

Modification proposal:	<b>Distribution Connection and Use of System Agreement (DCUSA) DCP295: CVA Registrant acceding to DCUSA</b>		
Decision:	The Authority <sup>1</sup> directs this modification <sup>2</sup> be made <sup>3</sup>		
Target audience:	DCUSA Panel, Parties to the DCUSA and other interested parties		
Date of publication:	23 April 2019	Implementation date:	First DCUSA release after Authority approval

## Background

In Great Britain, settlement is used to determine the total amount of energy exported or imported during a specific time interval. There are two routes for determining this:

- Supplier Volume Allocation (SVA) and
- Central Volume Allocation (CVA).

SVA is the approach used when data is submitted into settlement on behalf of a customer by a supplier. CVA is the approach used when data is directly submitted into settlement by customers with CVA metering systems. Traditionally only transmission-connected customers have had CVA metering systems. However, as part of the changing energy system, more parties with CVA metering systems are connecting to the Distribution System. Currently any distribution-connected CVA Registrants require a bilateral Use of System (UoS) agreement because they are currently outside of the scope of the DCUSA.

## The modification proposal

DCP295, raised by Western Power Distribution, seeks to negate the need for bilateral UoS agreements between Distributors and CVA Registrants by broadening the current “DG parties” category to include any CVA Registrants.<sup>4</sup> The Proposer considers that this will save cost and effort and therefore promote efficiency and consistency.

On 19 April 2018, the initial modification was sent to us for decision. On 31 May 2018, we decided we could not make a decision on the information that was submitted and sent it back to the working group.<sup>5</sup> We considered that there had been insufficient engagement with existing and future CVA Registrants. We asked the working group to further consider;

- the consultation process used and whether it assured the working group that they had sufficiently engaged with parties impacted by the proposal,
- the impact on existing CVA Registrants of obligating them to become DCUSA parties (and the number of existing CVA Registrants affected), and
- the impact on future CVA Registrants of acceding to DCUSA.

Following our send-back decision, the working group reconvened to address our feedback. A revised Change Declaration was re-issued to parties on 19 March 2019.

<sup>1</sup> 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.

<sup>2</sup> Change’ and ‘modification’ are used interchangeably in this document.

<sup>3</sup> This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

<sup>4</sup> There is currently only one ‘DG Party’ that has acceded to DCUSA and they are not impacted by amending the name from ‘DG Party’ to ‘CVA Registrants’.

<sup>5</sup> <https://www.ofgem.gov.uk/publications-and-updates/dcp295-cva-registrant-acceding-dcusa-authority-decision-send-back>

## DCUSA Parties' recommendation

As stated in the DCUSA Change Declaration dated 19 March 2019, in the DNO category, there was unanimous support for the proposal and for its proposed implementation date. In the Supplier category a single vote was cast and this was to reject the proposal and its proposed implementation date. No votes were cast in the IDNO/OTSO or DG party categories. In accordance with the weighted vote procedure, the deemed recommendation to the Authority is that DCP295 is rejected. The outcome of the weighted vote is set out in the table below:

DCP295	WEIGHTED VOTING (%)							
	DNO <sup>6</sup>		IDNO/OTSO <sup>7</sup>		SUPPLIER		DG <sup>8</sup>	
	Accept	Reject	Accept	Reject	Accept	Reject	Accept	Reject
CHANGE SOLUTION	100	0	n/a	n/a	0	100	n/a	n/a
IMPLEMENTATION DATE	100	0	n/a	n/a	0	100	n/a	n/a

## Our decision

We have considered the issues raised by the proposal and the Change Declaration dated 19 March 2019. 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 will better facilitate the achievement of the Applicable DCUSA Objectives;<sup>9</sup> and
- directing that the modification is approved is consistent with our principal objective and statutory duties.<sup>10</sup>

## Reasons for our decision

We consider this modification proposal will better facilitate Applicable DCUSA Objectives (a), (b) and (c), and has a neutral impact on the other Applicable DCUSA Objectives.

*(a) The development, maintenance and operation by the DNO Parties and IDNO Parties of efficient, co-ordinated and economical Distribution Systems*

We note that this modification would mean that bespoke bilateral UoS Agreements between CVA Registrants and DNO or IDNO Parties are no longer required. We consider that this should reduce costs and facilitate a more efficient, co-ordinated and economical Distribution System.

*(b) The facilitation of effective competition in the generation and supply of electricity and (so far as is consistent therewith) the promotion of such competition in the sale, distribution and purchase of electricity*

We consider that this modification will ensure that all customers are required to comply with the same terms and ensure that these terms are transparent for all parties to review. We consider that the provision of a transparent, level playing field for parties to agree UoS terms with the Distributor should help facilitate effective competition in the generation of electricity.

<sup>6</sup> Distribution Network Operator.

<sup>7</sup> Independent Distribution Network Operator/Offshore Transmission System Operator.

<sup>8</sup> Distributed Generation.

<sup>9</sup> The Applicable DCUSA Objectives are set out in Standard Licence Condition 22.2 of the Electricity Distribution Licence.

<sup>10</sup> 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.

*(c) The efficient discharge by the DNO Parties and IDNO Parties of obligations imposed upon them in their Distribution Licences*

Standard Licence Condition 12 'Requirement to offer terms for Use of System and Connection' of the electricity distribution licence requires distribution licensees to offer terms for UoS to any person requesting to enter into an agreement with them. We consider that enabling all CVA Registrants to accede to the DCUSA will allow Distributors to more efficiently discharge this obligation.

The supplier that voted against the modification stated that it "*was unable to assess the true impact of the change proposal*" on existing CVA Registrants that have a bi-lateral connection agreement. This supplier was concerned at the level of engagement with CVA Registrants affected by this change. In our decision last year to send back the modification to the working group, we expressed similar concerns.

However, since then, the working group has taken steps to engage further with existing and future CVA Registrants:

- The working group issued another consultation seeking views on the impact on existing and future CVA Registrants. The consultation received eight responses, including responses from a power generation association, a generation trading company and an energy trade association.
- To help facilitation with existing and future CVA Registrants, the DNOs wrote to all distribution connected CVA sites to highlight the modification and seek their views on the proposed consultation.
- The working group also reached out to other parties that they considered may be able to represent the views of CVA Registrants (eg all existing DCUSA and BSC Parties, Energy UK, the Association of Decentralised Energy (ADE), Scottish Renewables, Solar Trade Association and Renewable Energy Association).

Across GB, the DNOs estimate that, 24 existing CVA connected sites may need to accede to DCUSA as a result of this modification. The working group has confirmed that, under the current arrangements, these sites would not be required to contribute towards DCUSA's costs. The working group also confirmed that the existing bilateral contracts these customers have closely reflect DCUSA terms and that being required to accede to DCUSA would not result in contractual terms that were less favourable or more onerous to CVA Registrants (eg an undue administrative burden). Instead, the working group considered that these users would actually benefit from the DCUSA open governance arrangements that would allow them to more readily engage in DCUSA governance and change processes.

We are now satisfied that the working group has sufficiently sought to engage with the parties impacted by the proposal and considered the impact of the modification on existing and future CVA Registrants.

### **Decision notice**

In accordance with standard licence condition 22.14 of the Electricity Distribution Licence, the Authority hereby directs that modification proposal *DCP295: CVA Registrant acceding to DCUSA* be made.

**Chris Brown**

**Head of EST Strategy & Emerging Issues, Energy Systems Integration**

Signed on behalf of the Authority and authorised for that purpose