recovered and that this is not subject to a de minimis value.

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² 'Change' and 'modification' are used interchangeably in this document.

³ This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

The Working Group has identified the change proposals as facilitating the following DCUSA objectives:

- DCUSA Charging Objective 3.2.1⁴; and
- DCUSA Charging Objective 3.2.3⁵.

It considers that the impact on other Objectives is neutral for both DCP190 and DCP190A.

DCUSA Parties' recommendation

The Change Declarations for DCP190 and DCP190A indicate that all parties were eligible to vote on DCP190 and DCP190A. Votes were only cast in the DNO party category.⁶ There was unanimous support for DCP190 and for its proposed implementation date. All voting parties voted to reject DCP190A. In accordance with the weighted vote procedure, the recommendation to us is that DCP190 is accepted and DCP190A is rejected. The outcome of the weighted vote is set out in the table below:

DCP190	WEIGHTED VOTING (%)							
	DNO ⁷		IDNO/OTSO ⁸		SUPPLIER		DG ⁹	
	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	100%	0%	n/a	n/a	n/a	n/a	n/a	n/a

DCP190A	WEIGHTED VOTING (%)							
	DNO		IDNO/OTSO		SUPPLIER		DG	
	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	100%	0%	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 and Change Report dated 23 January 2015. 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 modification proposal DCP190 will better facilitate the achievement of the DCUSA Charging objectives;¹⁰ and
- directing that the modification is approved is consistent with our principal objective and statutory duties.¹¹

⁴ That compliance 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

⁵ That compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business

⁶ There are currently no gas supplier parties.

⁷ Distribution Network Operator

⁸ Independent Distribution Network Operator/Offshore Transmission System Operator

⁹ Distributed Generation

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.

¹¹ The Authority's statutory duties are wider than matters that the Parties must take into consideration and are detailed mainly in the Electricity Act 1989 as amended.

Reasons for our decision

We have assessed DCP190 and DCP190A and consider they impact on DCUSA Charging Objectives 1 and 3 and have a neutral effect 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 Charging Objective is better facilitated by DCP190. Under Standard Licence Condition 13 and Standard Licence Condition 14, DNOs are required to have a CCCM and a charging statement in place. By clarifying how the CCCM should be applied in the context of temporary connections, we agree that DCP190 facilitates compliance with the requirements set out in the licence.

DCP190 also has the effect of enabling consistency amongst DNOs in the provision of credit for the recovery of equipment associated with a temporary connection and ensuring that this is reflected in the CCCM.

In response to the second consultation, some respondents expressed concern that the legal text of DCP190 was not clear enough about the circumstances in which a de minimis value would apply and how it would be derived. This could potentially lead to inconsistencies in application. DCP190A seeks to address this issue by requiring that a credit be given in all circumstances, regardless of the value.

For the reasons set out below, we believe that having no de minimis value could result in credit being provided in circumstances when it would not be economic or efficient.

We also note that under DCP190 DNOs may set out a de minimis value in Section 6 of their individual CCMS. The CCMS is subject to our approval and we expect all DNOs to clearly explain how they have derived the de minimis value. DCP190 already takes into account depreciation, removal and refurbishment costs, and the purpose of the de minimis value introduced will be to cover the administrative costs of processing the refund.

DCUSA Charging Objective 3.2.3 – that compliance by each DNO Party with the Charging Methodologies results in charges which, so far as is reasonably practicable after taking account of implementation costs, reflect the costs incurred, or reasonably expected to be incurred, by the DNO Party in its Distribution Business.

By enabling customers to receive credit for equipment that can be reused once a temporary connection has been de-energised, both DCP190 and DCP190A reflect more accurately the costs incurred by the connecting customer.

We support the introduction of a de minimis value. By setting a de minimis value, DNOs can ensure that credit is only provided where it is efficient and economical to do so. In other words, credit will not be provided where the reasonable administrative costs incurred will be higher than the value of the equipment recovered. As a result, DCP190 also more accurately reflects the costs incurred by the DNO. The inclusion of a de minimis value protects the customer and the DNO from burdensome administrative costs. We therefore agree with the Working Group's view that DCP190 better facilitates this Charging Objective.

DCP190A, on the other hand, does not allow for a de minimis value and as a result places an obligation on DNOs to provide credit in all circumstances where there is a net value in the equipment recovered. As a result, DNOs may need to provide a refund, even in those circumstances where it is inefficient to do so. We therefore do not consider that DCP190A better facilitates this Charging Objective.

However, we share the concern that to date the DNOs have not adequately/fully explained how the de minimis value will be calculated. The DNOs will need to address this and satisfy us that any de minimis amount is reasonable and efficient. Until the de minimis value has been set out in the CCMS and the CCMS has been approved by us, DCP190 means that DNOs will need to provide credit for the recovery of equipment associated with a temporary connection regardless of the amount, as would be the case with DCP190A. We expect DNOs to give timely consideration to proposing an appropriate de minimis value, to reduce any risk of incurring inefficient costs. As a result, and for the reasons also set out above, we do not consider that DCP190A provides any additional benefit or better facilitates this Charging Objective.

We note that the misspelling of "de minimis" in the legal text of DCP190 and expect this error to be corrected in due course.

Decision notice

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, the Authority hereby directs that modification proposal DCP190 "Credit for Equipment Recovery Associated with Temporary Connections" be made.

Andrew Burgess

Associate Partner - Transmission and Distribution Policy

Signed on behalf of the Authority and authorised for that purpose