

CP1414 CONSULTATION REPONSES – COMMENTRY & SOLUTIONS

1 PURPOSE

- 1.1 This paper has been prepared to capture the key concerns raised by some DNO respondents to the CP1414 V2 industry consultation and to offer commentary and solutions to the concerns raised. The keys concerns are discussed by subject area below. It should be noted that many of the issues raised are not relevant to the BSC change.

It should be noted that one of the largest DNOs (covering 4 distribution areas) supported the CP and stated that it would minimise the risk of items being listed on wrong inventories, or not at all. They also believed it would reduce costs associated with administering additional embedded DNO MPANs and would have a positive impact for the customers.

2 BSC RELATED ISSUES

2.1 Increased complexity of the BSC Audit

The complexity of the BSC audit can be managed by ensuring that at an inventory level each connection to an EDNO network is accounted for. Currently both the DNO and IDNO UMSO are audited under the BSC regarding their own inventories. Going forward we would see the audit for the DNO remaining the same (no requirement in the CP for them to identify the IDNO inventory), and the extra burden if any placed on the IDNO to show that they are still compliant with their own inventory management requirements.

2.2 Concerns over Customer awareness and Customer involvement in change process and numbers responding to consultation.

Of those UMS customers that responded – **ALL** were in favour of the change – this demonstrates clearly that the Customers perceive there to be an issue with current arrangements.

Regarding awareness of the new arrangements, Elexon provide an extensive range of training courses and a number of the IDNOs have already attended industry forums and workshops to advise UMS customers of the change and its implication. The IDNOs would also be happy to be involved and present at a workshop going forward.

It has already been stated by the Elexon change administrators that this CP has had one of the highest levels of responses of any change previously. The CP consultation was sent to:

- The UMSUG membership list
- The Institute of Lighting Professionals (representing over 160 Local Authorities)
- A number of UMS purchasing organisations (YALE, YPO etc.).
- A number of MAs customers.

2.3 Legal Text Omissions and Amendments to the Operational Information Document (OID).

The Legal Text was provided by the Elexon Change Administration team – as is usual practice. The changes required were discussed at the CP Issues Group at which many of the respondents participated. Any further changes required for clarification could be addressed in a further review following implementation. It is assumed that the typos and similar minor changes can be accommodated with SVG approval.

The requirement to review the OID was raised at the Issues Group but it was decided that as the OID had already been through an extensive review process and was close to being sent out for final acceptance – the Group decided that the OID could be reviewed at a later date (after CP1414 approval) with regards to CP1414 – especially as the OID is viewed as a guidance document.

One DNO had concerns that the CP would only allow for the combining of an inventory one way i.e. 'upstream'. This is not true – the CP allows for the combining of an inventory on to a MPAN with a larger EACs only. This would work for whether the new inventory was connected by the DNO in its DSA but connected directly to the IDNO – in this instance, the Host LSDO would be the IDNO and the Embedded LSDO the 'incumbent DNO'. The change is silent on 'upstream'. If the customer was 'new' to the DNO (highly unlikely) they could register their inventory on the IDNO's MPAN as long as the inventory on the IDNO's MPAN was larger than the DNO's MPAN (again, highly unlikely). The Customer has the choice to combine or not – allowing those customers who wish to separate inventories to do so.

2.4 Alternative approach e.g. mandate Supplier to consolidate Customer bill.

The BSC does not have the power to mandate a Party with regards to its commercial business decisions. This could only be mandated through a change to the Supplier's Electricity Supply Licence and is not relevant to Settlements or SVG.

Consolidating the Supplier bills will not remove the additional MA costs incurred for HH UMS tariffs.

3 NON BSC ISSUES - INTER-DISTRIBUTOR BILLING RELATED AND DCUSA RELATED ISSUES

3.1 DCP203 - INTER-DISTRIBUTOR BILLING

A number of respondents made the point that the issues that CP1414 were trying to resolve would be resolved by the DCUSA change proposal DCP203 that is currently in progress. DCP 203 deals with the harmonisation of LDNO discount factors (used for inter-distributor billing) to be applied to the ATW tariff against IDNO UMS MPANs. Under the current arrangements the IDNO is obliged to raise more than one MPAN for the same customer profile class, within a single GSP group, where the IDNO network provided the

connections is connected to the host DNO network at more than one network level. A separate MPAN is required for each additional network level that the IDNO network connects to. So if an IDNO UMS customer has connections in its portfolio to IDNO networks with a DNO interface level at LV and HV then the IDNO will be required to raise twice as many MPANs for each UMS profile class than the customer requires. From the customer's point of view this requirement is repeated for each IDNO that provides connections to its inventory. DCP203 would remove this requirement however it still does not address the problem that the customer must trade additional MPANs for each IDNO due to the fact that a tiny proportion of its inventory is supplied via IDNO(s)' networks

3.2 The scale of the problem

A DNO respondent provided data below that it used to show that the issue raised in the CP was exaggerated. The following data was based on a report collated in June 2013 and volumes would have increased since that date.

- DNO 1 had 4 EDNOs with 68 MPANs at LV (DUoS of £400 per month)
- DNO2 had 2 EDNOs with 24 MPANs at LV (DUoS of £50 per month)
- DNO1 had 3 EDNOs with 62 MPANs at HV (DUoS of £300 per month)
- DNO2 had 2 EDNOs with 18 MPANs at HV (DUoS of £25 per month)
- Neither DNO 1 no DNO 2 had any MPANs at EHV (therefore Duos of nil)

Whilst there is no clarification on how many of the above MPANs are NHH and HH, this data is helpful in that it also can be used to show one of the drivers for implementing CP1414. If the customers were local authorities that were actively controlling their street lights using a system such as CMS, they would be required to trade these MPANs on a half hourly basis to gain the benefit of their investment in CMS. In this instance they would incur an approximate annual additional MA charges in excess of £172k (based on $(68+24+62+18) \times (1000)$ using an anecdotal MA charge of £1k per MPAN administered). In this instance these MPANS would be required to enable the DNO to provide a bill to the IDNOs connected to their networks to the value of $(400 + 50 + 300 + 25)$ £785 per month and £9,420. Spending £172k to allow inter-distributor billing of £6.4k simply does not represent value to the customer. The sole reason for these additional MPANs is to accommodate inter-distributor billing. Allowing the customer to use a combine inventory approach will remove this issue. Whilst DCP203 would no doubt reduce the £172k MA bill, it is unlikely to have a significant impact on the additional administration cost incurred by the customer.

One UMSO respondent, currently working out of area, responded that although they also operate nationally, they do not perceive there to be an issue. It would be worthwhile establishing how the respondent manages

the process as this was not revealed in the Issues Group or earlier consultations.

Of those UMS customers that responded – ALL were in favour of the change – this demonstrates clearly that the Customers perceive there to be an issue with current arrangements.

Currently Settlements is impacted as some Customers are not declaring; some are double accounting and typically an IDNO inventory is so small that the total consumption does not register in the daily SVAA D0030 billing flows.

3.3 Changes to the price control mechanism and charging methodology to facilitate collecting the additional “use of system” charges for connections on an Embedded LDSO

Under the Nested Network portfolio billing arrangements set out in the DCUSA an LDNO could already collect additional UoS for connections on a downstream network. In addition many DNOs already collect use of system for connections made to licence exempt networks, such as in the case of UMS connections to the Highway Agency, LA, private building licensed exempt distribution networks. It is therefore unlikely that any changes will be required prior to the implementation of CP1414 given that the precedence already exists.

Additionally the IDNOs already collect DUoS revenue via the existing Supplier DUoS billing process for the upstream LDSO under the portfolio billing arrangements and therefore further evidence of the precedent already existing.

3.4 Changes to the National Terms of Connection that apply between the Embedded LDSO and the customer.

The red line text proposed to BSCP 520 mandates that the EDNO has a connection agreement in place with the customer prior to the customers being permitted to combine that EDNO's connections with the host LDSO's inventory. This could be achieved through the NTCs but also via a bespoke connection agreement thereby negating the need for the changes to the NTCs to be a pre-requisite to the approval of CP1414.

3.5 Amendments to the DCUSA to oblige EDNOs to meet their obligations as already set out in the CP

The red line text proposed in section 3 of to BSCP 520 mandates that the EDNO has a connection agreement in place and states that the EDNO confirms validation of the inventory. Whilst changes may be required to the DCUSA, these are outside the scope of the BSC, however could be progressed following approval of CP1414 (as an Urgent DCUSA CP)

3.6 The impact of CMS on inter-distributor billing

This issue is beyond the scope of the BSC and for consideration under DCUSA. Given the relatively low volumes of CMS and EDNO connections it will have an insignificant cost impact at this time but it is recognised it could be an issue that requires addressing in the distant future. This should not however be a pre-requisite to implementing this CP.

4 NON BSC ISSUES - GENERAL OBJECTIONS AND CONCERNS RAISED

4.1 The CP will introduce additional administration burden and time delays to the overall process

The proposed solution does not introduce an additional burden on the DNO unless they choose to amend their internal systems for their own commercial reasons. An amount of the UMSO/Customer unmetered process is based on trust between parties; that the customer is declaring inventories in line with their obligations and that the DNO is providing up to date information to the Supplier. The change will not introduce additional administration unless the DNO chooses to carry out their right to audit the LDSO's/Customer records.

The only additional requirement that is proposed in the CP is the introduction of a Nominated Calculation Agent (NCA) to disaggregate the customers' inventory and the relevant sections to be sent to each EDNO. This proposal came about from insistence from one DNO representative that it would not wish items on the customers inventory that was not connected to an EDNO network to be visible to an EDNO.

Depending on the systems used by customers it may be that the NCA is not required if the customer can disaggregate this data themselves or give their permission to share it with all relevant LDNOs. There should be no information in the inventories that could not otherwise be obtained from publically available information such as DNO cable records, LA street furniture specifications or a Freedom of Information request.

4.2 The provision of emergency response for UMS connections made to IDNO networks

A number of DNO respondents expressed concern that this CP would break the link between the customer and the IDNO and in the case of local authorities would mean that they receive the emergency call when a 'knock down' occurs on the street light connected to an IDNO network.

Under this CP the customer is still required to continue to keep a record of the LDNO that owns the network providing the connection to each of its inventory items.

Additionally if the Customer happens to call the wrong distributor, the DNO should already be aware of the location of IDNOs in their area e.g. Bilateral Connection Agreements, approved Site Drawings etc. These documents already identify where the IDNO is present in the distribution service area.

There is also provision by way of the ENA G88 document (which is signed up to by all DNOs and IDNOs) that allows each party to work on the other party's network in emergency/make safe situations.

In any case this issue will be superseded by the introduction of the new Single Emergency Number currently being developed by the ENA where all emergency calls will be made to a single phone number.

4.3 How inventory items for various Embedded LDSOs that are included within one Host LDSO inventory will be separately identified.

From a Settlements point of view it will not be necessary to distinguish between inventory items connected to the Host DNO or an EDNO network. The obligation remains as it is currently – for the customer to identify which DNO/IDNO the inventory is connected to.

Issues were also raised regarding how Suppliers would cope with the combining of inventories. This change has no impact on Suppliers – the UMS Customer would be able to add inventory items to the existing DNO MPAN as currently practiced. There is no need or requirement for the Supplier to be aware of whose network the inventory is connected to.

4.4 How costs incurred by Host LDSOs to implement this change would be recovered for providing the additional service. E.g. £ per month for each inventory

DNO do not currently levy UMSO costs to the Highways Agency for example for UMSO services; what is being proposed by CP1414 is already being provided by the LDSOs to these end customers. Notwithstanding this point the case for increased admin is likely to be marginal particularly as all of these customers will already have inventories being managed for connections to the DNO network.

4.5 Putting some Parties in breach of their licence obligations.

As stated above in 3.3, there are no requirements being introduced by the CP that are not already employed by DNOs to recover DUoS for MPANs not connected directly to their networks.

With regard to Suppliers passing on data to upstream DNOs, there are already provisions under the DCUSA to allow the Supplier to 'share [consumption] data with any DNO Party or IDNO Party to whom the [Supplier] owes obligations (Clause 29.4 Section 2A of the DCUSA)'.

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