

**DCP 341/342 - REMOVAL OF RESIDUAL CHARGING FOR STORAGE FACILITIES IN THE CDCM/EDCM****Responses Due By: 26 June 2019**

To: Dylan Townsend

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Response <sup>1</sup> :	Non-confidential

**1. Do you understand the intent of the CPs?**

Yes, DCP341 and DCP342 are intended to exclude certain storage facilities from being charged the residual element of DUOS charges. These modifications were raised to address a challenge set by Ofgem and BEIS, who identified concerns that storage operate at a disadvantage compared to other traditional generators.

**2. Are you supportive of the principles that support these CPs, which is to level the playing field between storage and generation?**

Yes, as a form of generation, we believe that storage and other generators should be treated similarly, so as to enable effective competition and participation in the industry arrangements.

**3. Do you agree that these changes should only apply to 'standalone' storage facilities?**

We understand the rationale for limiting DCP341 and DCP342 to 'standalone' storage facilities. However, we believe that limiting the solution to 'standalone' facilities should be an interim solution pending the outcome of other related work – i.e. CUSC Modification proposals CMP280 and CMP281, Ofgem's proposed changes to the generation licence, the progress of BSC Modification Proposal P375 and Ofgem's Targetted Charging Review (TCR) SCR.

The approach proposed by DCP341 and DCP342 is similar to that proposed by CUSC Modification Proposals CMP280 and CMP281 and the approach agreed by the BSC Panel when establishing an interim solution that enables the exclusion of certain generators'

<sup>1</sup> All responses will be treated as non-confidential unless indicated otherwise.

Anonymous responses will omit the detail of the submitting party but the content of the response will be provided to the Working Group and published on the DCUSA website.

Confidential responses will not be published on the DCUSA website but submitted solely to the Working Group for the analysis of the CP. For all other confidentiality requirements please contact the secretariat at [DCUSA@electralink.co.uk](mailto:DCUSA@electralink.co.uk) or 0207 7432 3017

Imports from the calculation of CM and CFD Supplier charges (a type of Final Consumption Levy). That is, DCP341 and DCP342 only apply to storage facilities that can demonstrate that their Imports and Exports are for electricity storage purposes only.

When designing a solution to support the calculation of CM and CFD charges we recognised in our proposal to BSC Parties and the BSC Panel that further work is needed to define how complex sites should be treated, i.e. where storage activities are co-located with other generator or final-demand activities and all activities share the same boundary Settlement metering. This is because boundary Settlement metering will not always differentiate between the different storage, generator and final demand activities at a site. Consequently, our CM and CFD charges interim solution and subsequently the DCUSA and CUSC proposed modifications only apply to storage facilities with dedicated HH Settlement metering systems – it is the use of dedicated Settlement metering which makes a facility 'standalone'.

In November 2018, when we presented our CM and CFD interim solution to the BSC Panel, we recommended that an enduring solution for complex, co-located sites would be progressed following:

- i. the outcome of Ofgem's consultation on changes to the standard conditions of the generation licence to clarify the role and treatment of storage (including where storage is co-located); and
- ii. progress on BSC Modification P375, which is exploring how alternative metering arrangements may support the measurement of different 'behind the meter' activities.

In addition to these initiatives, we agree with the working group that Ofgem's TCR SCR Minded-to decision recognises the need to consider further the definition of intermediate and final demand.

We continue to believe that progress on these related initiatives is necessary before the DCUSA, CUSC, BSC and CM and CFD solutions can be extended to complex, co-located sites.

#### **4. Do you agree with the Working Groups proposed approach for obtaining confirmation of the eligibility of a storage facility?**

DCP341 and DCP342 propose that depending on the nature of connection, either the Supplier or the customer must certify to the DNO that a particular storage facility be exempt from residual DUOS charges. This approach is similar to the director-signed declaration process proposed for CMP280 and CMP281. We believe that the CUSC and DCUSA arrangements should be the same (or at least very similar), in order to improve regulatory certainty and to avoid unintended or perverse outcomes caused by differences between DUOS and TNUOS arrangements.

However, whilst in general the proposed DCUSA and CUSC modifications are similar, the DCUSA approach is less defined than the CUSC modifications – that is, the process and means by which Suppliers certify to a DNO is not described in detail, nor are the assurance measures that may be used by DNOs or consequences of invalid certification. Instead DCP341 and DCP342 propose that each DNO will set out more detailed plans in LC14 UoS Charging Statements.

In addition to the general risk of divergence with the CUSC arrangements, there are two additional risks to this approach:

- i) that each DNO designs different processes for certification and assurance which results in inconsistent treatment for storage operators; and
- ii) that the LC14 UoS Charging Statements are not the subject of the same level of open governance as the DCUSA, i.e. any party to the DCUSA, the Consumer Body, NETSO, a person designated by the Authority or the Authority itself can raise changes, whereas changes to LC14 Statements can only be formally proposed by each licensee.

The DCP341/342 workgroup consider that the DCP341/342 proposal is less of a burden on storage operators compared to requiring a director-signed declaration (which the CUSC proposals require). On the face of it this may be true but without better understanding each DNO's actual approach (as yet to be defined in LC14 statements), one cannot be certain. Furthermore, it is worth noting that the rationale for requiring a director-signed declaration is to:

- i) provide assurance to NETSO and to CUSC Parties that a storage facility is declared in accordance with the CUSC; and
- ii) mirror an existing process for seeking exemption from CM and CFD charges.

**5. Do you believe that the certification of storage facilities should, for DCUSA purposes, be aligned to that which is being developed for the CUSC modifications?**

**And if so, do you believe that the scope of the BSC Modification P383 should be widened for the purposes of the DCUSA to account for the approach taken by the Working Group to include all SVA storage facilities not just those that hold a licence?**

We believe that industry would benefit from simplified, consistent and consolidated code arrangements and, as a minimum, common principles, approaches, definitions and processes.

In general, we believe that simplified, consistent, consolidated arrangements reduce regulatory barriers and the risk of unintended or perverse outcomes. The risks of inconsistencies and therefore the need to better align DUoS and TNUoS arrangements has been highlighted in Ofgem's overarching reviews into network charging arrangements. We have also set out our thinking on consolidating code management and code arrangements in our white paper entitled '[ELEXON Policy View: The Energy Codes Review](#)'.

We recognise that efforts have been made to share details between the CUSC and DCUSA workgroups and the solutions have converged. However, there are still opportunities to align the processes, in particular in terms of certification/declaration and the definition of what a storage facility is.

A common approach to defining an eligible storage facility and to certification/declaration would mean a storage facility would require a single certificate/declaration that satisfies both DCUSA and CUSC requirements.

Furthermore, a common approach to certification/declaration could more easily be managed by a single common administrator and system, e.g. such as the one being

considered as part of P383. That is, ELEXON could be responsible for receiving the single certificate/declaration, checking it, reporting specific metered volumes for eligible storage facilities to network operators and providing overall assurance measures.

**6. Do you believe that the proposed solution for DCP 341 is reflective of the Governments/Ofgem's policy intent to reduce regulatory barriers to the further deployment of storage? Please provide your rationale.**

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**7. Do you agree with the Working Groups solution that storage tariffs will only be applicable to storage facilities that are metered with current transformer (CT) metering? Please provide your rationale.**

We are concerned that the rationale for limiting eligibility to facilities that use CT metering equipment is coincidental rather than based on firm first principles.

In general our understanding is that when Ofgem and BEIS published their Smart Systems and Flexibility Plan and reflected in subsequent correspondence from Ofgem, their expectation was that relief from network charges should be available to all storage and did not specify any particular limitations, except that final demand should continue to attract residual and BSUOS demand charges. Therefore, any limitation to eligibility should be supported by a clear, robust rationale.

The DCP341/342 consultation argues that accommodating whole-current (WC) metering systems would be complex. In reaching this conclusion the consultation notes that the workgroup considered that there would be a very limited number of storage facilities with whole-current metering systems that were not co-located with other demand and that the probability of WC metered storage facilities being eligible being small.

We're concerned that the rationale for limiting relief to CT metered storage facilities is coincidental rather than based on first principle reasons why WC metered facilities should not be eligible. As with the CUSC proposals, we believe that what matters is whether Settlement HH metering systems only measure Imports (and Exports) for storage purposes. This would give all storage facility operators the opportunity to install metering that separates intermediate demand from final demand irrespective of whether CT or WC metering equipment is used.

**8. Do you believe that the proposed solution for DCP 342 is reflective of the Governments/Ofgem's policy intent to reduce regulatory barriers to the further deployment of storage? Please provide your rationale.**

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**9. Do you consider that DCP 341 and DCP 342 better facilitates the DCUSA Charging Objectives?**

**If so, please detail which of the Charging Objectives you believe are better facilitated and provide supporting reasons.**

**If not, please provide supporting reasons**

We believe that on balance DCP341 and DCP342 should better facilitate the second DCUSA Charging Objective. That is, implementing DCP341 and DCP342 should address a barrier to participation by certain storage facilities compared to other conventional generators.

Whilst DCP341 and DCP342 may not apply to all storage facilities, i.e. complex/co-located sites without dedicated HH CT metering, it is better than no solution.

However, by limiting the solution to a CT metered facilities the solution does discriminate against WC metered facilities. There may be good reasons for discriminating on this basis but as outlined above we are concerned that the proposer and workgroup have not clearly made this case.

**10. Are you supportive of the proposed implementation date of 01 April 2021?**

DCP341 and DCP342 have no impacts on the BSC or BSCCo, so we have no strong views on the proposed implementation date. However, we recognise that April 2021 is considered to be the earliest date for implementation that gives DNOs and other parties the time to make necessary system changes and to adhere to the required 15 month notice of changes to charges.

**11. Do you have any comments on the draft legal text for DCP 341?**

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**12. Do you have any comments on the draft legal text for DCP 342?**

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**13. Are you aware of any wider industry developments that may impact upon or be impacted by this CP?**

As highlighted above, DCP341 and DCP342 have been developed simultaneously with related CUSC and BSC modification proposals.

We believe that ideally the DCUSA, CUSC and BSC modification proposals should be aligned to ensure consistency, which would increase regulatory certainty and avoid unintended consequences or perverse outcomes.

We recognise that the CUSC, DCUSA and BSC modification proposals have converged but that there are still differences.

In light of the limited time available to finalise solutions, particularly DCP341/342, without jeopardising an April 2021 implementation, we recognise that further alignment of the CUSC, DCUSA and BSC modification proposals may need to be progressed by subsequent industry code modifications. Such a modification would likely need to focus on aligning the certification/declaration processes and the criteria that determine eligibility for being excluded from certain network charges.

Also, as noted above, we believe that the outcome of Ofgem's consultation on changes to the Generation Licence, progress of P375 and the TCR SCR will help to shape further changes that extend the application of these arrangements to more complex sites.

**14. Do you have any other comments on either or both DCP 341 and DCP 342?**

Further to our concerns over the rationale for limiting eligibility to CT metered storage facilities, we believe the workgroup should consider alternative modification proposals to both DCP341 and DCP342. These alternatives would mirror the approach proposed by CMP280 and CMP281 by only requiring that HH Settlement Metering Systems are used to measure the Imports and Exports at the storage facility. This would enable a wider range of storage facilities to be eligible for being excluded from DUOS residual charges, irrespective of whether they use CT or WC HH Metering Systems. We believe this approach would be more aligned with Ofgem and BEIS's overall policy intent.