



## **DCUSA Consultation**

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### DCP 086 - Introduction of the Annual Review Pack

## **1 PURPOSE**

- 1.1 The Distribution Connection and Use of System Agreement (DCUSA) is a multi-party contract between electricity Distributors and electricity Suppliers and large Generators. Parties to the DCUSA can raise Change Proposals (CPs) to amend the Agreement with the consent of other Parties and (where applicable) the Authority.
- 1.2 This document is a consultation issued to all DCUSA Parties, consumer representatives and the Authority in accordance with Clause 11.14 of the DCUSA seeking industry views on DCP 086 'Introduction of the Annual Review Pack'.
- 1.3 Parties are invited to consider the proposed drafting set out in Appendix A and submit comments using the form attached as Appendix B to [dcusa@electralink.co.uk](mailto:dcusa@electralink.co.uk) by **24 May 2011**.

## **2 DCP 086 – INTRODUCTION OF THE ANNUAL REVIEW PACK**

- 2.1 DCP 086 has been raised by CE Electric UK following discussions at Workstream C "long-term products" of the common methodology group (CMG) and the Distribution charging methodology forum (DCMF).
- 2.2 The CP seeks to place an obligation on DNOs to produce an Annual Review Pack (ARP) with the indicative use of system charges that are published in December of each year and to refresh the submission if there are any changes to the tariffs in the formal notification of the final charges in the following February.
- 2.3 The ARP is a document that was published on a voluntary basis with the December 2010 indicative use of system charges by DNOs. The ARP contains details of historical and forecast Common Distribution Charging Methodology (CDCM) inputs and the forecasts illustrative use of system tariffs for the next 5 years.
- 2.4 The proposer believes that additional information in the ARP will allow parties to better understand the levels of volatility and reduce levels of uncertainty.

The data will also assist customers, suppliers and any other stakeholders in forecasting longer-term distribution uses of system charges for high-voltage (HV) and low-voltage (LV) customers.

### **3 WORKING GROUP ASSESSMENT**

- 3.1 The DCP 086 Working Group comprises IDNO, DNO, Supplier and Ofgem representatives.
- 3.2 The DCP 086 Working Group was fully supportive of the intent of the proposal and agreed that an obligation should be introduced to mandate the delivery by DNOs of an Annual Review Pack by 31 December each year. In addition, it was agreed that DNOs should be required to republish the pack the following February, should there be any changes to the tariffs in the formal contractual notice of use of system charges.
- 3.3 The Working Group supported the business and market justifications set out in the CP, indicating that additional information in the ARP will allow parties to better understand the levels of volatility and reduce the levels of uncertainty. Members agreed that the data provided should assist customers, suppliers and any other stakeholders in forecasting longer-term distribution uses of system charges for high-voltage (HV) and low-voltage (LV) customers. It also provides customers, suppliers and other stakeholders the tools to run their own scenario planning and impact assessments on future charges.
- 3.4 The Working Group considered whether the requirement to submit the ARP was sufficient, or whether a set of minimum data items / standard reporting template should also be specified in the DCUSA. If there are changes to the CDCM model, the ARP template would need to be updated accordingly and made available to all DNOs. The Working Group agreed standardisation was critical to ensure Suppliers can compare the DNO submissions and recommended that the ARP template should be common and located in a central location.
- 3.5 The Working Group considered various options for the maintenance of the template including:
  - A collective obligation for DNOs to maintain the template (but not

specifying the mechanism for doing so); and

- A Panel duty to maintain the template along with the model.

3.6 The Working Group considered in detail how changes to the template should be managed to ensure it remains aligned with the charging model. In particular, the group considered instances where the model may be changed between indicative and final prices. Options considered included:

- 'Freezing' changes to the model (and therefore template) if an Authority decision is made after an agreed date;
- Delaying the publication of the ARP if an Authority decision is made after a certain date; and
- Not making any changes to the template if an Authority decision is made after an agreed date.

3.7 The Working Group considered the publication of the completed ARPs and expressed preference for them to be published in a public area on the DCUSA website. The Secretariat would be obliged to publish the submitted data within 3 Working Days of receipt. This would not preclude DNOs from publishing the information on their own websites.

3.8 The Working Group agreed to carry out a consultation to give all Parties the opportunity to review and comment on the proposal and ensure there will be no adverse impact on existing arrangements or any unforeseen consequences if the CP is implemented.

#### **4 ASSESSMENT AGAINST THE DCUSA OBJECTIVES**

4.1 The DCP 086 Working Group has identified that DCUSA General Objective 2 would be better facilitated by the implementation of DCP 086. The CP will, if approved, result in greater transparency over the breakdown and drivers of use of system charges for LV and HV connected customers. The CP will also enable suppliers to improve the accuracy of their forecasts and assessments, and potentially reduce this risk exposure to unexpected changes and provide a greater insight into the potential range of future charges, both within the

immediate price control and the subsequent price control (albeit that there will be more uncertainty about future price controls until the formal consultation is complete). By allowing suppliers to run their own charging scenarios, the CP would seek to make them less reliant on DNOs and facilitate effective competition between them.

- 4.2 Although not formally a CDCM Change Proposal, the CP will better facilitate CDCM Objective 2 because of the same principles set out for the facilitation of DCUSA General Objective 2.

## **5 LEGAL DRAFTING**

- 5.1 The proposed legal drafting is attached as Appendix A.

## **6 IMPLEMENTATION**

- 6.1 The proposed implementation date for DCP 086 is the 03 November 2011. This will allow for the first ARP to be published by 31 December 2011.

## **7 CONSULTATION**

- 7.1 The Working Group is seeking views on the below questions:

- Do you understand the intent of the CP and are you supportive of its principles?
- Do you consider that the proposal better facilitates the DCUSA objectives? Please give supporting reasons.
- Are you supportive of the timescales for the timing and frequency of submission / publication proposed by the CP? Please give supporting reasons.
- Which option for the maintenance of the template including is preferred, please give supporting reasons:
  - A collective obligation for DNOs to maintain the template (but not specifying the mechanism for doing so); or
  - A Panel duty to maintain the template along with the model.

- Please indicate which your preferred option is to ensure that the ARP remains aligned with the charges model should it be changed. For example these options may be used where the model is changed between indicative and final prices. Options considered included.
  - 'Freezing' changes to the model (and therefore template) if an Authority decision is made after an agreed date;
  - Delaying the publication of the ARP if an Authority decision is made after a certain date; or/and
  - Not making any changes to the template if an Authority decision is made after an agreed date.

- Are you supportive of the ARPs being published in a public area on the DCUSA website?
- Do you have any comments on the proposed legal text?
- Are there any alternative solutions or matters that should be considered?
- Are you supportive of the proposed implementation date of 03 November 2011?
- Please state any other comments or views on the Change Proposal.

7.2 Responses should be submitted using Appendix B to [DCUSA@electralink.co.uk](mailto:DCUSA@electralink.co.uk) no later than **24 May 2011**.

7.3 Responses, or any part thereof, can be provided in confidence. Parties are asked to clearly indicate which parts of the response are to be treated confidentially.

## **8 NEXT STEPS**

8.1 Following the end of the consultation period, the responses will be reviewed by the Working Group, where after the Working Group will finalise the drafting of the CP and submit its final report to the Panel. Following Panel approval, the Change Proposal will be issued to all DCUSA Parties for voting.

8.2 If you have any questions about this paper or the DCUSA Change Process please contact the DCUSA Help Desk by email to [DCUSA@electralink.co.uk](mailto:DCUSA@electralink.co.uk) or telephone 020 7432 3011.

## **9 APPENDICES**

9.1 Appendix A – Proposed legal text.

9.2 Appendix B – Response form.